



# **Paradigm Metals**

**Limited**

ABN 28 102 747 133

Annual Report

30 June 2014

# Corporate Directory

## Directors

Mr. Anthony Reilly (Executive Director)

Dr. Graham Carman (Non-Executive Director)

Mr. Brian McMaster (Non-Executive Director)

## Chief Executive Officer

Mr. Anthony Reilly

## Company Secretary

Mr Jonathan Hart

## Registered Office and Principal Place of Business

Level 1

330 Churchill Avenue

SUBIACO, WA 6008

Australia

Telephone: + 618 9200 4491

Facsimile: + 618 9200 4469

## Share Registry

Automic Registry Services Pty Ltd

Level 1

7 Ventnor Ave

WEST PERTH WA 6005

Telephone: + 618 9324 2099

Facsimile: + 618 9321 2337

## Auditors

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

## Stock Exchange Listing

Australian Securities Exchange

ASX Code: PDM

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## Paradigm Metals Limited – Directors’ Report

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The directors of Paradigm Metals Limited (“Paradigm” or the “Group”) submit the financial report of the Group for the year ended 30 June 2014. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names, qualifications and experience of the Group’s Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire financial year unless otherwise stated.

#### ***Mr. Anthony Reilly – Executive Director (appointed 13 September 2013), Chief Executive Officer***

Mr Reilly has over 20 years experience in financial markets, financial risk management and corporate finance. Working in investment banking, his clients have included a number of global corporations and fund managers based in Australia, the UK and Europe. He has also served as an Executive Director of ASX listed Venturex Resources Pty Ltd and brings outstanding industry experience to Paradigm Metals as it continues to aggressively seek new project opportunities. Mr. Reilly was previously a Director of Venturex Resources Limited (appointed 1 July 2009, resigned 30 June 2012). He has not held any other listed directorships in the past three years.

#### ***Dr. Graham Carman – Non-executive Director***

Dr Carman is a geologist with over 20 years’ experience in mineral exploration world-wide. He has worked mostly in Peru, Australia, and Papua New Guinea, completing a PhD at Monash University in 1994 studying the Lihir Island gold deposit. He lived in Peru for seven years during the 1990s, working firstly with Rio Tinto Exploration and then with Savage Resources Ltd (latterly Pasminco Ltd) as Exploration Manager. Dr Carman co-founded Paradigm in 2003 and was Managing Director until November 2011. Dr Carman is currently President, CEO and director of Tinka Resources Ltd (TSXV listed) (appointed July 2014).

#### ***Mr. Brian McMaster – Non-executive Director***

Mr. McMaster is a Chartered Accountant, and has over 20 years’ experience in the area of corporate reconstruction and turnaround/performance improvement. Formerly, Mr. McMaster was a partner of the restructuring firm Korda Mentha and prior to that was a partner at Ernst & Young. His experience includes significant working periods in the United States, South America, Asia and India.

Mr. McMaster is currently a director of Caravel Energy Limited (appointed 2 December 2011), Wolf Petroleum Limited (appointed 24 April 2012), Black Star Petroleum Limited (appointed 9 August 2012), Lindian Resources Limited (appointed 20 June 2011), Castillo Copper Limited (appointed 31 August 2013), Haranga Resources Limited (appointed 1 April 2014) and Triumph Tin Limited (appointed 1 April 2014). Mr. McMaster was previously a director of The Waterberg Coal Company Limited (appointed 12 April 2012, resigned 17 March 2014) and Firestone Energy Limited (appointed 14 June 2013, resigned 18 March 2014). He has not held any other listed directorships in the past three years. Mr. McMaster is also a director in venture capital and advisory firm Garrison Capital Pty Limited.

#### ***Mr. Mattheus Pieterse – Executive Director (resigned 13 September 2013)***

Mr Pieterse has 20 years’ experience as an investment banking and corporate finance professional. He is the co-founder and former Managing Director of The Beijing Axis, a China-focused advisory firm specializing in corporate finance advisory and transaction origination services. Prior to founding The Beijing Axis, he was the co-founder and Investment Director of Creative Ventures Limited, a UK Venture Capital Fund Manager and has held senior investment banking roles with Calyon and UBS. Mr Pieterse holds a B.Com Honours Degree from the University of Johannesburg. Mr Pieterse has not held any listed directorships in the past three years.

### COMPANY SECRETARY

Mr. Jonathan Hart was appointed as Company Secretary on 9 December 2014 following the resignation of Mr. David McEntaggart.

## Paradigm Metals Limited – Directors’ Report

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### INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Paradigm Metals Limited were:

Director	Ordinary Shares	Options
A. Reilly	-	-
G. Carman	7,372,822	-
B. McMaster	15,454,085	-

### RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$1,071,903 (2013: \$801,386).

### DIVIDENDS

No dividend was paid or declared by the Group during the year and up to the date of this report.

### CORPORATE STRUCTURE

Paradigm Metals Limited is a company limited by shares that is incorporated and domiciled in Australia.

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Paradigm Metals Limited (“Paradigm”) is continuing its focus on gold and copper exploration in central New South Wales and northwest Queensland. The Group also continues to review opportunities for investment in Australia and overseas.

### EMPLOYEES

The Group had one employee at 30 June 2014 (2013: one).

### REVIEW OF OPERATIONS

#### THE LADIES (PDM 100%)

EPM 19016 and EPM 25366 “The Ladies” is a copper-gold project located 70km southwest of Cloncurry in northwest Queensland, and about 20km south of the old Mary Kathleen uranium mine.

EPM 19016 was granted to Paradigm in February 2013 for a period of five years and EPM 25366 was granted in May 2014 for a period of three years.

During the year of review the company completed two significant phases of exploration at “The Ladies”, namely.

In the September 2013 quarter the company completed a soil geochemistry program followed with a first pass RC drilling program over three prospects which was completed in the December 2013 quarter. Results are summarised below:

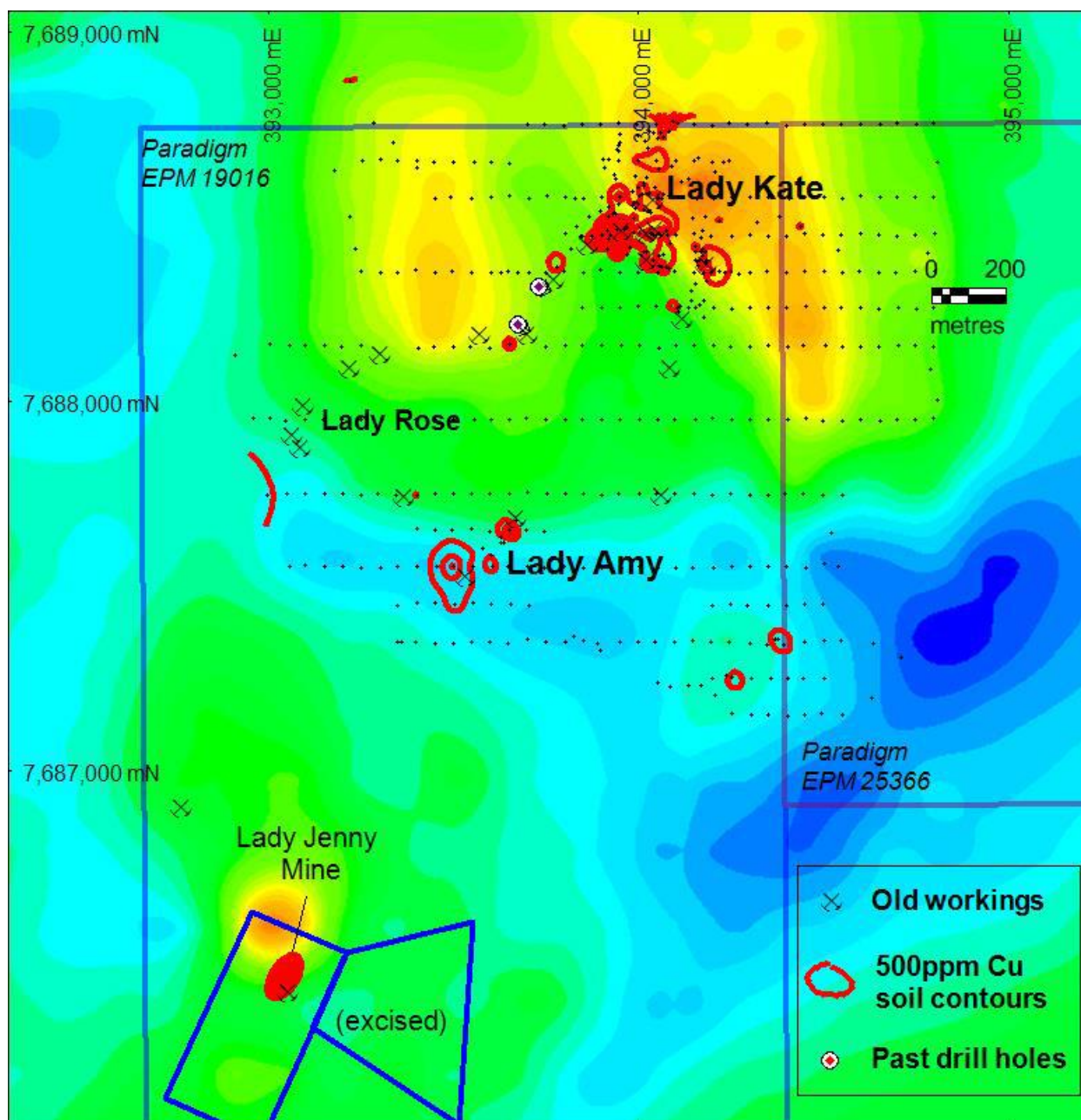


Figure 1.

#### Soil and termite mound sampling

Paradigm analysed 498 in situ soil and termite mound samples over a 2 km x 1.5 km using a portable XRF analyser on a 50m by 200m grid – see Figure 1. Copper values ranged from 20 ppm to 10,600 ppm (1.06%) copper. The highest results occurred in the Lady Kate area over a 200m by 300m area, with several termite mounds recording over 2,000 ppm (0.2%) copper.

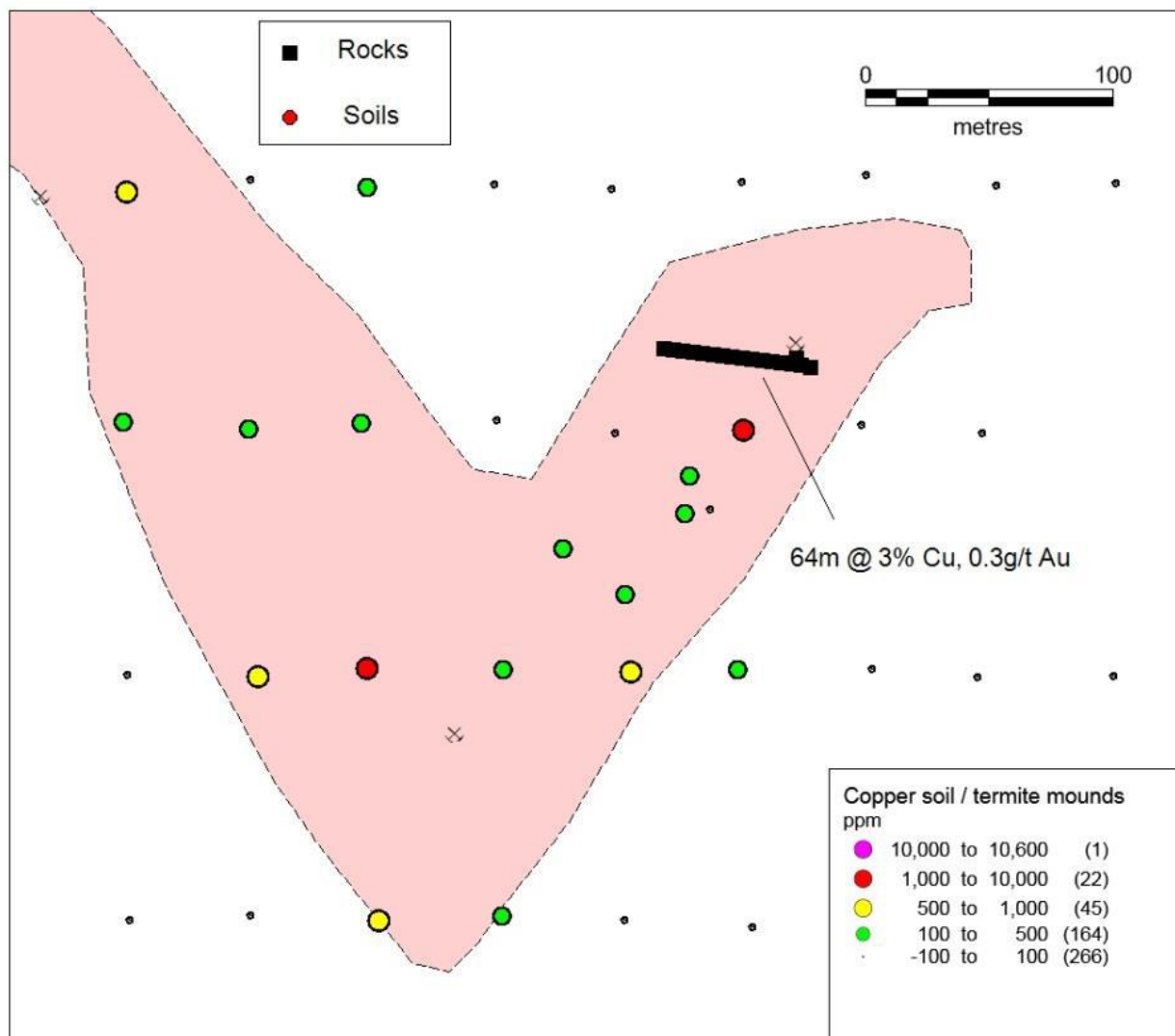


Figure 2.

#### Lady Amy rock sampling

The Lady Amy area has a number of shallow copper shafts which expose copper oxide mineralization along an old mining wall. A 64m wide wall returned an average grade of 3% copper and 0.3g/t gold based on sixteen 4m semi-continuous (SC) linear chip samples taken approximately perpendicular to strike. Secondary copper mineralization (malachite, minor azurite) occur throughout - see Figure 2.

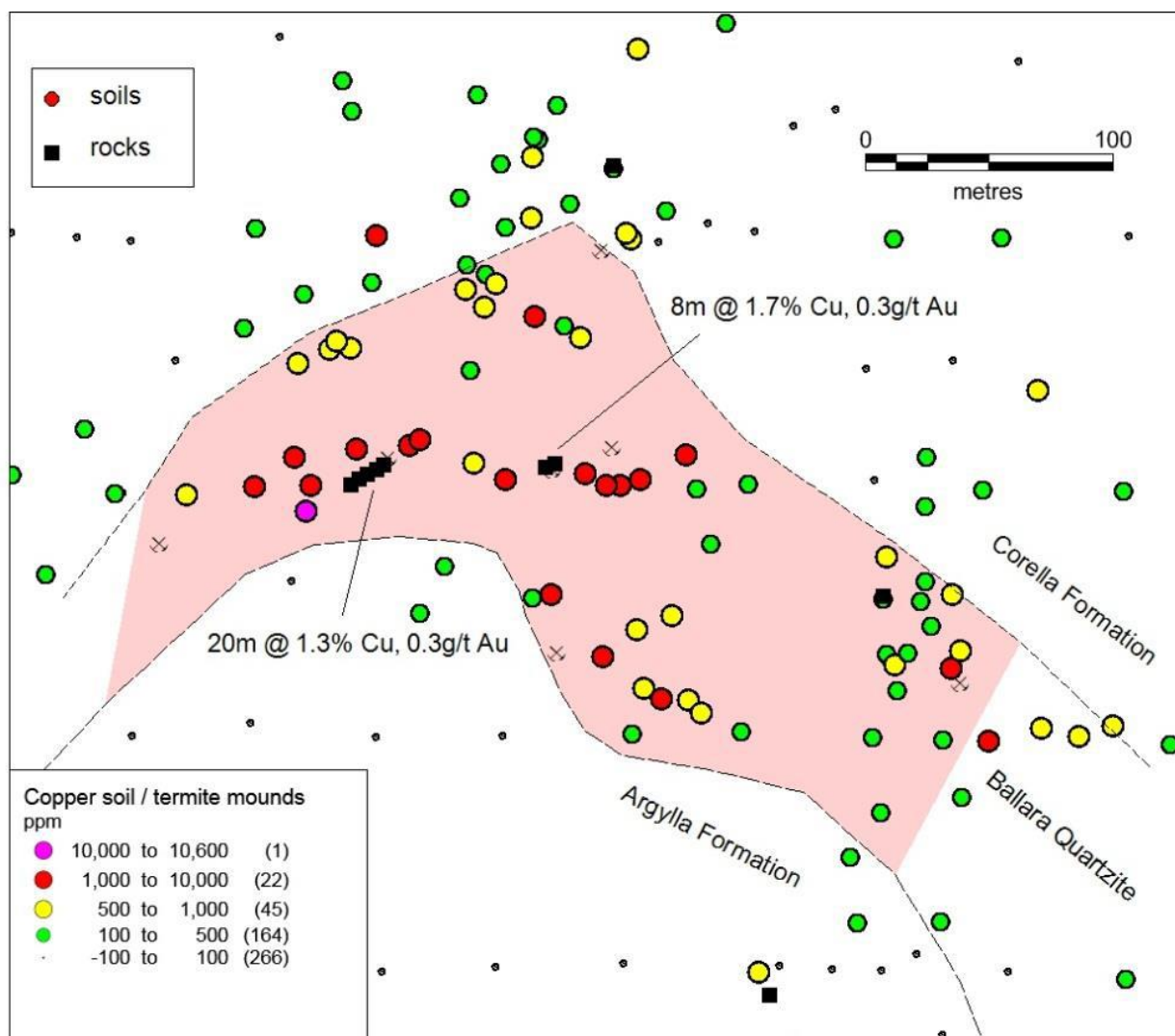


Figure 3.

## Lady Kate rock sampling

The Lady Kate area has a number of shallow copper shafts, although outcrop is generally poor across much of the area. The wall of a 20m wide copper digging returned an average grade of 1.3% copper and 0.3g/t gold from semi continuous rock chip sampling with samples collected approximately perpendicular to strike. A semi continuous sample across a second digging returned 8m with an average grade of 1.7% copper and 0.3g/t gold - see Figure 3.

## RC Drilling

The company successfully completed a six (6) hole RC drill programme at three prospects for a total of 816 metres at the Ladies project in the December 2013 quarter. Refer ASX announcement 7th January 2014 for full details of all drill results for the six Paradigm holes, and two previous drill holes. Key results are detailed below and plotted in Figure 4.

### **Key Results:**

#### ➤ **Lady Kate:**

##### LKTPDM001:

- 15m at 2.00% copper and 0.34g/t gold from 17m depth (oxide) including 2m at 11.0% copper and 1.85g/t gold from 22m.

##### LKTPDM002:

- 18m at 1.03% copper and 0.10g/t gold from 25m (mixed oxide and sulphide).



## Paradigm Metals Limited – Directors' Report

### ➤ Lady Rose:

LKTPDM005:

- 16m at 0.51% copper and 0.04g/t gold from surface (oxide);
- 28m at 0.70% copper and 0.14g/t gold from 72m (sulphide) including 6m at 1.5% copper and 0.28g/t gold from 90m.

LKTPDM006:

- 4m at 1.9% Cu and 0.14g/t Au from 82m (sulphide).

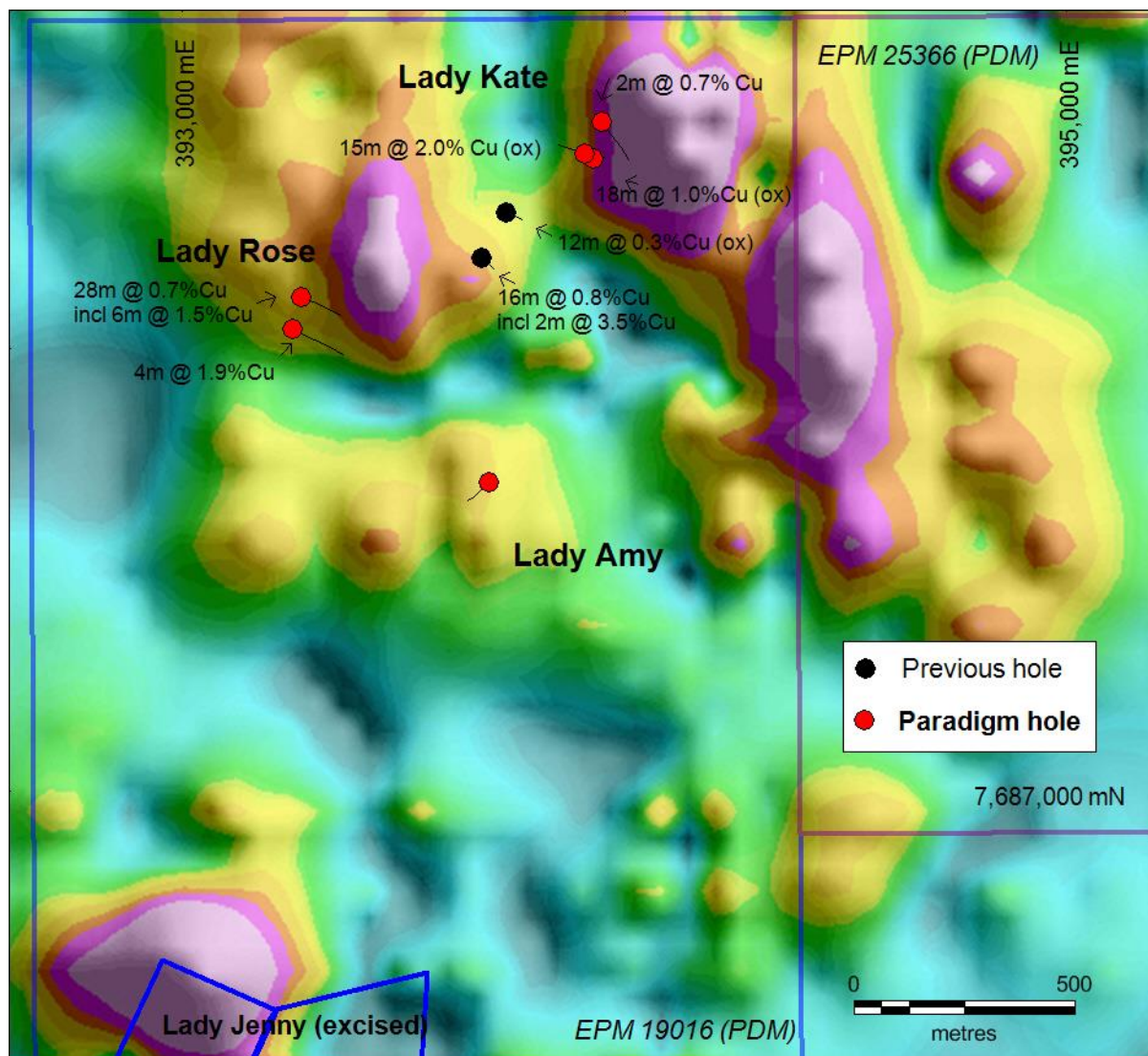
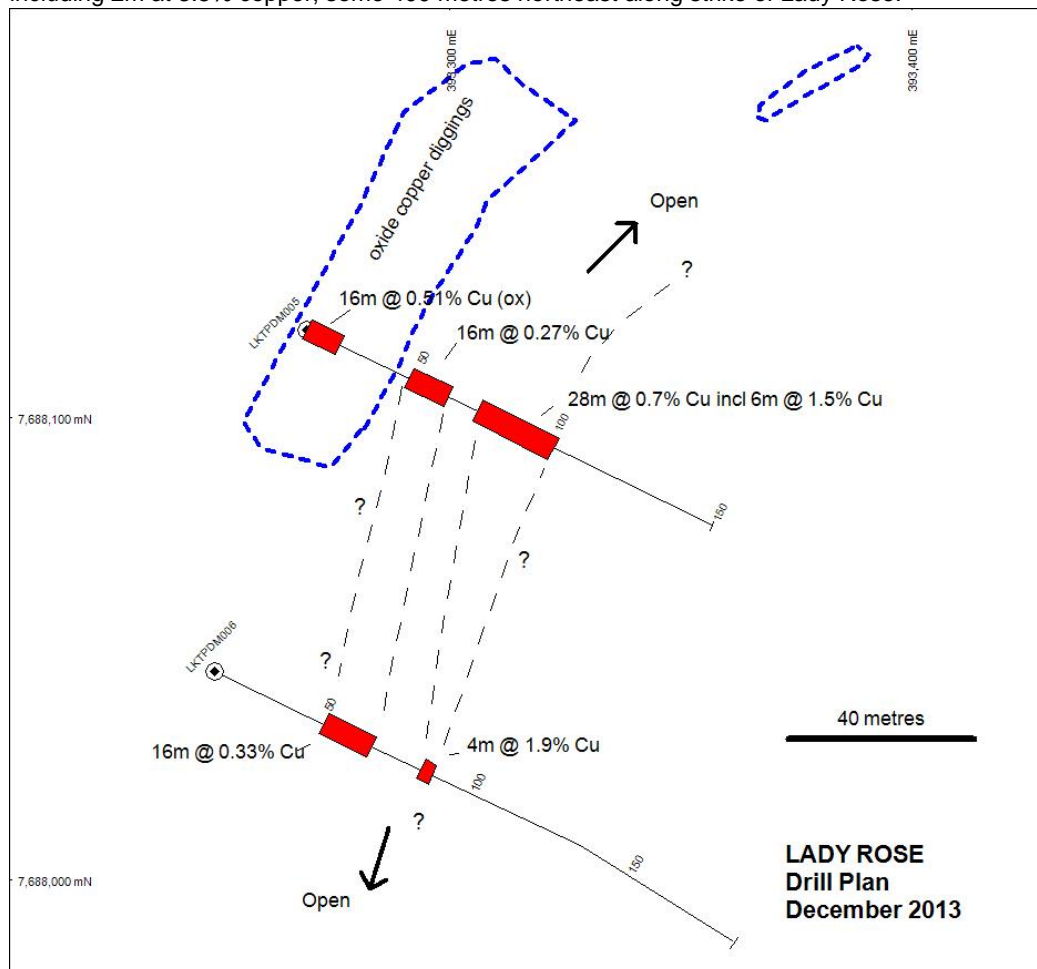


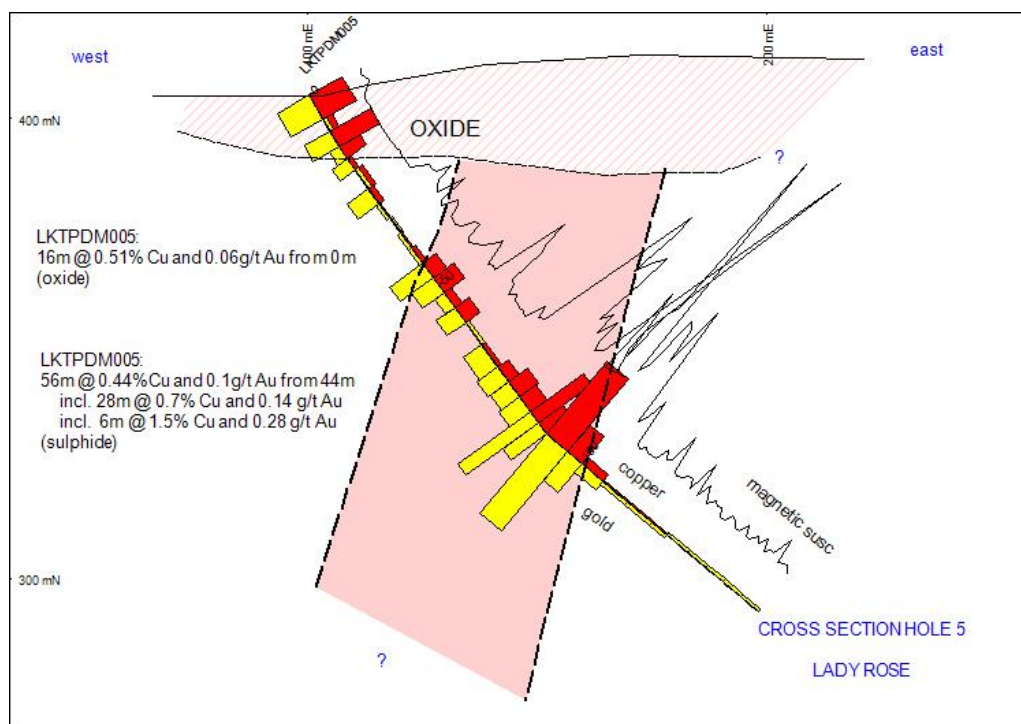
Figure 4. Drill map of Ladies project on airborne magnetic image (analytic signal).

## Paradigm Metals Limited – Directors' Report

Drill hole LKTPDM005 intersected three continuous zones of low to moderate copper gold mineralisation in the top 100 metres – see Figures 5 and 6. Copper gold mineralisation in drill hole LKTPDM005 is open along strike. A previous drill hole by Placer Exploration in 1992, MD-1, intersected 16m at 0.8% Cu and 0.1g/t gold from 46m, including 2m at 3.5% copper, some 400 metres northeast along strike of Lady Rose.



**Figure 5.** Drill plan of Lady Rose with copper intersections and interpretation of strike direction



**Figure 6.** Cross section of drill hole LKTPDM005 at Lady Rose with gold, copper, magnetic susceptibility

## **Paradigm Metals Limited – Directors' Report**

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### **➤ Lady Amy:**

The Lady Amy area was drilled with one (1) hole to a total depth of 114 metres, aimed to test beneath oxide copper workings that had been channel sampled by the Company. No significant mineralisation was intersected. It is interpreted that the mineralization observed at surface is either faulted off or changes strike so as not to have been intersected at depth.

### **YELLOW MOUNTAIN (PDM 30%, earning 51%)**

No work was carried out on EL 6325 Yellow Mountain during the financial year. The company is reviewing its commitment to the future exploration expenditure under the agreement.

### **WHITE ROCK (PDM 100%)**

No work was carried out on EL 6274 during the financial year.

However, during the year the company continued discussions regarding various development options with interested third parties.

### **FROGMORE (PDM 100%)**

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

### **KANGIARA**

EL 7273 was relinquished during the June 2014 quarter with the company in receipt of its environmental bond.

### **FOUR MILE TANK (PDM 100%)**

No work was carried out on EPM 18294 during the financial year.

## **CORPORATE**

### **Board Changes**

Mr Mattheus Pieterse resigned as executive director and the Company announced the appointment of Mr Anthony Reilly as Executive Director of the Company on the 13 September 2013.

### **NEW OPPORTUNITIES**

The Company continues to review a number of new resource project opportunities both in Australia and overseas which will complement its current focus on base metals and gold.

### **FARM-OUTS**

Paradigm is continuing its discussions with parties interested in farming-in to its non-core base metals and silver projects in New South Wales.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the year.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There were no known significant events from the end of the financial year to the date of this report.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the Group are set out in the above review of operations in this annual report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of future exploration and evaluation.

## Paradigm Metals Limited – Directors’ Report

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### ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the Commonwealth of Australia, the State of Queensland and the State of New South Wales. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licenses.

### SHARE OPTIONS

As at the date of this report, there were no shares under options.

No options were issued during the financial year.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has entered into deeds with each of the Directors under which the Group has agreed to indemnify the Directors on a full indemnity basis and to the full extent permitted by law for losses or liabilities incurred as an officer of the Group.

During the financial year, the Group has paid an insurance premium in respect of a contract insuring each of the Directors and Group Secretary of the Group, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. Disclosure of the total amount of the premium and the nature of the liabilities in respect of such insurance is prohibited by the policy.

### DIRECTORS’ MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Mr. Anthony Reilly	2	2
Dr. Graham Carman	2	2
Mr. Brian McMaster	2	2
Mr. Mattheus Pieterse	1	1

### PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Paradigm Metals Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Paradigm Metals is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost effective corporate governance policy for the Group. The Group’s Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

### AUDITOR’S INDEPENDENCE AND NON-AUDIT SERVICES

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

## Paradigm Metals Limited – Directors' Report

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Non-audit services provided by the auditors of the consolidated entity during the year are detailed in note 17 of the financial report. The Directors are satisfied that the provision of the non-audit services during the year by the auditor did not compromise the general principles relating to auditor independence in accordance with APES110, Code of Ethics for professional accountants set by the Accounting Professional and Ethics Standards Board.

### REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of Paradigm Metals Limited in accordance with the requirements of the *Corporation Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any officer (whether executive or otherwise) of the Group.

#### Remuneration Consultants

No remuneration consultants were used to review existing policies or to provide recommendations.

#### Voting at 2013 AGM

The Group received over 98% of "yes" votes on its remuneration report for the 2013 financial year. The Group did not receive any specific feedback at the AGM or throughout the year regarding its remuneration policies.

#### Details of Key Management Personnel

Mr. Anthony Reilly	Executive Director, Chief Executive Officer
Dr. Graham Carman	Non-Executive Director
Mr. Brian McMaster	Non-Executive Director
Mr. Mattheus Pieterse	Former Executive Director

#### Remuneration Policy

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group's financial or operational performance, with the exception of the CEO who has a bonus structure in place for achievement of market capitalisation milestones. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors' have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate levels of performance rewards as and when they consider rewards are warranted. The Group has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share since 2011:

As at 30 June	2014	2013	2012	2011
Loss per share (cents)	(0.25)	(0.24)	(0.34)	(0.43)

## Paradigm Metals Limited – Directors’ Report

Details of the nature and amount of each element of the emolument of each Director of the Group for the financial year are as follows:

	Short term			Options	Post employment		
<b>2014</b>	Base Salary \$	Directors’ Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$	Total \$	Option Related %
<b>Director</b>							
Mr. Anthony Reilly <sup>1</sup>	220,184	-	-	-	20,367	240,551	-
Dr. Graham Carman	-	44,000	7,682	-	-	51,682	-
Mr. Brian McMaster	-	44,000	-	-	-	44,000	-
Mr. Mattheus Pieterse <sup>2</sup>	-	-	115,255	-	-	115,255	-
	<b>220,184</b>	<b>88,000</b>	<b>122,937</b>	-	<b>20,367</b>	<b>451,488</b>	-

<sup>1</sup> Mr Reilly was appointed on 13 September 2013.

<sup>2</sup> Mr Pieterse resigned on 13 September 2013.

	Short term			Options	Post employment		
<b>2013</b>	Base Salary \$	Directors’ Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$	Total \$	Option Related %
<b>Director</b>							
Mr. Mattheus Pieterse <sup>1</sup>	-	-	51,871	-	-	51,871	-
Dr. Graham Carman	-	44,000	-	-	-	44,000	-
Mr. Brian McMaster <sup>1</sup>	-	35,078	-	-	-	35,078	-
Mr. John Gaskell <sup>2</sup>	-	11,000	-	-	-	11,000	-
Mr. Stephen Lonergan <sup>2</sup>	-	22,000	-	-	-	22,000	-
<b>Executive</b>							
Mr. Anthony Reilly <sup>3</sup>	4,587	-	-	-	413	5,000	-
Mr. Greg Curnow <sup>3</sup>	-	-	118,850	-	-	118,850	-
	<b>4,587</b>	<b>112,078</b>	<b>170,721</b>	-	<b>413</b>	<b>287,799</b>	-

<sup>1</sup> Mr. McMaster was appointed on 14 September 2012 and Mr. Pieterse on 18 December 2012. Mr Pieterse resigned on 13 September 2013

<sup>2</sup> Mr. Gaskell resigned on 30 September 2012 and Mr. Lonergan resigned on 31 December 2012

<sup>3</sup> Mr. Reilly was appointed CEO on 24 June 2013 and Mr. Curnow resigned on 24 June 2013. Mr Reilly was appointed an Executive Director on 13 September 2013.

There were no other key management personnel of the Group during the financial years ended 30 June 2014 and 30 June 2013. As the market capitalisation milestones were not met for the CEO bonus payment to be made, no remuneration is performance related.

## Paradigm Metals Limited – Directors' Report

### Shareholdings and option holdings of key management personnel

#### Share holdings

The number of shares in the company held during the financial year held by key management personnel of Paradigm Metals Limited, including their personally related parties, is set out below.

30 June 2014	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
<b>Directors/Executives</b>					
Mr. Anthony Reilly <sup>1</sup>	-	-	-	-	-
Dr. Graham Carman	7,372,822	-	-	-	7,372,822
Mr. Brian McMaster	15,454,085	-	-	-	15,454,085
Mr. Mattheus Pieterse <sup>2</sup>	1,250,000	-	-	(1,250,000)	-

<sup>1</sup> Mr. Reilly was appointed on 13 September 2013.

<sup>2</sup> Mr. Pieterse resigned on 13 September 2013

#### Option holdings

The number of options in the company held during the financial year by key management personnel of Paradigm Metals Limited, including their personally related parties, is set out below.

30 June 2014	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Expired during the year	Balance at the end of the year
<b>Directors/Executives</b>					
Mr. Anthony Reilly <sup>1</sup>	-	-	-	-	-
Dr. Graham Carman	-	-	-	-	-
Mr. Brian McMaster	-	-	-	-	-
Mr. Mattheus Pieterse <sup>2</sup>	-	-	-	-	-

<sup>1</sup> Mr. Reilly was appointed as Executive Director on 13 September 2013.

<sup>2</sup> Mr. Pieterse resigned on 13 September 2013

### Other transactions with key management personnel

Bluerock Geological Pty Ltd, a company in which Dr. Graham Carman is a director, charged the Group director's fees of \$51,682 (2013: \$44,000).

Vega Funds Pty Ltd, a company in which Mr. Brian McMaster is a director, charged the Group director's fees of \$44,000 (2013: \$35,078).

Beijing Axis Capital (UK) Ltd, a company in which Mr. Mattheus Pieterse is a director, charged the Group consultancy fees of \$115,255.48 (2013: \$51,871).

Garrison Capital Pty Ltd, a company in which Mr. McMaster is a director and shareholder, provided the Group with a fully serviced office (July 2013 to February 2014) including administration and information technology support totalling \$118,000 (2013: Nil) and reimbursement of payments for company secretarial services, accounting services, courier and other minor expenses of \$58,962 (2013: \$50,876). \$3,699 (2013: \$8,292) was outstanding at year end.

## Paradigm Metals Limited – Directors' Report

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Garrison Capital (Victoria) Pty Ltd, a company in which Mr. McMaster and Mr. Reilly are directors and shareholders, provided the Group with a fully serviced office (March 2014 to June 2014) including administration and information technology support totalling \$60,000 (2013: Nil). \$16,500 (2013: Nil) was outstanding at year end.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms.

There were no other transactions with key management personnel for the year ended 30 June 2014.

### Executive Director/ Chief Executive Officer

Mr Reilly's agreement commenced on 24 June 2013 and is for a term of 24 months. Under the agreement, Mr Reilly receives a fixed salary of \$220,184 plus superannuation (\$1,697 on a monthly basis) plus the following bonus's as set out below, subject to shareholder approval being obtained at the time the following milestones are achieved:

- upon the Company maintaining a market capitalisation of \$10,000,000 for at least 40 consecutive trading days, the Company will award ordinary shares to the value of \$250,000;
- upon the Company maintaining a market capitalisation of \$20,000,000 for at least 40 consecutive trading days, the Company will award ordinary shares to the value of \$500,000.

Mr Reilly may terminate the employment agreement by giving three months written notice and the Company may terminate the employment agreement by giving three months written notice or by paying an amount equal to three month's salary. In the event that the agreement is terminated as a result of a change of control event and Mr Reilly is not required to serve out the notice period, the Company must pay an amount equal to six month's salary.

### Non-Executive Director

The Non-Executive Directors, Mr. Graham Carman and Mr. Brian McMaster are paid an annual director's fee on a quarterly basis. Their services may be terminated by either party at any time.

### End of audited Remuneration Report

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



**Brian McMaster**

**Non-executive Director**

25 August 2014

*The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Graham Carman who is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Carman is a director of the Group, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Dr Carman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*



## Paradigm Metals Limited – Corporate Governance Statement

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The Board of Directors of Paradigm Metals Limited (“Paradigm” or “the Group”) is responsible for corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Group has established a set of corporate governance policies and procedures. These were based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Group has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure.

### Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of the Group are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:

“An Independent Director is a Director who is not a member of management, is a Non-executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Act 2001) of the Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group;
- has not within the last three years been employed in an executive capacity by the Group or another Group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Group or another Group member;
- is not a significant consultant, supplier or customer of the Group or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Group or another Group member other than as a Director of the Group;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Group.”

In accordance with the definition of independence above, no directors are considered independent. Accordingly, a majority of the board is not independent.

There are procedures in place, as agreed by the board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Group’s expense. The term in office held by each Director in office at the date of this report is as follows:

<b>Name</b>	<b>Term in office</b>
Mr. Anthony Reilly	1 year and 1 month
Dr. Graham Carman	11 years
Mr. Brian McMaster	2 years

## **Paradigm Metals Limited – Corporate Governance Statement**

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### **Nomination Committee**

The Board has formally adopted a Nomination Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Nomination Committee Charter. At such time when the Group is of sufficient size a separate Nomination Committee will be formed.

### **Audit and Risk Management Committee**

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Group is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Group.

### **Performance**

The Board of Paradigm Metals conducts its performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between Directors and Executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.

### **Remuneration**

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The Group does not link the nature and amount of executive and directors' emoluments to the Group's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for executive directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Group is of sufficient size a separate Remuneration Committee will be formed.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

### **Diversity Policy**

The Group is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees, to enhance Group performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees.

## Paradigm Metals Limited – Corporate Governance Statement

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In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

	Actual	
	Number	Percentage
Women in the whole organisation	-	-
Women in senior executive positions	-	-
Women on the board	-	-

### Trading Policy

Under the Group's securities trading policy, an executive or director must not trade in any securities of the Group at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an executive must first obtain the approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the period commencing at the beginning of the month in which the Group is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

### Assurance

The CEO and CFO (or equivalent) periodically provide formal statements to the Board that in all material aspects:

- the Group's financial statements present a true and fair view of the Group's financial condition and operational results; and
- the risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

### Shareholder Communication Policy

Pursuant to Principle 6, the Group's objective is to promote effective communication with its shareholders at all times.

Paradigm Metals Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information;
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act* in Australia; and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings and investor relations presentations; and

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

## Paradigm Metals Limited – Corporate Governance Statement

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### Corporate Governance Compliance

During the financial year Paradigm Metals has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

<b>Best Practice Recommendation</b>	<b>Notification of Departure</b>	<b>Explanation of Departure</b>
2.1	The Group does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Group.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
3.3	The Group has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organization. Due to the size of the Group, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.1 and 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income** *for the year ended 30 June 2014*

	Notes	2014 \$	2013 \$
<b>Revenue</b>			
Interest received		31,291	39,139
Other income		-	1,934
<b>Total Revenue</b>		<b>31,291</b>	<b>41,073</b>
Accounting and audit expenses		(110,329)	(78,724)
Listing and public company expenses		(25,096)	(40,338)
Employee benefit expense		(141,002)	(5,000)
Consulting and directors' fees		(280,165)	(250,369)
Impairment of exploration expenditure	6	(362,949)	(281,901)
Other expenses	4	(183,653)	(186,127)
<b>Loss before income tax</b>		<b>(1,071,903)</b>	<b>(801,386)</b>
Income tax expense	5	-	-
<b>Loss after tax</b>		<b>(1,071,903)</b>	<b>(801,386)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,071,903)</b>	<b>(801,386)</b>
Basic and diluted loss per share (cents per share)	15	(0.25)	(0.24)

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 30 June 2014***

	Notes	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13	669,399	1,681,925
Trade and other receivables	8	55,362	43,359
<b>TOTAL CURRENT ASSETS</b>		<b>724,761</b>	<b>1,725,284</b>
<b>NON CURRENT ASSETS</b>			
Deferred exploration and evaluation expenditure	6	3,185,035	3,203,959
Plant and equipment	7	1,303	27,433
Trade and other receivables	8	89,381	109,096
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,275,719</b>	<b>3,340,488</b>
<b>TOTAL ASSETS</b>		<b>4,000,480</b>	<b>5,065,772</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	117,736	111,125
<b>TOTAL CURRENT LIABILITIES</b>		<b>117,736</b>	<b>111,125</b>
<b>NON-CURRENT LIABILITIES</b>			
Make good provision		5,000	5,000
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,000</b>	<b>5,000</b>
<b>TOTAL LIABILITIES</b>		<b>122,736</b>	<b>116,125</b>
<b>NET ASSETS</b>		<b>3,877,744</b>	<b>4,949,647</b>
<b>EQUITY</b>			
Issued capital	10	12,995,389	12,995,389
Reserves	11	103,409	103,409
Accumulated losses	12	(9,221,054)	(8,149,151)
<b>TOTAL EQUITY</b>		<b>3,877,744</b>	<b>4,949,647</b>

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

## Consolidated Statement of Changes in Equity *for the year ended 30 June 2014*

	Issued Capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2013	<b>12,995,389</b>	<b>103,409</b>	<b>(8,149,151)</b>	<b>4,949,647</b>
Loss for the year	-	-	(1,071,903)	(1,071,903)
Total comprehensive loss for the year	-	-	<b>(1,071,903)</b>	<b>(1,071,903)</b>
Transactions with owners in their capacity as owners				
Placement of shares	-	-	-	-
Transaction costs relating to issue of shares	-	-	-	-
Options lapsed during the year	-	-	-	-
<b>Balance as at 30 June 2014</b>	<b>12,995,389</b>	<b>103,409</b>	<b>(9,221,054)</b>	<b>3,877,744</b>
Balance at 1 July 2012	<b>10,927,027</b>	<b>367,712</b>	<b>(7,347,765)</b>	<b>3,946,974</b>
Loss for the year	-	-	(801,386)	(801,386)
Total comprehensive loss for the year	-	-	<b>(801,386)</b>	<b>(801,386)</b>
Transactions with owners in their capacity as owners				
Placement of shares	1,927,505	-	-	<b>1,927,505</b>
Transaction costs relating to issue of shares	(123,446)	-	-	<b>(123,446)</b>
Options lapsed during the year	264,303	(264,303)	-	-
<b>Balance as at 30 June 2013</b>	<b>12,995,389</b>	<b>103,409</b>	<b>(8,149,151)</b>	<b>4,949,647</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 year ended 30 June 2014*

	Notes	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		39,656	29,509
Payments to suppliers and employees		<u>(687,710)</u>	<u>(441,078)</u>
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	13	<b><u>(648,054)</u></b>	<b><u>(411,569)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Tenement expenditure guarantees refunded		-	7,500
Proceeds from sale of property and equipment		15,000	-
Acquisition of property and equipment		-	(1,635)
Exploration and evaluation expenditure		<u>(379,472)</u>	<u>(124,933)</u>
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b><u>(364,472)</u></b>	<b><u>(119,068)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares (net of issue costs)		<u>-</u>	<u>1,804,060</u>
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b><u>-</u></b>	<b><u>1,804,060</u></b>
Net (decrease) / increase in cash and cash equivalents		(1,012,526)	1,273,423
Cash and cash equivalents at beginning of year		<u>1,681,925</u>	<u>408,502</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	13	<b><u>669,399</u></b>	<b><u>1,681,925</u></b>

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



# **Paradigm Metals Limited**

## ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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### **1. Corporate Information**

The financial report consists of the consolidated financial statements of Paradigm Metals Limited and its subsidiaries ("Paradigm" or "the Group") for the year ended 30 June 2014 and was authorised for issue in accordance with a resolution of the directors on 25 August 2014.

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 the principal activities of the Group are described in the Directors Report.

### **2. Summary of Significant Accounting Policies**

#### **(a) Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis. The presentation currency is Australian dollars.

The accounting policies disclosed below have been consistently applied to all of the years presented unless otherwise stated.

#### **(b) Statement of Compliance**

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

#### **(c) Principles of Consolidation**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group.

A list of controlled entities is contained in Note 17 to the financial statements. All controlled entities have a 30 June financial year end.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Paradigm Metals Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all controlled entities for the year then ended. Paradigm Metals Limited and its controlled entities together are referred to in these Financial Statements as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Profit or Loss and Other Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

#### ***Going Concern***

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Group incurred a net loss after tax for the year ended 30 June 2014 of \$1,071,903 and experienced net cash outflows from operating activities of \$648,054 and net cash outflows for investing activities of \$364,472. At 30 June 2014, the Group

## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

had a net current asset position of \$607,025. The cash and cash equivalents balance at the date of issuing this report is \$545,699. The Directors recognise the need to raise additional funds via equity raisings for planned future exploration activities.

In considering the above, the Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be successful in securing additional funds through an equity issue.

Should the Group not obtain funds through an equity issue, there is significant uncertainty whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

#### (d) New accounting standards and interpretations issued but not yet effective

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Group for the year ended 30 June 2014 and no change to the Group's accounting policy is required.

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	The Group has not yet determined the impact on the Group's financial statements.	1 July 2017

# Paradigm Metals Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk is presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>		

The Group has not elected to early adopt any new Standards or Interpretations.

### (e) Impairment of non financial assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### (f) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is impaired, furthermore, the directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 *Exploration for and evaluation of mineral resources* (AASB 6). Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

#### **(g) Trade and other receivables**

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit and loss and other comprehensive income.

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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#### **(h) Plant and equipment**

Plant and equipment are included at cost. Assets in plant and equipment (except for capitalised leased assets) are depreciated on a straight line basis over their estimated useful lives. The depreciation rates used for each class of assets are as follows:

Class of Fixed Asset	Depreciation Rate
Office Equipment	5% - 50%
Leasehold Improvements	5%

On disposal of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss.

#### **(i) Short term employee benefits**

Short term employee benefits are employee benefits (other than termination benefits and equity compensation benefits) which fall due wholly within 12 months after the end of the period in which employee services are rendered.

They comprise wages, salaries, social security obligations, short-term compensation absences, profit sharing and bonuses payables within 12 months and non-mandatory benefits such as medical care, housing, car and service goods.

The provision for employee entitlements to wages, salaries and annual leave represents the amount that the Consolidated Entity has a present obligation to pay resulting from employee services provided up to reporting date. The provision has been calculated after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures and includes related on-costs.

The undiscounted amount of short-term benefits expected to be paid is recognised as an expense.

#### **(j) Cash and cash equivalents**

Cash and short term deposits in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

#### **(k) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **(l) Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

##### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model.

#### **(m) Income tax**

Deferred income tax is provided for on all temporary differences at reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Profit or Loss and Other Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each reporting date and only recognised to the extent that sufficient future assessable income is expected to be obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and Other Comprehensive Income.

#### **(n) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(o) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

#### **(p) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

##### *Diluted earnings per share*

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

#### **(q) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which is receivable from or payable to the ATO, are disclosed as operating cash flows.

#### **(r) Trade and other payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

#### **(s) Share based payment transactions**

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Paradigm Metals Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of profit and loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and



## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

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designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted. The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share (see note 15).

#### (t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

#### (u) Comparative information

Where appropriate, comparative information has been reclassified to be consistent with the presentation in the current year.

### 3. Segment Information

For management purposes, the Group is organised into one main operating segment, which involves exploration for metals. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) 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. Total revenue earned by the Group is generated in Australia and all of the Group's non-current assets reside in Australia.

#### 4. Other expenses

	2014	2013
	\$	\$
Occupancy	120,000	58,053
Administration	21,252	38,102
Insurance	12,170	14,675
Travel and accommodation	16,208	27,795
Depreciation	9,563	16,607
Loss on disposal of plant and equipment	2,425	13,334
Other	2,035	17,561
Total other expenses	<b>183,653</b>	<b>186,127</b>

## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

#### 5. Income tax

Income tax recognised in profit / (loss)	2014	2013
	\$	\$

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

Loss from operations	(1,071,903)	(801,386)
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2013: 30%)		
Consolidated Entity	(321,571)	(240,416)
Add: tax effect of non-allowable items	3,019	5,290
Less: tax effect of temporary differences not brought to account	1,563	(11,000)
Deferred tax assets not brought to account	316,989	246,126
Income tax attributable to the entity	-	-

As at 30 June 2014, the consolidated entity had estimated unrecouped operating income tax losses of \$13,459,142 (2013: \$12,590,038). The tax benefit of these losses of \$4,037,743 (2013: \$3,777,011) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

- (i) The Consolidated Entity derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised.
- (ii) The Consolidated Entity continues to comply with the conditions for deductibility imposed by the law;
- (iii) No changes in tax legislation adversely affect the Consolidated Entity in realising the benefit from the deductions for the losses.

As at 30 June 2014 there were no franking credits available for subsequent financial years.

#### 6. Deferred exploration and evaluation expenditure

	2014	2013
	\$	\$
At beginning of the year	3,203,959	3,354,624
Exploration expenditure during the year	344,025	131,236
Impairment expense	(362,949)	(281,901)
Total exploration and evaluation	3,185,035	3,203,959

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.

# Paradigm Metals Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2014

		2014	2013
		\$	\$
<b>7. Plant and equipment</b>			
Plant and equipment at cost		2,044	50,290
Accumulated depreciation		(741)	(22,857)
Total plant and equipment		<b>1,303</b>	<b>27,433</b>
Movement in carrying amounts:			
Balance at beginning of the year		27,433	55,739
Additions		-	1,635
Disposals		(16,567)	(13,334)
Depreciation		(9,563)	(16,607)
Total plant and equipment		<b>1,303</b>	<b>27,433</b>
<b>8. Trade and other receivables</b>			
<b>Current</b>			
GST receivable		12,249	11,849
Interest receivable		2,268	-
Tenement guarantees		40,000	20,000
Prepayments and other receivables		845	11,510
		<b>55,362</b>	<b>43,359</b>
<b>Non-Current</b>			
Tenement guarantees		27,500	47,500
Other receivables		61,881	61,596
		<b>89,381</b>	<b>109,096</b>

Tenement guarantees are classified as current if expected to be refunded within 12 months upon relinquishment of exploration tenement. Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 18.

## 9. Trade and other payables

### Current

Trade creditors	69,156	57,384
Accruals & other payables	48,580	53,741
	<b>117,736</b>	<b>111,125</b>

Trade and other payables are non-interest bearing and payable on demand. Due to their short term nature, the carrying value of trade and other payables is assumed to approximate their fair value.

# Paradigm Metals Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2014

	2014	2013
	\$	\$

### 10. Issued capital

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

Ordinary shares fully paid	12,995,389	12,995,389
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	2014		2013	
	Number of shares	\$	Number of shares	\$
<b>(b) Movements in ordinary shares on issue</b>				
Opening Balance	425,215,010	12,995,389	184,276,860	10,927,027
Placement of shares	-	-	29,161,290	233,290
Rights issue	-	-	211,776,860	1,694,215
Options lapsed during the year	-	-	-	264,303
Transaction costs on share issue	-	-	-	(123,446)
	425,215,010	12,995,389	425,215,010	12,995,389

#### (c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

#### (d) Share options

At 30 June 2014 there are no ordinary shares under options (2013: nil).

No options were issued or expired during the financial year.

#### (e) Capital risk management

The Group's capital comprises share capital and reserves less accumulated losses. As at 30 June 2014, the Group has net assets of \$3,877,744 (2013: \$4,949,647). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. Refer to note 18 for further information on the Group's financial risk management policies.

	2014	2013
	\$	\$

Share based payments reserve	103,409	103,409
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#### Movements in Reserves:

##### Share based payment reserve

At beginning of the period	103,409	367,712
Options lapsed during the year	-	(264,303)
Balance at the end of the year	103,409	103,409

The share based payment reserve is used to record the value of equity benefits provided to directors and executives as part of their remuneration and non-employees for their services.

# Paradigm Metals Limited

## Notes to the Consolidated Financial Statements for the year ended 30 June 2014

### 12. Accumulated losses

2014 2013

\$ \$

Movements in accumulated losses were as follows:

Opening balance	8,149,151	7,347,765
Loss for the year	1,071,903	801,386
Balance at the end of the year	<u>9,221,054</u>	<u>8,149,151</u>

### 13. Cash and cash equivalents

#### Reconciliation of operating loss after tax to net the cash flows used in operations

Loss from ordinary activities after tax	(1,071,903)	(801,386)
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#### Non-cash items

Exploration expenditure written off	362,949	281,901
Loss on the disposal of fixed assets	2,425	13,334
Depreciation expense	9,563	16,607

#### Changes in assets and liabilities:

Increase / (decrease) in trade and other creditors	7,105	80,346
Decrease / (increase) in trade and other receivables	41,807	(2,371)
Net cash out flow from operating activities	<u>(648,054)</u>	<u>(411,569)</u>

#### Reconciliation of cash

Cash balance comprises:

Cash at bank	669,399	1,671,590
Rental Bond	-	10,335
	<u>669,399</u>	<u>1,681,925</u>

### 14. Subsequent events

There were no known significant events from the end of the financial year to the date of this report.

### 15. Loss per share

Loss used in calculating basic and dilutive EPS	<u>(1,071,903)</u>	<u>(801,386)</u>
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#### Number of Shares

2014 2013

Weighted average number of ordinary shares used in calculating basic loss per share:	<u>425,215,010</u>	<u>328,074,363</u>
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#### Effect of dilution:

Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	<u>425,215,010</u>	<u>328,074,363</u>

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

#### 16. Auditors remuneration

2014 2013

\$ \$

The auditor of Paradigm Metals Limited is BDO Audit (WA) Pty Ltd

Amounts received or due and receivable BDO Audit (WA) Pty Ltd for:

- an audit or review of the financial report

25,000 30,500

- tax compliance and other services

- 9,980

25,000 40,480

#### 17. Related party disclosures

##### (a) Key Management Personnel

For Director related party transactions please refer to the audited Remuneration Report.

##### (b) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of Paradigm Metals Limited and the following subsidiaries:

Name of Entity	Country of Incorporation	Equity Holding	
		2014	2013
Paradigm NSW Pty Limited	Australia	100%	100%
Paradigm Queensland Pty Limited	Australia	100%	100%
Tungsten NSW Pty Limited	Australia	100%	100%

#### 18. Financial Risk Management

Exposure to interest rate, liquidity, and credit risk arises in the normal course of the Group's business. The Group does not hold or use derivative financial instruments. The Group's principal financial instruments comprise mainly of deposits with banks. The totals for each category of financial instruments are as follows:

	2014	2013
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	669,399	1,681,925
Trade and other receivables	82,017	89,980
<b>Financial Liabilities</b>		
Trade and other payables	108,200	101,637

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

##### (a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Alternatives for sourcing future capital needs include the cash position and future equity raising alternatives. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Board expects that,

## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

assuming no material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet expected capital needs.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2014 all financial liabilities are contractually matured within 60 days.

#### **(b) Interest Rate Risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2014 \$	2013 \$
Cash and cash equivalents	669,399	1,681,925

#### *Interest rate sensitivity*

The following table demonstrates the sensitivity of the Group's Statement of Profit or Loss and Other Comprehensive Income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$) Increase/(Decrease)		Effect on Equity including retained earnings (\$) Increase/(Decrease)	
	2014	2013	2014	2013
Increase 100 basis points	6,694	16,819	6,694	16,819
Decrease 100 basis points	(6,694)	(16,819)	(6,694)	(16,819)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. This would represent two to four movements by the Reserve Bank of Australia.

#### **(c) Credit Risk Exposures**

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2014 and 30 June 2013, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2014 (2013: Nil).

#### **(d) Fair Value Measurement**

There were no financial assets or liabilities at 30 June 2014 requiring fair value estimation and disclosure as they are either not carried at fair value or in the case for short term assets and liabilities, their carrying values approximate fair value.

## **Paradigm Metals Limited**

### ***Notes to the Consolidated Financial Statements for the year ended 30 June 2014***

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#### **19. Contingent liabilities**

There are no known contingent liabilities as at 30 June 2014.

#### **20. Commitments**

The Group entered a service agreement with Garrison Capital (Victoria) Pty Ltd for certain administrative services and office space for a term of 2 years commencing in March 2014. The Group is required to give 3 month's written notice to terminate the agreement.

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Within one year	180,000	-
After one year but not more than five years	120,000	-
Longer than five years	-	-
	<b>300,000</b>	<b>-</b>

The Group has the right to relinquish the tenements at any time which will release the Group from future payments. These amounts are not recognised in the statement of financial position.

#### **21. Dividends**

No dividend was paid or declared by the Group in the period since the end of the financial year, and up to the date of this report. The Directors' do not recommend that any amount be paid by way of a dividend for the financial year ended 30 June 2014.

The balance of the franking account is Nil at 30 June 2014 (2013: Nil).

#### **22. Share based payments**

There were no share based payment transactions during the 30 June 2014 (2013: Nil) financial year.



## Paradigm Metals Limited

### Notes to the Consolidated Financial Statements for the year ended 30 June 2014

#### 23. Parent entity information

The following details information related to the parent entity, Paradigm Metals Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2014 \$	2013 \$
Current assets	683,893	1,704,382
Non-current assets	955,227	638,323
<b>Total assets</b>	<b>1,639,120</b>	<b>2,342,705</b>
Current liabilities	(108,198)	(101,638)
Non-current liabilities	(5,000)	(5,000)
<b>Total liabilities</b>	<b>(113,198)</b>	<b>(106,638)</b>
<b>Net assets</b>	<b>1,525,922</b>	<b>2,236,067</b>
Issued capital	12,995,389	12,995,389
Reserves	103,409	103,409
Accumulated losses	(11,572,876)	(10,862,731)
<b>Total equity</b>	<b>1,525,922</b>	<b>2,236,067</b>
Loss of the parent entity	(710,145)	(531,094)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss of the parent entity</b>	<b>(710,145)</b>	<b>(531,094)</b>

## **Paradigm Metals Limited – Directors’ Declaration**

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In accordance with a resolution of the Directors of Paradigm Metals Limited, I state that:

1. In the opinion of the directors:

- (a) the financial statements and notes of the Group are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board.

2. This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with sections 295A of the Corporations Act 2001.

On behalf of the board



**Brian McMaster**  
**Non-executive Director**  
25 August 2014

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

As lead auditor of Paradigm Metals Limited for the year ended 30 June 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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



Phillip Murdoch  
Partner

BDO Audit (WA) Pty Ltd  
Perth, 25 August 2014

## INDEPENDENT AUDITOR'S REPORT

To the members of Paradigm Metals Limited

### Report on the Financial Report

We have audited the accompanying financial report of Paradigm Metals Limited, which comprises the consolidated statement of financial position as at 30 June 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Independence

In conducting our audit, 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 report.

#### Opinion

In our opinion:

- (a) the financial report of Paradigm Metals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

#### Emphasis of matter

Without modifying our opinion, we draw attention to Note 2(c) in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity. These conditions, along with other matters as set out in Note 2(c), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

#### Opinion

In our opinion, the Remuneration Report of Paradigm Metals Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

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

Phillip Murdoch

Partner

Perth, 25 August 2014

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 25 August 2014.

### Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	126	14,029
1,001 - 5,000	32	112,625
5,001 - 10,000	100	993,454
10,001 - 100,000	459	20,038,550
100,001 - and over	350	404,116,352
<b>TOTAL</b>	<b>1,067</b>	<b>425,215,010</b>

There were 117 holders of ordinary shares holding less than a marketable parcel.

### Top Twenty Share Holders

Name	Number of Shares held	%
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	20,446,953	4.81
VAGABOND RESOURCES PTY LTD	12,394,056	2.91
VEGA FUNDS PTY LTD <THE VIVA ACCOUNT>	10,454,085	2.46
GARRISON CAPITAL PTY LTD	10,000,000	2.35
GARRISON CAPITAL PTY LTD	10,000,000	2.35
PHILLIAN PTY LTD <AUSTEN FAMILY NO 1 A/C>	7,741,831	1.82
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	7,500,000	1.76
MR JOHN CHARLES BRENNAN	6,400,000	1.51
AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	6,250,000	1.47
GECKO RESOURCES PTY LTD <JOHN SANTUL SUPER FUND A/C>	6,000,000	1.41
DEJUL TRADING PTY LTD <EDDINGTON TRADING A/C>	5,875,000	1.38
MR GRAHAM DONALD CARMAN	5,647,170	1.33
MR RAUL USED <THE RAUL USED FAMILY A/C>	5,342,856	1.26
MR CRAIG PETER BALL & MRS SUZANNE KATHERINE BALL <CPB SUPER FUND A/C>	5,208,625	1.22
MAMBAT PTY LTD	5,180,798	1.22
MR NICHOLAS BEGAKIS & MR MICHAEL JOSEPH ELTON	5,000,000	1.18
GRIMALA PTY LTD <THE RJ PARKER FAMILY A/C>	5,000,000	1.18
PAPUA COAL PTY LTD	5,000,000	1.18
MR STEPHEN LONERGAN	4,778,929	1.12
MR ALAN BRIEN & MRS MELINDA BRIEN <A & M BRIEN SUPER FUND A/C>	4,566,353	1.07
	<b>148,786,656</b>	<b>34.99</b>

### Restricted Securities

There are no restricted securities.

### On-Market Buy Back

There is no current on-market buy back.

## ASX Additional Information

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Tenement Table

Tenement	Project	Holder	Interest
EL 6590	Frogmore	Tungsten NSW Pty Ltd	100%
EL 6274	White Rock	Tungsten NSW Pty Ltd	100%
EL 6325	Yellow Mountain	Triako Resources Pty Ltd / Golden Cross Operations Pty Ltd	30%
EPM 18294	Four Mile Tank	Paradigm Queensland Pty Ltd	100%
EPM 19016, EPM25366	The Ladies	Paradigm Queensland Pty Ltd	100%
EPM 16073	Toolebuc JV	Toolebuc Resources Pty Ltd	50%