

26 May 2015

Dear Optionholder,

#### **PARTICIPATION IN PRO-RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE**

As announced to ASX on 22 May 2015, Paradigm Metals Limited (**Paradigm**) is undertaking a pro-rata non-renounceable entitlement issue of approximately 733,903,149 fully paid ordinary shares in the capital of the Company (**Shares**) at an issue price of \$0.003 per Share with 1 free attaching Option for every 2 Shares subscribed to its shareholders who are registered as shareholders at 5pm (WST) on 29 May 2015 (**Record Date**) to raise approximately \$2,201,709 (**Entitlement Issue**).

The Shares will be offered on the basis of 6 new Shares for every 7 Shares held as at the Record Date with 1 free attaching Option for every 2 Shares subscribed and allotted under the Entitlement Issue (**Offer**). The Shares offered under the Entitlement Issue will rank equally with the Shares on issue at the date of the prospectus.

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 5pm (WST) on 29 May 2015, whose registered address is in Australia or New Zealand.

The rights attaching to the Shares together with all other relevant information relating to the Entitlement Issue are set out in a prospectus which was lodged with the Australian Securities and Investments Commission and ASX on 22 May 2015 (**Prospectus**). New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue. A copy of the Prospectus, together with the Entitlement and Acceptance Form, will be sent to shareholders on or about 3 June 2015.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Item	Proceeds of the Offer	(\$)	%
1.	Geophysics – Caninde Graphite Project	150,000	6.81
2.	Metallurgy – Caninde Graphite Project	50,000	2.27
3.	Mapping and trenching – Caninde Graphite Project	100,000	4.54
4.	Drilling – Caninde Graphite Project	900,000	40.88
5.	Acquisition Payments – Caninde Graphite Project	250,000	11.36
6.	Market research – Brazil graphite	50,000	2.27
7.	Expenses of the Offer	168,830	7.67
8.	Working capital	532,879	24.20
	<b>Total</b>	<b>2,201,709</b>	<b>100</b>

*The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.*

There is no inherent right in your Options to participate in the Entitlement Issue, unless you exercise your Options and are entered onto the register as a shareholder on or before the Record Date. The purpose of this letter is to give you notice prior to the Record Date in which you may exercise your Options should you wish to participate in the Entitlement Issue.

If you wish to participate in the Entitlement Issue you must exercise your Options in time for the new Shares to be allotted before the Record Date. To ensure that your new Shares are allotted before the Record Date your notice of exercise of Options together with your cheque for the necessary amount must be received by Automatic Registry Services **no later than 29 May 2015**. Any notice of exercise of Options received after this date cannot be assured of allotment before the Record Date.

If you do not wish to participate in the Entitlement Issue (in respect of your Options) you do not need to take any action.

Before deciding whether to exercise all or any of your Options, you should consider the terms of the Entitlement Issue carefully and if in any doubt, consult with your professional advisor.

Yours sincerely

Paula Cowan  
**Company Secretary**  
**PARADIGM METALS LIMITED**