

EPM 15906

“Toolebuc Joint Venture”

Held by

TOOLEBUC RESOURCES PTY LTD

A Joint venture between Paradigm Metals & Exco Resources

**THIRD ANNUAL REPORT FOR THE PERIOD
8 JANUARY 2009 TO 7 JANUARY 2010**

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TABLE OF CONTENTS

LIST OF TABLES	2
LIST OF FIGURES	2
SUMMARY	3
INTRODUCTION	4
TENURE & ACCESS.....	5
GEOLOGY	6
PAST EXPLORATION IN THE TOOLEBUC JV AREA	7
EXPLORATION DURING THE REPORTING PERIOD	8
REFERENCES	10

LIST OF TABLES

Table 1: List of EPM 15906 sub-blocks

LIST OF FIGURES

Figure 1: Locality of the Paradigm and Exco Cloncurry Joint Venture area to the east of Cloncurry
Figure 2: Map of original Toolebuc Joint Venture permits on uranium radiometric image
Figure 3: Radiometric image with tenement boundaries, and TJV exploration to date

SUMMARY

This report summarises exploration completed on Exploration Permit for Minerals Number 15906 (EPM 15906) for the 12 month period ending 7 January 2010. 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.

Exploration during the reporting period included a review of the Toolebuc Joint Venture's exploration in the Mesozoic stratigraphy, and also an appraisal of Proterozoic basement exploration potential. This appraisal is ongoing.

INTRODUCTION

Exploration Permit for Minerals Number 15906 (EPM 15906) 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 15906 (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).

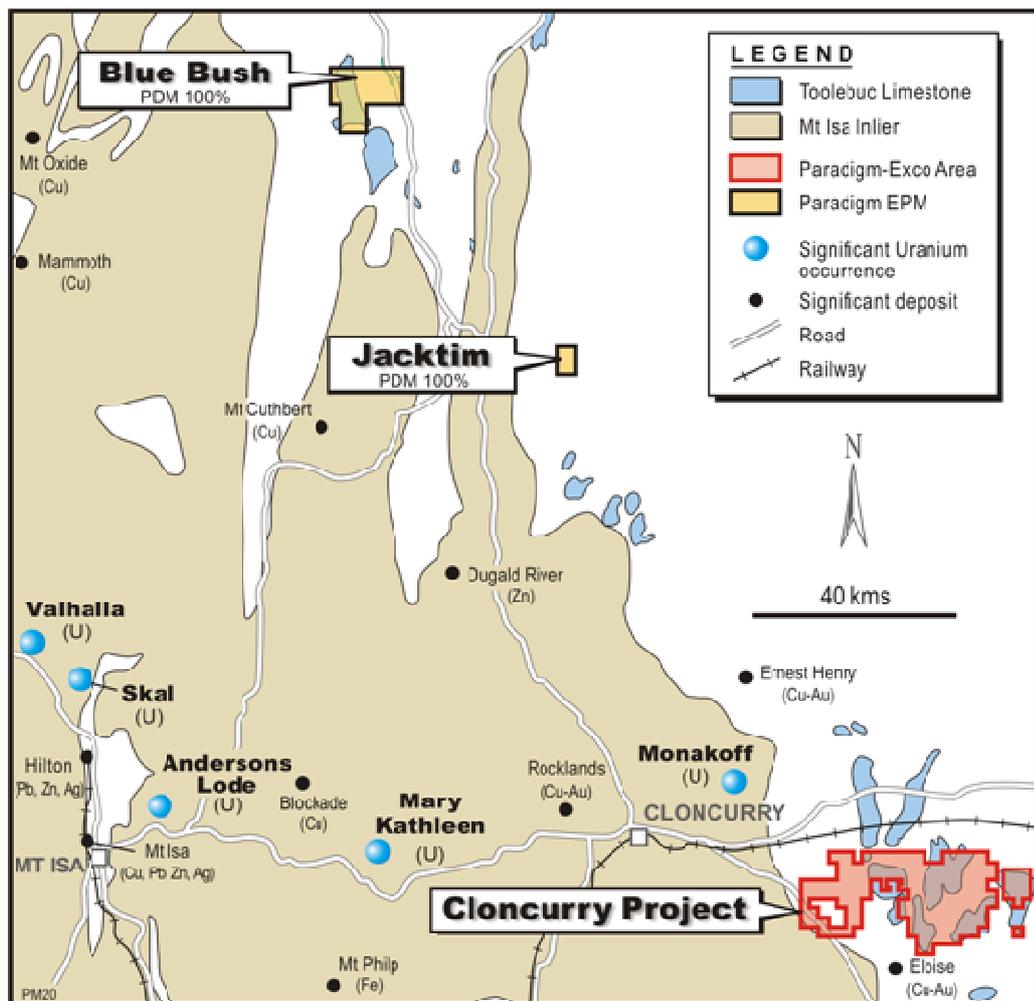


Figure 1: Locality of the Paradigm and Exco Cloncurry Joint Venture area to the east of Cloncurry

TENURE & ACCESS

EPM 15906 presently comprises five sub-blocks (Table 1). The exploration permit was granted to Paradigm Queensland Pty Ltd, a subsidiary of Paradigm Metals Ltd, on 8 January, 2007, for a five year term. EPM 15906 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 \$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	l,m,n,o,p

Table 1. List of EPM 15906 sub-blocks

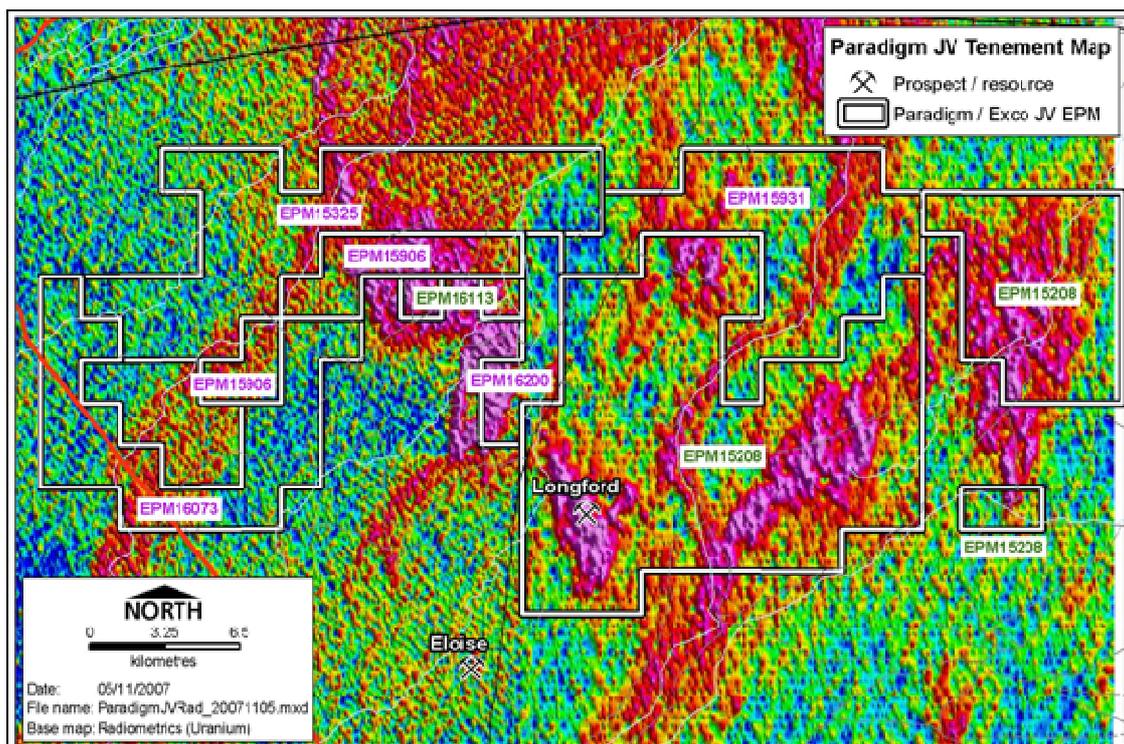


Figure 2: Locality Map of original Paradigm and Exco permits over uranium radiometric image. The hot colours are associated with outcrops of Toolebuc Formation limestone.

GEOLOGY

EPM 15906 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 70m and 180m across EPM 15906 (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.

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 a number of 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.

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 15906, 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 drilled immediately south of the EPM 15906 boundary and 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 within EPM 15906. Large amounts of 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 to the northeast of EPM 15906 with logs and assays recorded. Drilling confirmed depth to basement rocks steadily deepens to the east. The results are found in reports CR25055, CR25095 and CR25096.

Savage Resources 1995-2001

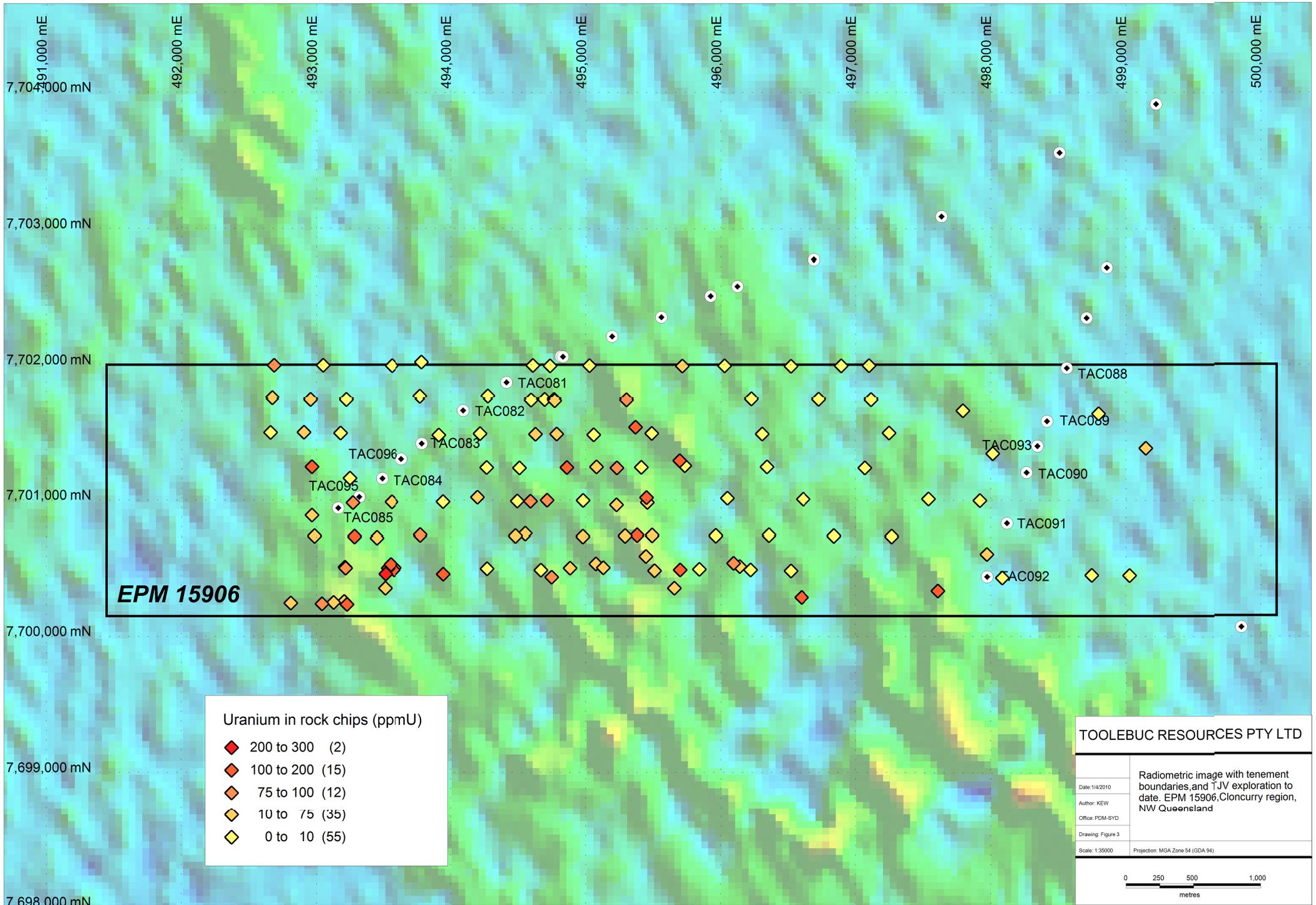
A number of tenements around Undina were acquired by Savage Resources to supply limestone fluxing material for the processing plants at Ernest Henry. 1202 short RAB drill holes were drilled for to test limestone thickness and depth, including several hundred in EPM 15906. The drilling program proved that the limestone in the area is laterally extensive and averages between 5 and 10m in depth. Savage River was acquired by Pasminco in January 1999. Pasminco surrendered the leases at the end of 2001. Results are found in reports CR27771 and CR28671.

Toolebuc Joint Venture (Paradigm Metals-Exco Resources) 2007-

119 rock chip samples have been collected on EPM 15906, and two regional aircore drilling programs were undertaken across the joint ventured tenements. The first program tested radiometric anomalies for uranium and other metal mineralisation within oxidised near surface Toolebuc Formation rocks, while the second targeted reduced Toolebuc Formation sequences for hydrocarbons, in addition to uranium-vanadium-molybdenum mineralisation. On EPM 15906 13 holes were drilled for a total advance of 256 metres. Details of the drilling are included in CR60982. Better intercepts from EPM 15906 drill holes include 8m @ 0.34% V₂O₅ and 298ppm MoO₃ from 4m in hole TAC096. Vanadium-molybdenum-uranium mineralisation occurs within calcareous 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. Better uranium mineralisation appears to occur at the base of the limestone contact with calcareous oil shale. Elevated surface values responsible for the radiometric anomalies may be enhanced by supergene enrichment by precipitation of carnotite along fissures and fractures within fossiliferous outcropping/subcropping limestone.

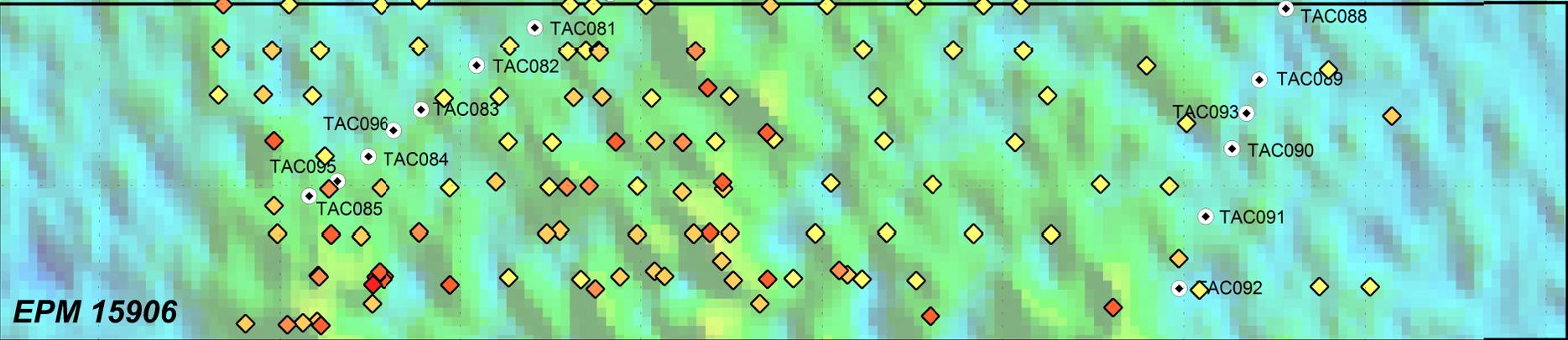
EXPLORATION DURING THE REPORTING PERIOD

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