EPM 16113

"Toolebuc Joint Venture"

Held by

TOOLEBUC RESOURCES PTY LTD

A Joint venture between Paradigm Metals & Exco Resources

FIRST ANNUAL REPORT FOR THE PERIOD 24 AUGUST 2007 TO 23 AUGUST 2008

Submitted by:

Kurt Worden
Graham Carman
Paradigm Metals Ltd for Toolebuc Resources Pty Ltd

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SUMMARY

This report summarises exploration completed on Exploration Permit for Minerals Number 16113 (EPM 16113) for the first 12 month period ending 23 August 2008. The tenement is located 50km east of Cloncurry, northwest Queensland. It is one of several contiguous exploration permits which form part of the company's Cloncurry Project Joint Venture between Paradigm Metals Ltd and Exco Resources NL. The permits were transferred to a new jointly owned entity, Toolebuc Resources Pty Ltd in March 2008.

The principle exploration target is the laterally extensive Cretaceous Toolebuc Formation for multiple commodities including uranium, vanadium, molybdenum, and hydrocarbons. Past explorers drilled a number of holes for oil shale during the late 1960s and early 1980s, but grades were not sufficiently attractive at that time to consider mining.

Work completed on the tenement during the reporting period consisted of a review of previous exploration, data compilation, rock chip sampling (6 samples), and drilling of an aircore hole. The rock chip sampling and drilling were part of much larger regional programs.

Future work will include air core drilling into deeper areas of the basin where the Toolebuc Formation oil shale is unoxidised, with the aim to test for hydrocarbon grade as well as V-Mo-U mineralisation. The Joint Venture will also research options for extraction technologies to exploit the vanadium and molybdenum mineralisation and determine speciation of the mineralisation. Research into hydrocarbon extraction will also be undertaken.

INTRODUCTION

Exploration Permit for Minerals Number 16113 (EPM 16113) is located 50km east of Cloncurry, northwest Queensland. In February 2008, Paradigm Metals Ltd (Paradigm) and Exco Resources NL (Exco) signed a joint venture agreement for exploration of their combined tenements in the east Cloncurry region, including EPM 16113 (Figure 1). The principle exploration target is the uranium and vanadium-molybdenum within the Toolebuc Formation limestone/oil shale that outcrops/subcrops in the permit. Outcrops of Toolebuc Formation limestone are associated with areas of elevated uranium radiometrics (Figure 2).

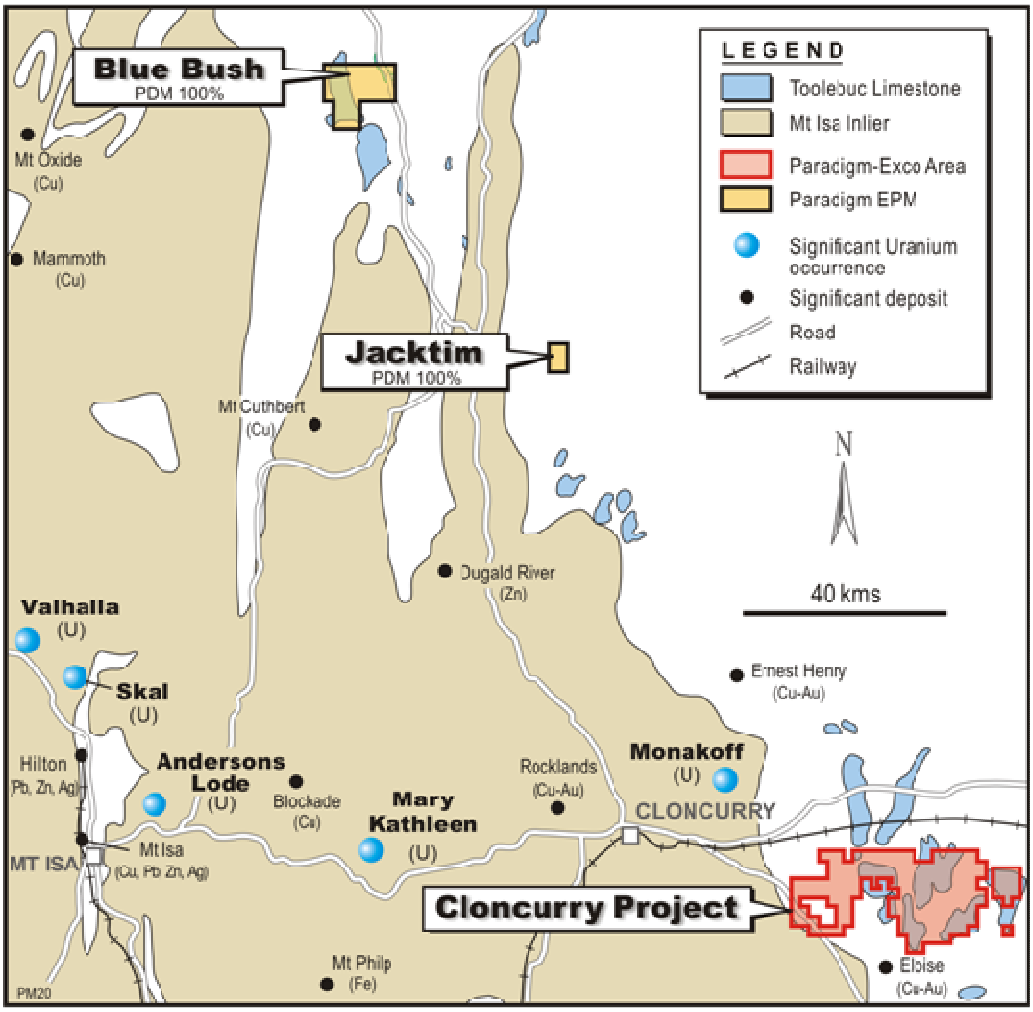


Figure 1: Locality of the Paradigm and Exco Cloncurry Joint Venture area to the east of Cloncurry

TENURE & ACCESS

EPM 16113 comprises 2 sub-blocks totalling 6.42km^2 in area (Table 1). The exploration permit was granted to Exco on 24 August, 2007, for a five year term. EPM 16113 was transferred to Toolebuc Resources Pty Ltd, a subsidiary company 50% owned by Exco and Paradigm, on 28 March 2008. The required annual expenditure is $30,000. The tenement is located on topographically flat pasture lands primarily used for cattle grazing. Access to the tenement is via the Landsborough Highway then through local access tracks on the Arrolla cattle station.

BIM	Block	Sub-blocks
CLON	684	s,u

Table 1. List of EPM 16113 sub-blocks

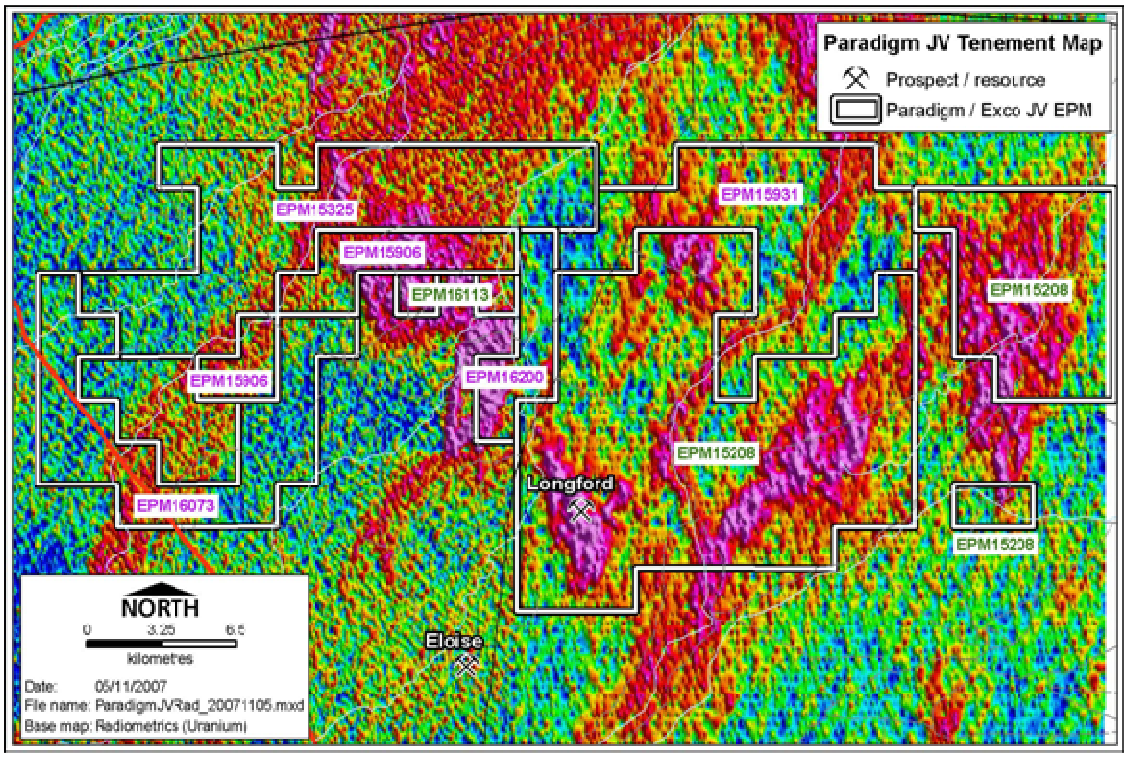


Figure 2: Locality Map of Paradigm and Exco permits over uranium radiometric image. The hot colours are associated with outcrops of Toolebuc Formation limestone

GEOLOGY

EPM 16113 covers part of the western edge of the Mesozoic Eromanga Basin. This basin is characterised by laterally extensive Jurassic-Cainozoic sedimentary rocks that gently dip to the northeast. The basement rocks are Proterozoic meta-sedimentary and meta-igneous rocks related to the Mt Isa Inlier. Depth to the basement ranges between 160m and 170m across EPM 16113 (based on past exploration drill holes).

The sedimentary rocks are mid-Cretaceous in age. From oldest to youngest these comprise a basal sandstone (Longsight Sandstone or Gilbert River Formation), which does not outcrop within the tenement area. Overlying this sandstone is up to 150m of homogenous blue-grey mudstone of the Wallumbilla Formation, which contains rare thin lenses of limestone. The Wallumbilla Formation transitions to the Toolebuc Formation, a 20-30m-thick sequence of calcareous oil shales and interbedded fossiliferous limestone. The limestone layers are more resistive, and form low-lying hills within the permit area. Elevated uranium contents in the exposed limestone are responsible for regional radiometric anomalies (Figure 2).

Within the Toolebuc Formation is a 0.3m-2m thick layer of coquina limestone containing phosphatic beds and abundant fish fossils approximately 6-8m from its base. The coquina separates calcareous brown-coloured oil shale which grades into blue-grey mudstones of the Wallumbilla Fm at its base. The limestone content of the Toolebuc Formation generally increases towards the top, corresponding with diminishing kerogen content.

The Toolebuc Formation is overlain by thick mudstones and siltstones of the Allaru Mudstone. In the project area it has also been referred to as the Arrolla Siltstone.

PAST EXPLORATION IN THE TOOLEBUC JV AREA

Ex-oil 1969-70

Exoil's exploration was concentrated on oil within the Toolebuc Formation oil shales. The company drilled 90 drill holes (focussed to the north of EPM 16113), which were logged and assayed for total hydrocarbon as oil equivalent using the modified Fischer technique. Results are detailed in reports CR2890 and 3248.

Pacminex Pty Ltd 1971-72

Pacminex searched for vanadium in the Toolebuc Formation in the Oorindi Park area in the early 1970s. Their work included a combination of 262m of rotary drilling and 158m of diamond drilling in very wide-spaced holes and assaying the Toolebuc Formation for vanadium. The prospect was abandoned due to low vanadium grades. Results are found in report CR4029.

Era South Pacific 1978-79

ERA Ltd was attracted to the area by the elevated uranium radiometrics associated with outcrops of Toolebuc Formation. Approximately 100 rock chip samples were analysed for uranium and base metals. Assays found uranium values up to 250ppm U, 350ppm Zn and 300ppm Mo. Manganese nodules were selectively sampled and returned strongly elevated Mo assays up to 0.4% Mo. Three short diamond holes were drilled into the oxidised Toolebuc Formation, and assayed for U and Mo. Drill results were disappointing for uranium. Results are summarised in report CR6717.

Mount Isa Mines 1981-85

Mount Isa Mines explored the area in the early 80s looking for an easily extractable source of limestone flux for the Mount Isa processing plant. RAB drill holes were assayed for Cl, Ca, Cu, Fe, Ca, Si, Al. Results are found in CR 10053.

Asarco Australia 1991-93

Asarco searched for gold and base metal deposits in the Mt Isa Inlier beneath the Mesozoic sediments. Stream, soil, and rock chip samples were taken and tested for Au, Ag, Cu, Pb and Zn.

A total of 17 RC drill holes were drilled with logs and assays recorded. The results confirmed the basement rocks deepening to the east. The results are found in reports 25055, 25095 and 25096.

Savage Resources 1995-2001

A number of tenements around Undina were acquired by Savage River to supply limestone fluxing material for the processing plants at Ernest Henry. 1202 short RAB drill holes were drilled to test limestone thickness and depth. The drilling program proved that the limestone in the area is laterally extensive. Savage was acquired by Pasminco in January 1999, who then relinquished the leases at the end of 2001. Results are found in reports 27771 and 28671.

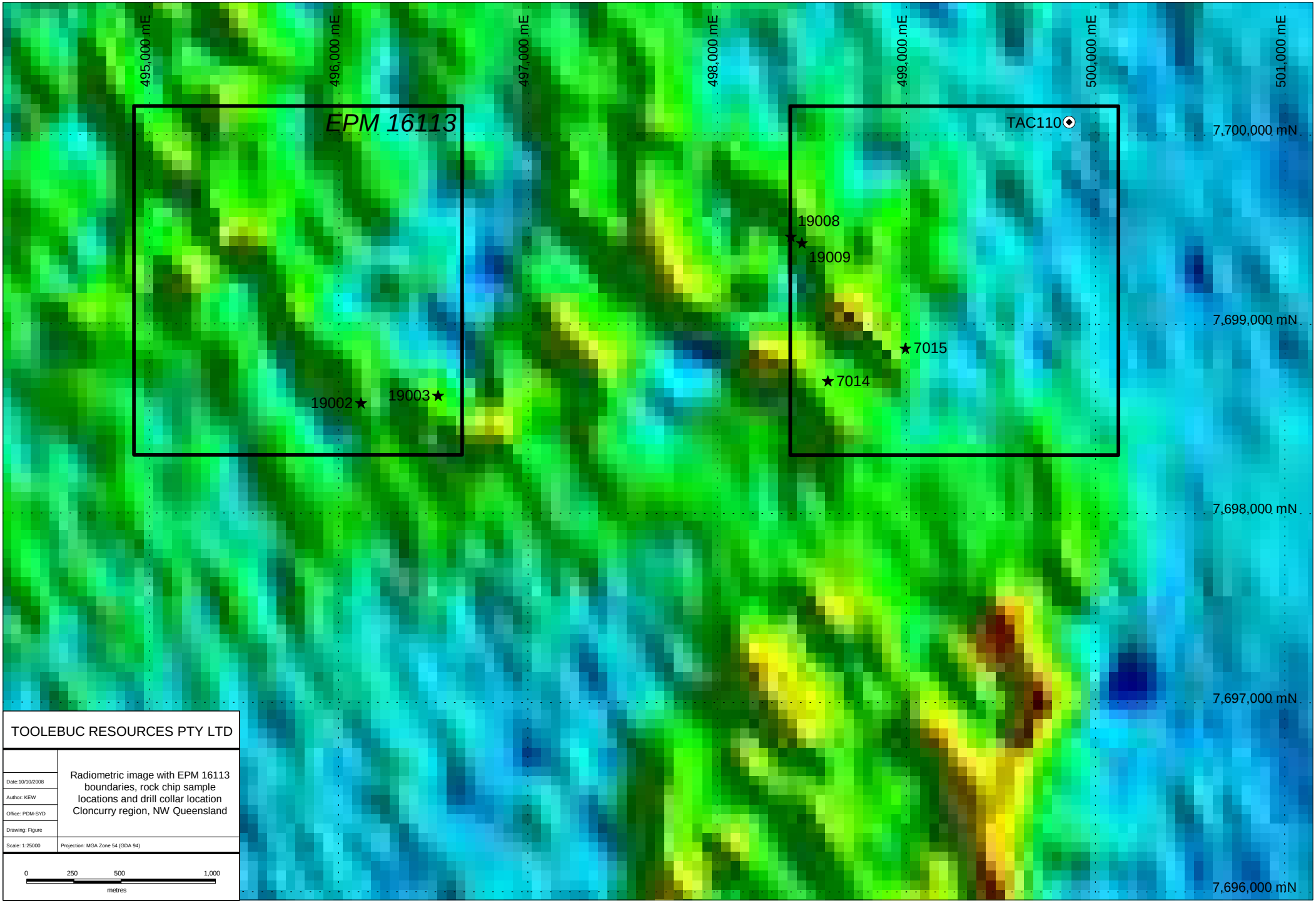
EXPLORATION WORK COMPLETED DURING THE REPORTING PERIOD

Exploration completed on EPM 16113 during the initial year of tenure involved data compilation and desktop synthesis, rock chip sampling and drilling of an aircore drill hole.

Rock chip sampling

Samples of Toolebuc Formation (limestone) were collected across the joint venture permits where outcrops are generally associated with elevated uranium radiometrics on areas that are slightly elevated due to the resistive limestone (Figure 2, Figure 3). A total of 6 rock chip and float samples were collected within EPM 16113 (Figure 3). Multi-element ICP-AES analysis was conducted after multi-acid digestion. The results are presented in the Appendix 1.

Uranium values range up to 270ppm U (318ppm U_3O_8), with 5 samples containing ≥100ppm U_3O_8. Phosphorus values to 0.9% (2.06% P_2O_5) were also obtained. Maximum assay values for vanadium and molybdenum are 478ppm V (0.09% V_2O_5) and 96ppm Mo (144ppm MoO_3). Zinc and nickel values are anomalous, up to 301ppm and 99ppm respectively.



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	Radiometric image with EPM 16113 boundaries, rock chip sample locations and drill collar location Cloncurry region, NW Queensland
Date:10/10/2008	
Author: KEW	
Office: PDM-SYD	
Drawing: Figure	
Scale: 1:25000	Projection: MGA Zone 54 (GDA 94)

0 250 500 1,000
metres

Aircore drilling

A single hole was drilled on 27 July 2008 as part of a regional drilling program testing Toolebuc Formation for uranium and vanadium-molybdenum mineralisation (Figure 3). The hole represents the westernmost hole in an east-west line drilled along a fence line on adjacent EPM 16200. Drill hole TAC110 was drilled vertically to a depth of 27m. Collar coordinates are included in Appendix 2, with geological log information presented in Appendix 3.

Samples were collected as 3-6m composites, based on breaks in geology. The recognised geology was characterised as clay and gravel (Cainozoic deposits), clay (oxidised Allaru Mudstone), limestone and calcareous clay (Toolebuc Formation, horizon A), calcareous oil shale (Toolebuc Formation, horizon B), and non-calcareous blue-grey mudstone (Wallumbilla Formation). The samples were analysed at ALS Chemex by ICP-AES using a 4-acid digestion (method ME-ICP61s). Individual sample assay results are presented in Appendix 4.

Vanadium-molybdenum-uranium mineralisation occurs within clay – shale and limestone, and diminishes rapidly in overlying and underlying carbonate-poor siltstones and mudstones. It is possible the higher vanadium grades are enriched by supergene effects, ie. by weathering and oxidation of sulphide within the oil shales. Drill hole TAC110 intercepted vanadium-molybdenum mineralisation from a depth of nine metres. The interval includes 9m at 0.33% V_2O_5, 365ppm MoO_3, 86ppm U_3O_8, and 237ppm Ni (Table 2).

				Cut-off at 0.3% V_2O_5						Cut-off at 100ppm U_3O_8			
Hole No.	**Easting**	**Northing**	**Depth (m)**	**From (m)**	**To (m)**	**Int. (m)**	**V_2O_5 (%)**	**MoO_3 (ppm)**	**U_3O_8 (ppm)**	**From (m)**	**To (m)**	**Int. (m)**	**U_3O_8 (ppm)**
TAC110	499859	7700068	27	9	18	9	0.33	365	86	12	15	3	118

Table 2: Summary of vanadium – molybdenum grades using a cut-off of 0.3% V_2O_5 and 100ppm U_3O_8

The best uranium mineralisation occurs within the same interval, and includes 3m at 118ppm U_3O_8 and 1.03 P_2O_5 from 12m (Table 2). The strong correlation between uranium and phosphate assays (P_2O_5 up to 1.03%) suggests that the uranium mineral may also contain phosphate, but the mineralogy is unknown. Carnotite was not observed in the drill samples.

CONCLUSIONS

Exploration in the first reporting year included data compilation, a review of previous exploration, collection of 6 rock chip samples, and drilling of an aircore drill hole. Assay results for vanadium and molybdenum in rock chip sampling are generally low, although uranium results are higher. Encouraging vanadium, molybdenum and uranium results were obtained over a nine metre interval in drill hole TAC110.

This exploration formed part of a much larger scale regional rock chip sampling and aircore drilling program testing the oxidised Toolebuc Formation across nine adjoining tenements. Results of these programs are reported separately.

Further drilling is planned to test the deeper, unoxidised Toolebuc Formation oil shale for uranium, vanadium-molybdenum, and hydrocarbons during the next reporting period. Research on the available processing options for hydrocarbon extraction and vanadium-molybdenum oxides in carbonate gangue is also underway.

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