



# **Paradigm Metals**

ABN 28 102 747 133

## Half-year Financial Report 31 December 2014

**CORPORATE DIRECTORY**

**Directors**

Mr. Anthony Reilly (Executive Director)

Dr. Nicholas Lindsay (Non-Executive Director)

Mr. Brian McMaster (Non-Executive Director)

**Chief Executive Officer**

Mr. Anthony Reilly

**Company Secretary**

Mrs. Paula Cowan

**Registered Office and Principal Place of Business**

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**Auditors**

BDO Audit (WA) Pty Ltd

38 Station Street

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**Stock Exchange Listing**

Australian Securities Exchange

ASX Code: PDM

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## **DIRECTORS' REPORT**

The directors of Paradigm Metals Limited and its subsidiaries ("Paradigm" or the "Group") submit the financial report of the Group for the half-year ended 31 December 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### **Directors**

The names of directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Anthony Reilly	Executive Director
Mr Brian McMaster	Non-Executive Director
Dr Nicholas Lindsay	Non-Executive Director (appointed 13 October 2014)
Dr Graham Carman	Former Non-Executive Director (resigned 13 October 2014)

### **Results**

The loss after tax for the half-year ended 31 December 2014 was \$1,576,916 (31 December 2013 loss of \$774,795).

### **Review of Operations**

Paradigm Metals Limited ("Paradigm") reviewed opportunities for investment in Australia and overseas which culminated in the announcement on the 3<sup>rd</sup> November 2014 the details of an agreement to acquire up to 80% of the Caninde Graphite project in Ceara State, Brazil.

### **Caninde Graphite Project**

This is an exceptional acquisition and growth opportunity for the Company with considerable work already completed on the project and represents an immediate opportunity for the Company to fast track a project towards development.

#### **Highlights:**

- Granted 15,614Ha project area
- Massive flake Graphite identified
- Multiple prospects identified, sampled and trenched
- Analytical results for surface grab rock chip samples as high as 42.04% Cg.
- Brazil is a leading global producer and end user of graphite.

#### **High grade trenching results including:**

##### **Pedra Preta Prospect**

25.3 metres at 13.29% Cg, incl 9.3 metres at 20.76% Cg

7.2 metres at 13.01% Cg,

3 metres at 8.9% Cg

##### **Mariana Prospect**

4.5 metres at 8.25% Cg

##### **Salgueiro Prospect**

1.5 metres at 30.2% Cg

2 metres at 23.13% Cg

##### **Sao Luis Prospect**

12 metres at 5.5% Cg  
6 metres at 4.44% Cg  
4 metres at 8.93% Cg

The project is located approximately 135 kilometres southwest of Fortaleza city (Capital of Ceara State, Brazil) and the closest city is Canindé, 25 km to northeast of the mineral properties, with approximately 74,000 inhabitants. The southern portion of the project is crossed by the paved highway BR-020.

The project comprises 17 individual tenements with sizes varying from 634 hectares up to 985 hectares, totalling 15,614 hectares. All areas have the exploration licenses granted (figure 1).

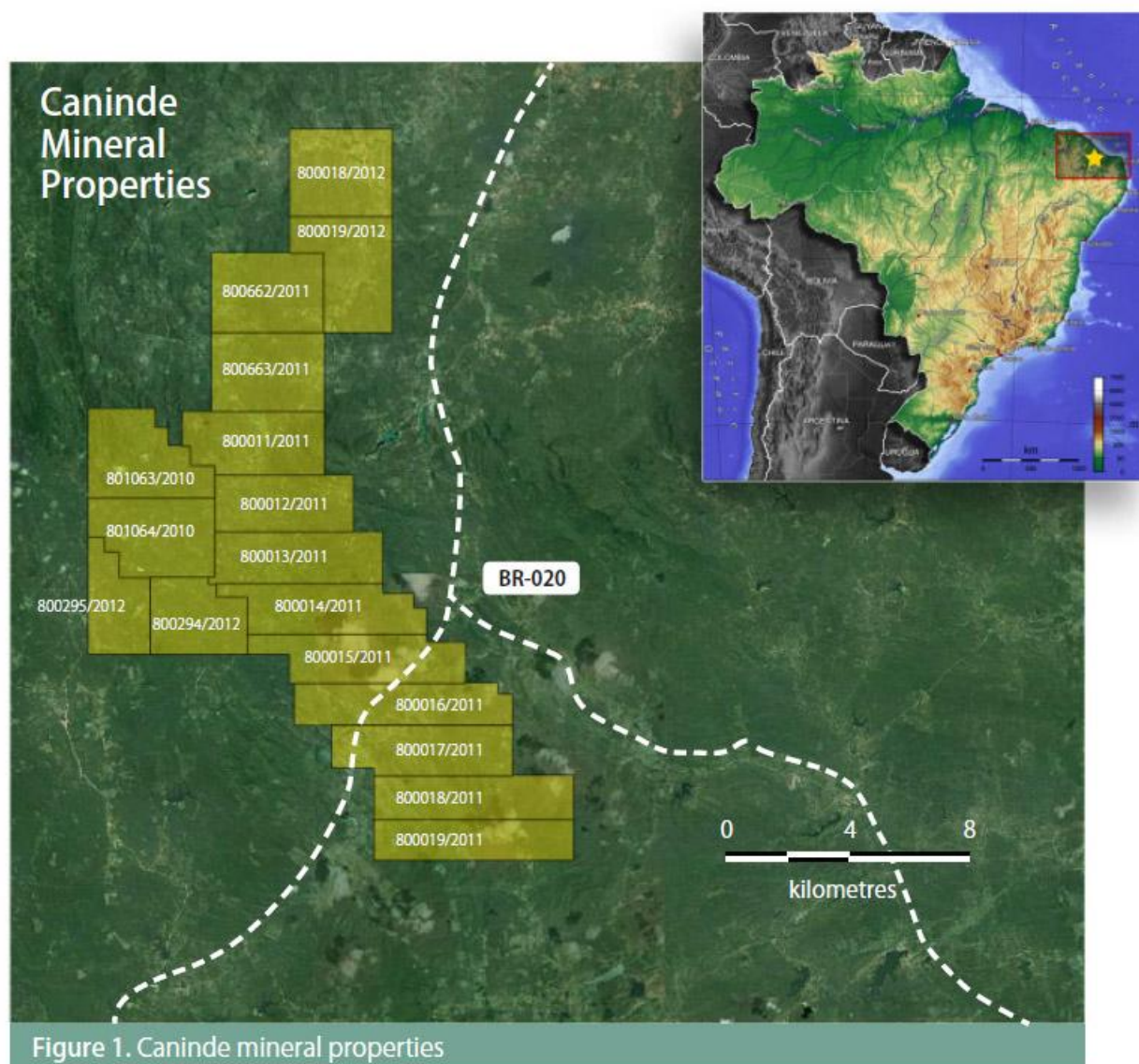


Figure 1. Caninde mineral properties

Geologically, the project lies within the lateoproterozoic Ceara Complex which includes amphibolites, mica and Graphite schists, quartzites, para-and-ortho-gneisses from the Caninde upper unit and, quartzites, mica schists, metalimestones, amphibolites, gneisses from the Independência lower unit.



To date, three (3) main types of Graphite occurrences have been recognised within the project. Type 1 is represented by stratabound massive Graphite bands or graphite-rich beds with thicknesses ranging from few centimetres to several metres and grades from 5 to 20% Cg, suggesting the best targets in terms of tonnage (figure 2). Type 2 comprises disseminated low grade graphite-bearing mica-schists with grades ranging from 0.2 to 2.0% Cg. Type 3 is related to massive Graphite discordant lenses or veins with thicknesses up to few metres and grades from 15 to 35% Cg, representing an opportunity for low tonnage and high-grade targets (figure 3).

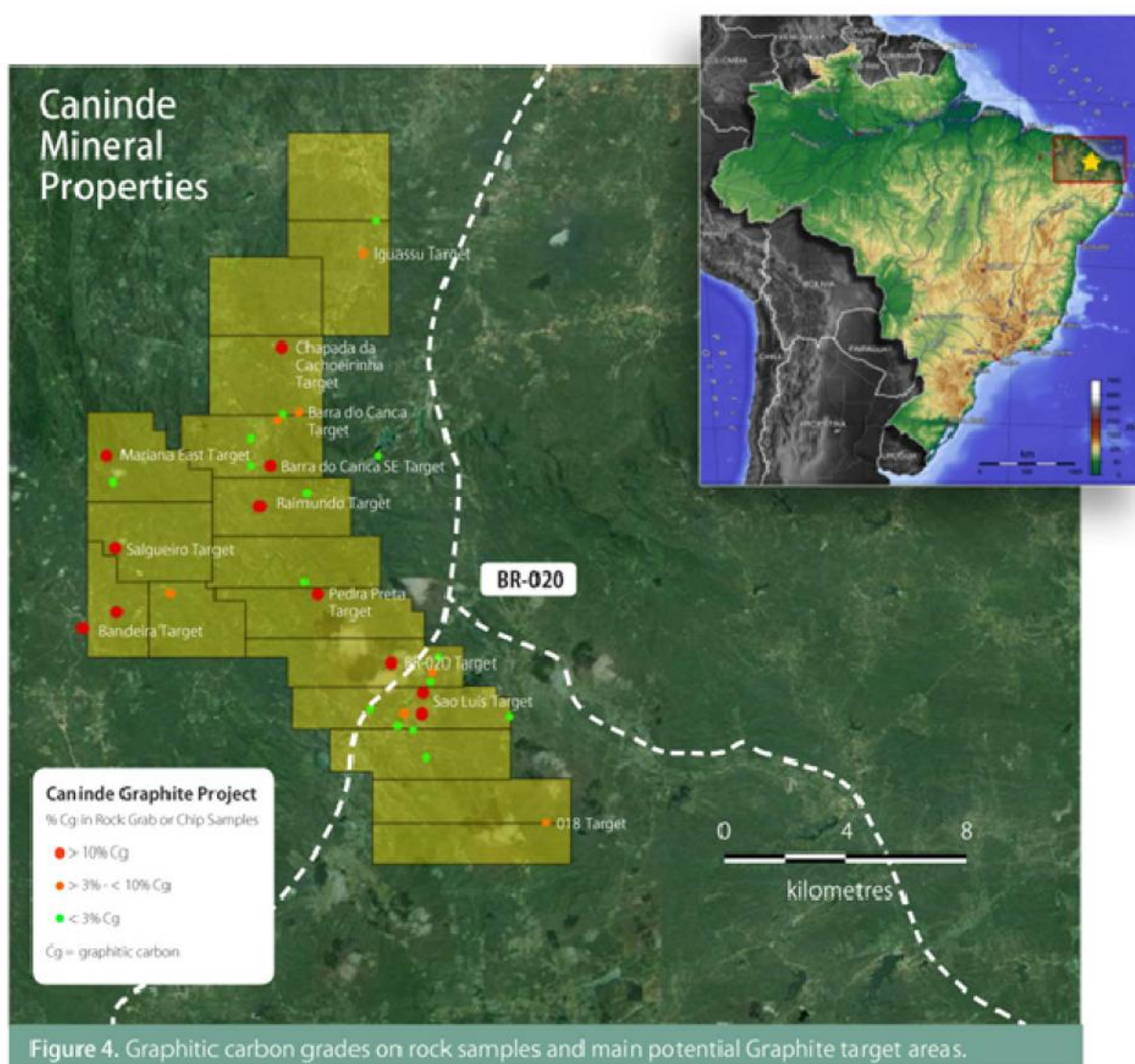
**Figure 2.**  
Stratabound massive  
coarse graphite-rich  
beds (type 1).



**Figure 3.**  
Massive discordant  
Graphite lenses or  
veins (type 3).



Previous exploration included regional mapping with 1,200 geo stations along 10,000 hectares, 144 soil samples, 160 rock grab or chip samples, 458 samples from 686 shallow to bed-rock pits and 538 metres of trenches which



produced 270 channel samples. As a result of this exploration programme, twelve (12) moderate to high grade Graphite targets were delineated, based on surface rock grab or chip sampling (figure 4).

#### **Future Exploration**

The company has reviewed existing data with a view to rapidly implement a drilling program on the priority Pedra Preta prospect.

#### **The Ladies project (PDM 100%)**

No work was carried out on EL 19016 and EL 25366 during the half-year.

The Company is in discussions with several parties interested in the future development of this project.

#### **Yellow Mountain (PDM 30%, earning 51%)**

No work was carried out on EL 6325 during the half year.

The Company and its joint venture partners made the decision to discontinue exploration on the Yellow Mountain project and to dissolve the joint venture.



The Company submitted final regulatory reporting on the tenement which has subsequently been dropped and the Company has no further interest in or commitment to the project

**White Rock (PDM 100%)**

During the half year the Company entered into a conditional Tenement Sale Agreement with Strategic Metals Australia Pty Ltd to sell EL 6274 for \$140,000 plus the return of \$10,000 environmental bond.

All conditions precedent to the Tenement Sale were completed during the half year and the tenement transfer documentation has been lodged with the NSW Government Trade and Investment for approval.

**Frogmore (PDM 100%)**

No work was carried out on EL 6590 during the half year.

**Four Mile Tank (PDM 100%)**

No work was carried out on EPM 18294 during the half year

**Corporate**

During the period the Group appointed Dr Nicholas Lindsay as Non-executive Director and Dr Graham Carman resigned as Non-executive Director.

During the period the Company reached an agreement with CPS Capital Group Pty Ltd to underwrite a non-renounceable rights issue to existing shareholders on a 1 for 2 basis at an issue price of \$0.002 per Share with a free attaching listed option (exercisable at \$0.002 and expiry of 31<sup>st</sup> December 2016) to raise \$525,215 before costs.

**Subsequent Events**

The Company completed the allotment and issue of 218,107,428 shares pursuant to the renounceable entitlements issue on 28 January 2015.

There are no other significant events subsequent to the end of the reporting period.

**Auditor's Independence Declaration**

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Paradigm Metals Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within this report

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.



**Brian McMaster**

**Non-Executive Director**

26 February 2015

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled and reviewed by Mr Paulo Brito. Mr Brito is a consulting geologist for Paradigm Metals Limited and is a member of AusIMM-The Minerals Institute, as well as a member of Australian Institute of Geoscientists.*

*Mr Brito has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Brito consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF PARADIGM METALS LIMITED

As lead auditor for the review of Paradigm Metals Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Paradigm Metals Limited and the entities it controlled during the period.



Phillip Murdoch  
Director

BDO Audit (WA) Pty Ltd

Perth, 26 February 2015

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
for the half-year ended 31 December 2014

	Note	2014 \$	2013 \$
<b>Continuing operations</b>			
Other revenue		5,955	19,238
<b>Revenue</b>		<b>5,955</b>	<b>19,238</b>
Listing and public company expenses		(28,202)	(23,764)
Accounting and audit expenses		(52,293)	(51,343)
Consulting and directors' fees		(65,015)	(183,022)
Occupancy expenses		(45,000)	(60,000)
Depreciation		(280)	(5,027)
Employee benefit expense		(71,450)	(69,017)
Loss on disposal of exploration asset	3	(765,763)	-
Impairment of exploration expenditure	3	(520,649)	(361,849)
Other expenses		(34,219)	(40,011)
<b>Loss before income tax</b>		<b>(1,576,916)</b>	<b>(774,795)</b>
Income tax expense		-	-
<b>Loss after income tax</b>		<b>(1,576,916)</b>	<b>(774,795)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the half-year</b>		<b>(1,576,916)</b>	<b>(774,795)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)		(0.34)	(0.18)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position**  
as at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		377,759	669,399
Other receivables		13,497	55,362
<b>Total Current Assets</b>		<b>391,256</b>	<b>724,761</b>
<b>Non-Current Assets</b>			
Deferred exploration and evaluation expenditure	3	2,265,106	3,185,035
Plant and equipment		1,023	1,303
Other receivables		96,782	89,381
<b>Total Non-Current Assets</b>		<b>2,362,911</b>	<b>3,275,719</b>
<b>Total Assets</b>		<b>2,754,167</b>	<b>4,000,480</b>
<b>Current Liabilities</b>			
Trade and other payables		174,928	117,736
<b>Total Current Liabilities</b>		<b>174,928</b>	<b>117,736</b>
<b>Non-Current Liabilities</b>			
Long term provisions		5,000	5,000
<b>Total Current Liabilities</b>		<b>5,000</b>	<b>5,000</b>
<b>Total Liabilities</b>		<b>179,928</b>	<b>122,736</b>
<b>Net Assets</b>		<b>2,574,239</b>	<b>3,877,744</b>
<b>Equity</b>			
Issued capital		13,268,800	12,995,389
Reserves		103,409	103,409
Accumulated losses		(10,797,970)	(9,221,054)
<b>Total Equity</b>		<b>2,574,239</b>	<b>3,877,744</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity**

**Half-year ended 31 December 2014**

	<b>Issued Capital</b> \$	<b>Share Based Payment Reserve</b> \$	<b>Accumulated Losses</b> \$	<b>Total</b> \$
<b>Balance as at 1 July 2014</b>	<b>12,995,389</b>	<b>103,409</b>	<b>(9,221,054)</b>	<b>3,877,744</b>
<b>Total comprehensive loss for the half-year</b>				
Loss for the half-year	-	-	(1,576,916)	(1,576,916)
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(1,576,916)</b>	<b>(1,576,916)</b>
<b>Transactions with owners in their capacity as owners</b>				
Shares issued for part consideration of the Caninde Project	200,000	-	-	200,000
Rights issue acceptances	89,000	-	-	89,000
Transaction costs relating to issue of shares	(15,589)	-	-	(15,589)
	<b>273,411</b>	<b>-</b>	<b>-</b>	<b>273,411</b>
<b>Balance at 31 December 2014</b>	<b>13,268,800</b>	<b>103,409</b>	<b>(10,797,970)</b>	<b>2,574,239</b>

**Half-year ended 31 December 2013**

<b>Balance as at 1 July 2013</b>	<b>12,995,389</b>	<b>103,409</b>	<b>(8,149,151)</b>	<b>4,949,647</b>
<b>Total comprehensive loss for the half-year</b>				
Loss for the half-year	-	-	(774,795)	(774,795)
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>-</b>	<b>(774,795)</b>	<b>(774,795)</b>
<b>Balance at 31 December 2013</b>	<b>12,995,389</b>	<b>103,409</b>	<b>(8,923,946)</b>	<b>4,174,852</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows**  
for the half-year ended 31 December 2014

	2014 \$	2013 \$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(246,158)	(450,717)
Interest received	8,222	26,379
<b>Net cash outflow from operating activities</b>	<b>(237,936)</b>	<b>(424,338)</b>
<b>Cash flows from investing activities</b>		
Proceeds from the sale of exploration assets	140,000	505
Tenement expenditure guarantees refunded	30,000	-
Payments for exploration and evaluation expenditure	(308,661)	(246,612)
<b>Net cash outflow from investing activities</b>	<b>(138,661)</b>	<b>(246,107)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of equity securities (net of issue costs)	73,411	-
Proceeds from shares not yet issued	11,546	-
<b>Net cash inflow from financing activities</b>	<b>84,957</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(291,640)</b>	<b>(670,445)</b>
Cash and cash equivalents at beginning of period	669,399	1,681,925
<b>Cash and cash equivalents at the end of the period</b>	<b>377,759</b>	<b>1,011,480</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



**Notes to the Consolidated Financial Statements**

for the half-year ended 31 December 2014

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Corporate Information**

This general purpose half-year financial report of Paradigm Metals Limited and its subsidiary (the Group) for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 26 February 2015.

Paradigm Metals Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Director's Report.

**Basis of Preparation**

This financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2014 and considered together with any public announcements made by Paradigm Metals Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period. The accounting policies adopted are consistent with those of the previous financial year.

**New and amending Accounting Standards and Interpretations**

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies and has had no effect on the amounts reported for the current or prior periods.

**NOTE 2: SEGMENT REPORTING**

For management purposes, the Group is organised into one main operating segment, which involves exploration for gold and other minerals. All of the Company's activities are interrelated, and discrete financial information is reported to the Executive Chairman (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

**Notes to the Consolidated Financial Statements**  
for the half-year ended 31 December 2014

**NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE**

	<b>31 December 2014 \$</b>	<b>30 June 2014 \$</b>
At beginning of the period	3,185,035	3,203,959
Exploration expenditure during the period*	366,483	344,025
Loss on disposal of exploration asset	(765,763)	-
Impairment expense	(520,649)	(362,949)
Total deferred exploration and evaluation expenditure	<b>2,265,106</b>	<b>3,185,035</b>

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas. The impairment loss relates to the withdrawal from various tenements held that the Group has made a decision to not continue exploration work and accordingly wrote down the carrying value to nil.

\*Under the terms of the agreement to acquire up to 80% of the Caninde Graphite project in Ceara State, Brazil the Company can earn an initial 51% of the project as follows:

	Payment (US\$)*	Exploration (US\$)	Drilling (metres)
Initial payment	\$100,000		
Within 12 months	\$100,000		1,000
Within 24 months	\$100,000		1,000
Within 36 months	\$100,000	\$2,000,000	1,000
* May elect to receive payment in either cash or shares			

Once the Company has earned a 51% interest it may earn an additional 19% interest as follows;

	Payment (US\$)*	Exploration (US\$)	Deliverables
Within 48 months	\$100,000		Prefeasibility Study
Within 60 months	\$100,000	\$2,500,000	Feasibility Study
* May elect to receive payment in either cash or shares			

When the Company has delivered a Bankable Feasibility Study, Environmental Permitting and applied for a Mining License to earn its additional 19% interest, it may earn the final 10% interest (for a total of 80%) by paying US\$100,000 and putting the project into commercial production within 72 months of the Agreement date.

The Company can withdraw from this agreement at any time by the provision of 30 days' notice.

For the assignment of the rights and obligations of the Share Purchase Agreement the Company shall:

- Issue 100,000,000 (one hundred million) fully paid ordinary shares in the Company on the signing date;
- Issue 100,000,000 (one hundred million) fully paid ordinary shares in the Company after drilling 2,000 metres on the areas covered by the project tenements;
- Issue 100,000,000 (one hundred million) fully paid ordinary shares in the Company after a JORC resources report with +4Mt at +4%TGC is prepared.

**Notes to the Consolidated Financial Statements**  
for the half-year ended 31 December 2014

**NOTE 4: ISSUED CAPITAL**

**(a) Issued and paid up capital**

Ordinary shares fully paid	<b>13,268,800</b>	<b>12,995,389</b>
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	<b>2014</b>		<b>2013</b>	
	<b>Number of shares</b>	<b>\$</b>	<b>Number of shares</b>	<b>\$</b>
<b>(b) Movements in shares on issue</b>				
Opening balance	425,215,010	12,995,389	425,215,010	12,995,389
Issue of shares	144,500,077	289,000	-	-
Costs of issue	-	(15,589)	-	-
Closing balance	<b>569,715,087</b>	<b>13,268,800</b>	<b>425,215,010</b>	<b>12,995,389</b>

**NOTE 5: DIVIDENDS**

No dividends have been paid or provided for during the half-year (2013: nil).

**NOTE 6: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

**NOTE 7: SUBSEQUENT EVENTS**

There are no significant events subsequent to the end of the reporting period.

**DIRECTORS' DECLARATION**

In the opinion of the directors of Paradigm Metals Limited and its subsidiary (the 'Group'):

1. The financial statements and notes thereto, as set out on pages 7 to 13, are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5)(a) of the Corporations Act 2001.



**Brian McMaster**  
**Non-Executive Director**

26 February 2015

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Paradigm Metals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paradigm Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paradigm Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Paradigm Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.





## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paradigm Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', is written over a horizontal line.

Phillip Murdoch  
Director

Perth, 26 February 2015