EPM 15208

"Toolebuc Joint Venture"

Held by

TOOLEBUC RESOURCES PTY LTD

A Joint venture between Paradigm Metals & Exco Resources

FIRST ANNUAL REPORT FOR THE PERIOD 17 NOVEMBER 2007 TO 16 NOVEMBER 2008

Submitted by:

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SUMMARY

This report summarises exploration completed on Exploration Permit for Minerals Number 15208 (EPM 15208) for the 12 month period ending 16 November 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 (Paradigm) and Exco Resources NL (Exco). 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 rock chip sampling (70 samples), and drilling of 68 aircore holes for a total advance of 1659 metres. The rock chip sampling and drilling were part of much larger regional programs.

INTRODUCTION

Exploration Permit for Minerals Number 15208 (EPM 15208) is located approximately 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 15208 (Figure 1). The principle exploration targets are the uranium-vanadium-molybdenum and oil shale within the Toolebuc Formation that outcrops/subcrops in the permit. Outcrops of Toolebuc Formation limestone are associated with areas of elevated uranium radiometrics (Figure 2).

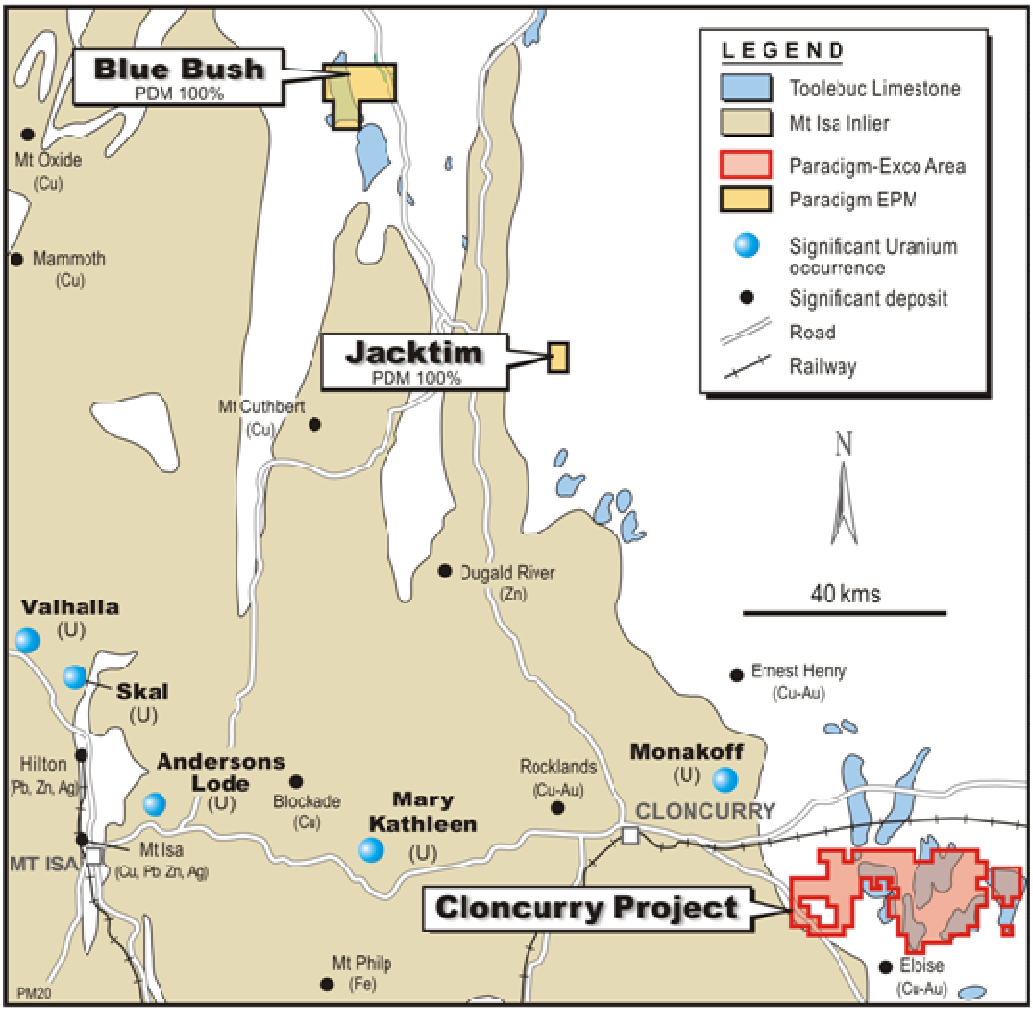


Figure 1: Locality of the Paradigm and Exco Cloncurry Joint Venture area to the east of Cloncurry

TENURE & ACCESS

EPM 15208 presently comprises 56 sub-blocks (Table 1). The exploration permit was granted to Exco on 17 November, 2005, for a five year term. The original tenement totalled 86 sub-blocks. EPM 15208 was transferred to Toolebuc Resources Pty Ltd, a subsidiary company 50% owned by Exco and Paradigm, on 28 March 2008. The required annual expenditure in Year 3 is $40,000. 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 Oorindi Park, Longford, and Arrolla cattle stations.

BIM	Block	Sub-blocks
CLON	685	o,p,r,s,t,u,w,x,y,z
CLON	686	l,q,y,z
CLON	687	m,n,o,r,s,t,w,x,y
CLON	757	b,c,d,f,g,h,j,l,m,n,q,r,s,w,x
CLON	758	c,d,e,g,h,j,l,m,n,o,q,r,s,v
CLON	759	c,s
CLON	829	b,c

Table 1. List of EPM 15208 sub-blocks

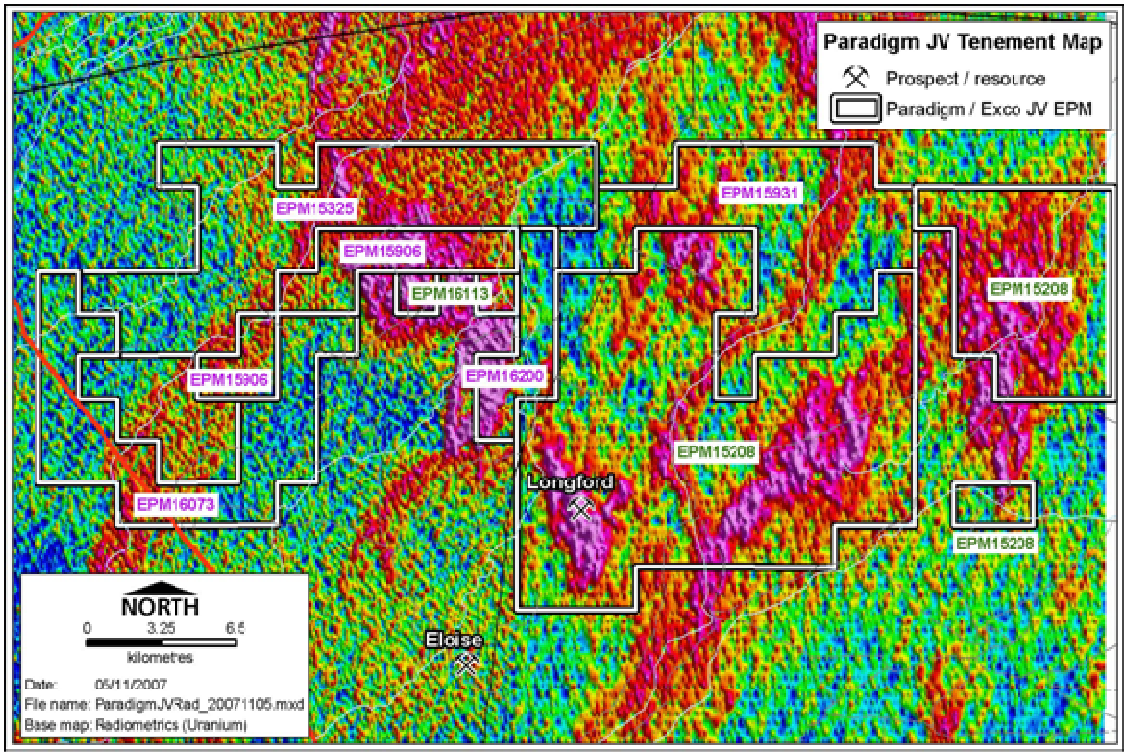


Figure 2: Locality Map of Paradigm and Exco permits over uranium radiometric image. The hot colours are associated with outcrops of Toolebuc Formation limestone.

GEOLOGY

EPM 15208 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 100m and 180m across EPM 15208 (based on past exploration drill holes), deepening to the northeast.

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

Kennecott Exploration 1967

Kennecott explored for phosphate associated with the Toolebuc Formation limestones in 1967. Eight RC holes were drilled in the Oorindi area. Maximum results were 6 ft @ 0.5% P_2O_5. Results are found in report CR2216.

Ex-oil 1969-70

Exoil's exploration was concentrated on oil within the Toolebuc Formation oil shales. The company drilled 90 drill holes across the current tenement which were logged and assayed for total hydrocarbon as oil equivalent using the modified Fischer technique. Results are detailed in reports CR2890 and CR3248.

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 immediately to the west of EPM 15208, and assayed for U and Mo. Drill results were disappointing for uranium. Results are summarised in report CR6717.

Pan Pacific Petroleum NL 1980-82

Seventy-four reverse circulation drill holes and 8 diamond drill holes were drilled in two programs to upgrade reserves and test grades of previously delineated oil shales in the Oorindi area. Holes were logged and in some cases scintillometer measurements recorded, however they were only assayed for oil. Discrepancies between historic grades and their measured grades made it difficult to properly determine a resource, and the lease was abandoned as oil shales were, at the time, of limited economic viability. Results are outlines in CR10708.

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 drilled immediately west of EPM 15208 and assayed for Cl, Ca, Cu, Fe, Ca, Si, Al. Results are found in CR 10053.

BHP Minerals (and Noranda Pacific JV) Longford project 1992-2002

BHP conducted a major exploration project attempting to find Iron-oxide Cu-Au mineralisation and Broken Hill-type base Ag-Pb-Zn mineralisation beneath cover in a large area that overlapped EPM 15208. The drilling program included in total drilled 138 holes, about half percussion and half diamond. These holes were logged, had magnetic susceptibility recorded and were assayed for large numbers of elements. They also did large amounts of surface sampling (often assayed for P, Mo and in some cases U and V) and geophysical surveying.

Exco Resources 2005-2007

Exco Resources conducted a 20-hole auger program on the Elrose property. The program comprised two east-west lines with a 200 metre hole spacing, and covered a radiometric anomaly (Longford Anomaly) and outcropping Toolebuc Formation limestones in the southwestern corner of EPM 15208. A 82-hole reconnaissance aircore drill program with a 50 metre hole spacing in the same Elrose area was also completed, with aircore hole depths varying between 6-10m.

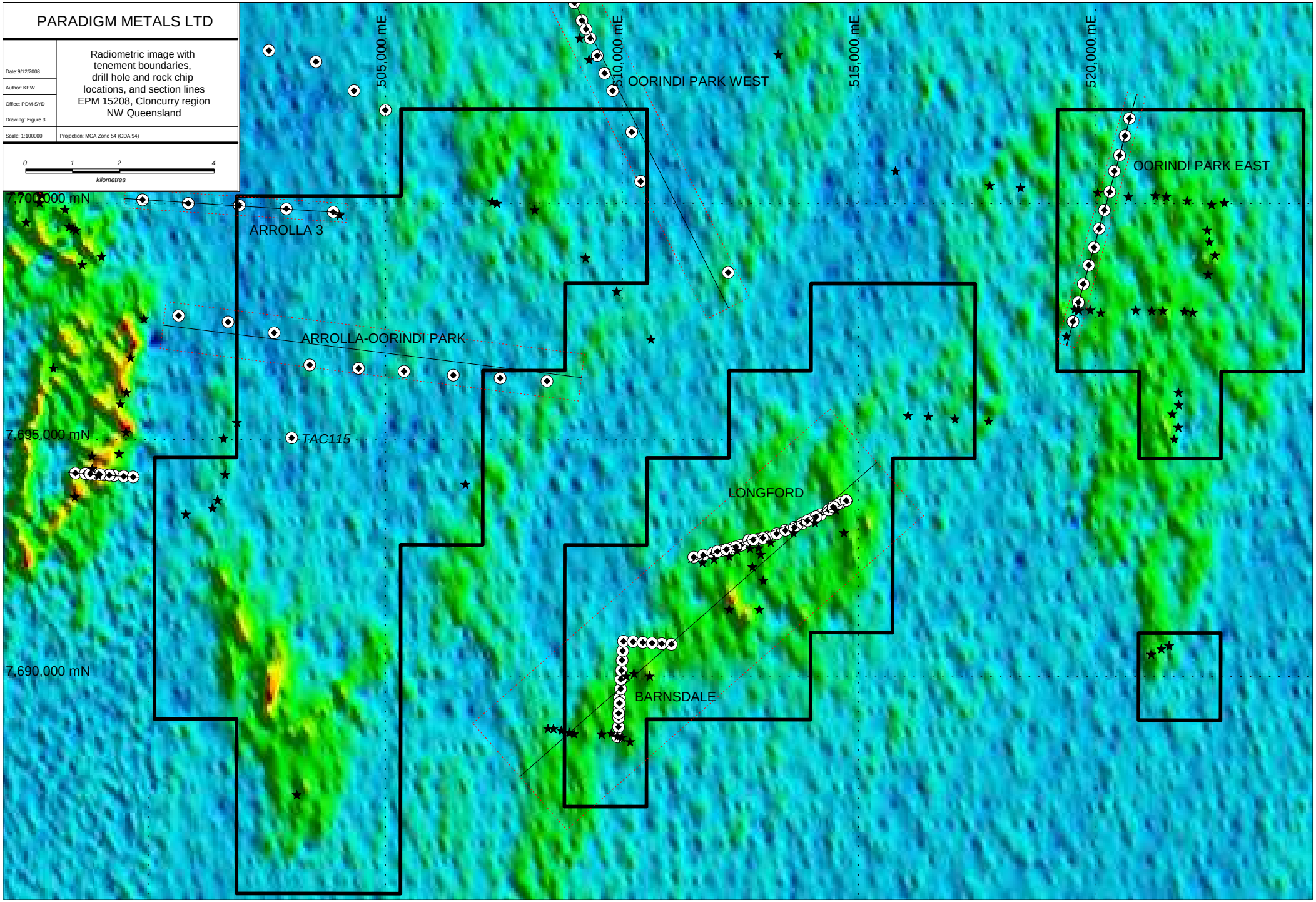
EXPLORATION DURING THE REPORTING PERIOD

Exploration completed on EPM 15208 during the initial year of tenure by the Toolebuc Joint Venture involved data compilation and desktop synthesis, rock chip sampling (70 samples**)** and drilling of 68 aircore holes for a total advance of 1659 metres.

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 70 rock chip and float samples were collected within EPM 15208 (Figure 3). Assays were conducted by ALS Laboratories in Townsville, using method ME-MS41, comprising multi-element ICP-AES analysis after multi-acid digestion (Order# TV07147748). Seventeen samples with phosphorous >10000ppm were resubmitted to ALS Chemex Laboratories in Brisbane to determine weight per cent phosphate concentrations using phosphate rock fusion analysis method ME-ICP85 (Order# BR08005980). Assay data is included in Appendix 1.

Significant results are included in Tables 2 and 3. Maximum uranium and phosphate values are 750ppm and 9.9% respectively, while the highest observed vanadium and molybdenum values are 2070ppm V and 994ppm Mo. There is a broad correlation between phosphate content and uranium content, while relationships between molybdenum and vanadium are less apparent.


PARADIGM METALS LTD
Radiometric image with tenement boundaries, drill hole and rock chip locations, and section lines EPM 15208, Cloncurry region NW Queensland
Date:9/12/2008
Author: KEW
Office: PDM-SYD
Drawing: Figure 3
Scale: 1:100000
Projection: MGA Zone 54 (GDA 94)
0 1 2 4
kilometres
505,000 mE
510,000 mE
515,000 mE
520,000 mE
7,700,000 mN
7,695,000 mN
7,690,000 mN
OORINDI PARK WEST
OORINDI PARK EAST
ARROLLA 3
ARROLLA-OORINDI PARK
TAC115
LONGFORD
BARNSDALE

Sample_No	GDA94_E	GDA94_N	Mo(ppm)	P(ppm)	U(ppm)	V(ppm)	P_2O_5(%)
EPS101	512987	7692024	40	>10000	750	919	7.32
EPS093	512704	7692709	60	>10000	650	760	9.9
EPS098	512889	7692717	23	>10000	389	559	3.77
EPS052	510171	7688616	94.6	>10000	383	328	3.88
EPS102	512899	7691413	98.6	>10000	336	364	4.02
EPS047	508989	7688779	84.7	>10000	322	392	3.84
EPS004	512267.6	7691413	78.5	>10000	312	374	4.44
EPS091	512265	7692533	87.1	>10000	288	400	5.46

Table 2: Summary of significant uranium and phosphate values from EPM 15208 rock chips

Sample_No	GDA94_E	GDA94_N	Mo(ppm)	P(ppm)	U(ppm)	V(ppm)	P_2O_5(%)
EPS025	519659	7697746	994	850	75.4	2070	-
EPS100	512755	7692313	116	360	31.5	992	-
EPS099	512932	7692579	20.5	>10000	192	851	3.43
EPS093	512704	7692709	60	>10000	650	760	9.9
EPS095	513625	7693039	759	610	20	119	-
EPS039	521567	7690649	149.5	510	4.82	80	-
EPS049	509778	7688791	133.5	>10000	249	451	2.52
EPS038	521190	7690470	132.5	1030	19	367	-

Table 3: Summary of significant vanadium and molybdenum values from EPM 15208 rock chips

Aircore drilling

Two regional aircore drilling programs were undertaken across the joint ventured tenements during the reporting period (Figure 3). The first program occurred in February (TAC001-TAC096), and was designed to test radiometric anomalies for uranium mineralisation within oxidised Toolebuc Formation limestone units. The second program was carried out in July (TAC097-TAC125), and tested reduced Toolebuc Formation sequences for hydrocarbons, in addition to uranium-vanadium-molybdenum mineralisation.

February Program

During the February program, drilling within EPM 15208 occurred on the Oorindi Park, Longford, and Barnsdale cattle stations. This included drilling of 57 aircore holes for an advance of 1223 metres. Collar locations are included in Appendix 2, and geological information in Appendix 3. These holes primarily targeted outcropping and near surface Toolebuc Formation limestones for uranium mineralisation. The holes were drilled in three separate lines. The Oorindi Park East line (TAC010-TAC021) followed a track along the eastern boundary fence of Oorindi Park station, with drill holes spaced at 400 metres. The Barnsdale line (TAC022-TAC039) was drilled along a N-S fence line on the Barnsdale property, with an easterly dog leg along the southern fence line of Longford station. Holes were drilled at a 200m spacing down an access track, with several 100m spaced infill holes where elevated scintillometer readings were obtained. The Longford line (TAC040-TAC066) was drilled in an ENE-SSW orientation along a property road on Longford station. Holes were spaced 200m apart, and again infilled where elevated scintillometer readings were obtained. Sampling involved spearing individual metre bags where elevated scintillometer values were measured, or as 2, 3, or 4 metre composites where scintillometer readings remained at background levels.

Results

The recognised geology was characterised as clay and gravel (Cainozoic deposits), clay (oxidised Allaru Mudstone), calcareous clay, limestone, and calcareous oil shale (Toolebuc Formation), and non-calcareous blue-grey mudstone (Wallumbilla Formation). Cross sections of the various lines are presented in Appendix 4.

The majority of holes on the Oorindi Park East line did not contain significant mineralisation, which is thought to be a result of near complete removal of Toolebuc Formation rocks (Appendix 4). Similarly on the Barnsdale line, holes were collared in thin remnant oxidised Toolebuc Formation, or oxidised Wallumbilla Formation. The majority of holes on the Longford line were collared in outcropping limestone comprising a topographic high (except for the easternmost hole: Appendix 4).

The Longford line contained the highest individual mineralisation grades, including an intercept of 2m@ 0.41% V_2O_5 and 880ppm MoO_3 in TAC066. Assay data for all holes and elements are included in Appendix 5, and a summary of significant vanadium and uranium results is included in Table 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.

July Program

A second aircore drilling was carried out in July to test the deeper unoxidised parts of the Toolebuc Formation, which host hydrocarbons in addition to uranium-vanadium-molybdenum mineralisation. The drill hole spacing in the second program was increased to 1 kilometre to cover a greater area. A further 11 holes were drilled on EPM 15208, for an advance of 436 metres. All holes were drilled on property access roads or tracks following fence lines. An east-west line was drilled across Arrolla and Oorindi Park, which included TAC107, and TAC116-TAC119 (Figure 3, Appendix 4). Hole TAC115 was drilled near a previous diamond drill hole to compare hydrocarbon contents. The Oorindi Park West line was extended to the southeast, and included TAC123-TAC124. A final line (Arrolla 3) crossed into the western part of EPM 15208, (Figure 3, Appendix 4). Collar locations are included in Appendix 2, with geological log information presented in Appendix 3. Samples were collected as 3-6m composites, based on geological boundaries. 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 5, with significant vanadium and molybdenum intercepts included in Table 4. Samples were also collected from several holes (TAC115, 124) for oil shale analysis. Each metre identified as calcareous oil shale was captured in airtight containers directly from the cyclone to maximise volatile content. Several of these samples were analysed by Geotechnical Services Pty Ltd in Perth, WA for hydrocarbon content using Rock-Eval pyrolysis analysis.

Table 4: Summary of EPM 15208 drill holes using specified cut-offs									
	Cut-off at 0.30% V_2O_5					*Cut-off at 50ppm U_3O_8*			
Hole No.	From (m)	To (m)	Int (m)	V_2O_5 (%)	MoO_3 (%)	From (m)	To (m)	Int (m)	U_3O_8 (%)
TAC010	8	12	4	0.29	293	4	8	4	59
TAC025	4	6	2	0.54	411	2	4	2	106
TAC027	4	8	4	0.37	383				
TAC028	4	8	4	0.34	359				
TAC029	4	8	4	0.33	233				
TAC030	3	5	2	0.40	381	2	3	1	130
TAC031	8	12	4	0.39	329				
TAC032	4	8	4	0.36	342				
TAC033	4	7	3	0.29	315	7	8	1	106
TAC039	2	5	3	0.52	406	2	3	1	165
TAC041	4	8	4	0.34	369	4	8	4	83
TAC042	8	12	4	0.33	345	4	8	4	59
TAC043	2	7	5	0.33	286	2	3	2	95
TAC044	3	5	2	0.54	483	2	3	1	106
TAC045	4	8	4	0.42	302				
TAC046	4	8	4	0.42	257				
TAC048	4	8	4	0.42	314				
TAC049	4	8	4	0.38	395				
TAC050	8	12	4	0.37	360				
TAC051	17	20	3	0.38	461				
TAC052	14	20	6	0.31	482				
TAC053	16	18	2	0.29	390	20	21	1	141
TAC054	4	8	4	0.36	446				
TAC055	8	12	4	0.34	326				
TAC056	20	22	2	0.34	414				
TAC057	4	10	6	0.36	353				
TAC059	20	24	4	0.30	396				
TAC060	12	20	8	0.32	371				
TAC061	12	16	4	0.29	371	17	20	3	59
TAC062	2	7	5	0.34	378	2	3	1	165
TAC063	2	6	4	0.38	401	2	3	1	83
TAC065	4	8	4	0.37	342				
TAC066	11	17	6	0.36	595	12	15	3	114
TAC107	24	28	4	0.30	357	16	32	16	80
TAC108						24	36	12	79
TAC110	9	18	9	0.33	365	5	18	13	78
TAC112	32	36	4	0.30	327	20	36	16	68
TAC113						22	39	17	67
TAC114	28	32	4	0.30	324	22	39	17	71
TAC115						28	39	11	76
TAC116	26	29	3	0.32	412	18	33	15	64
TAC117	32	36	4	0.31	342	26	39	13	65
TAC118						37	51	14	67
TAC119	16	20	4	0.30	318	16	23	7	66
TAC123	18	21	3	0.36	432	12	24	12	71
TAC124						16	26	10	77

Results

The recognised geology was again divided into Cainozoic clays and gravels, oxidised Allaru Mudstone, Toolebuc Formation limestones and shales, and non-calcareous Wallumbilla Formation blue-grey mudstones. Cross sections of the Arrolla-Oorindi Park and Arrolla 3 lines are included in Appendix 4.

The central holes of the Arrolla-Oorindi Park line fall within EPM 15208. The Toolebuc Formation appears to gently dip to the east, although a sudden shallowing between TAC118 and TAC019 may indicate the presence of a fault (Appendix 4). Mineralisation follows a discrete zone in the central-lower part of the Toolebuc Formation, immediately below the base of oxidation. A similar mineralisation style occurs within the eastern holes of the Arrolla 3 line (Appendix 4).

Hole TAC115 on the Longford station intercepted 4m @ 0.28% V_2O_5, 375ppm MoO_3, and 94ppm U_3O_8 from 35m. This is the only hole within EPM 15208 so far that has been analysed for hydrocarbons, and the same interval contained 7.7% S2 hydrocarbon (potential generating hydrocarbon).

CONCLUSIONS

Exploration included collection of 58 rock chip samples, and drilling of 68 aircore drill holes. Drilling targeted (1) uranium-vanadium-molybdenum in oxidised outcropping/subcropping limestones of the Toolebuc Formation; and (2) oil shale-uranium-vanadium-molybdenum within the deeper, reduced parts of the same sequence.

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. There appears to be a correlation between phosphate content and uranium content in oxidised Toolebuc Formation rocks.

Preliminary research on the available processing options for extraction of hydrocarbons and also vanadium-molybdenum oxides in carbonate gangue is underway, and will continue into the next reporting period.

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.

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