

**PARAGON RESOURCES:
ANNUAL REPORT, EL18/2010, ELLIOTT BAY**

To Year 4 (Nov 2013 - Nov 2014)



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Squirrel B3 used for mobilising the helicopter portable drill rig.

Abstract

This fourth Annual report for EL18/2012 ('Elliott Bay', the 'licence area') presents results from around nine weeks of on-ground field work including; two diamond drill holes totalling 412m, two induced polarization (IP) lines totalling 2100m of Dipole Dipole Geophysics, Regional stream sampling and surface sampling.

The Elliott Bay licence is held by Paragon Resources Pty Ltd ("Paragon"). The Elliott Bay project was managed for Paragon by SRA (Schoer Reed & Associates) until the 1st of July, from this period onward it has been managed by Rockwise Pty Ltd ("Rockwise").

Elliott Bay licence is prospective for a suite of elements, including base metals and associated elements, Au and rare earths. The principal focus of exploration for Paragon is on Au.

The fourth year exploration program was the results of a highlighted Au in rock chip and pan concentrates collected over a strike length of about 6km in the vicinity of a recently discovered fault or high strain zone referred to by Paragon as the Discovery Creek Shear Zone ('DCSZ'). An evolved understanding of the system has led to the discovery of a large NW structure that will be the focus of new programs.

Other work at Elliott Bay over the year also includes desktop study and reviews of new hi-logger information, digitizing historical surface data and remodeling of historical geophysics. Ongoing review of historic data for surrounding prospects (V9, V12, Waterloo Creek and V10 being the priorities).

Results of exploration to date remain positive, highlighting flaws in earlier exploration models and interpretations of exploration data, but reinforcing the value of existing data in context of a better understanding of the geology and setting of Au-related mineralisation.

Expenditure for Year 4 to date is \$76,517. This is against a minimum required expenditure of \$55,000.

Contents

	Page
<u>1. Introduction</u>	4
<u>2. Exploration philosophy</u>	6
<u>3. Tenure and sovereign risk</u>	7
<u>4. Land access and infrastructure</u>	8
<u>5. Regional setting of mineralisation</u>	10
<u>6. Geology</u>	10
<i>Regional geology of the MRV</i>	10
<i>Geology of the SMRV</i>	10
<i>Mineralisation types present in the SMRV</i>	13
<u>7. Exploration history</u>	14
<u>8. Paragon Resources: Results of work year 3 to year 4</u>	15
<i>Desktop studies</i>	16
<i>Regional Exploration Activities</i>	20
<i>Prospect Based Exploration Activities</i>	28
<i>Environment</i>	32
<i>Other work</i>	33
<u>9. Future work</u>	33
<u>10. Expenditure to date</u>	35
<u>11. Conclusion</u>	36
<u>12. Sources of information</u>	37
<u>13. Metadata</u>	41
<u>14. Statement of experience</u>	41
<u>15. Disclaimer</u>	41

1. INTRODUCTION

EL18/2010 comprises 109 km² located in the Southern Mount Read Volcanic belt (SMRV) of south-western Tasmania (Figures 1.1 and 1.2). GDA94 is used throughout this report, historical data previously in AGD66 has been converted.

The licence was granted on 24th November 2010 without objection.

The licence covers the southern section of exposed Cambrian volcanic and related intrusive rocks. Exploration at Elliott Bay in the past has focussed on VHMS-style massive sulphide (lead and Zn) mineralisation with little regard to explaining the considerable gold anomalism in the area. Paragon is focussed on looking at alternative models for the Au occurrences.

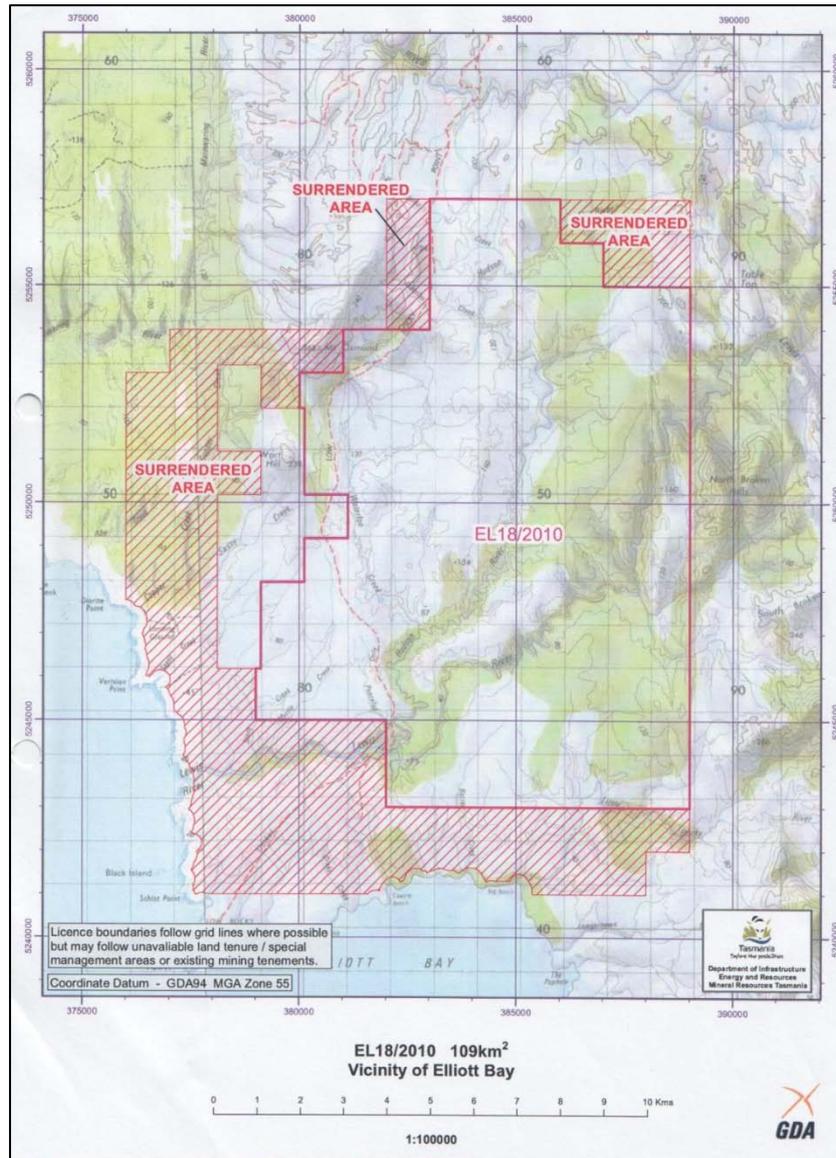


Figure 1.1. Map showing Elliott Bay licence area, and area relinquished. The area retained is considered prospective for yielding a Cambrian age mineral deposit of economic size (>2Moz gold eq)

Paragon was first alerted to the potential at Elliott Bay after processing of government Western Tasmanian Regional Minerals program (WTRMP) data revealed a greater complexity in the geology and structure in areas of Au anomalism than had previously been recorded.

Most exploration at Elliott Bay has shown a progression from regional to prospect-scale, with a focus on identifying and testing for massive sulphide VHMS-style lead and Zn mineralisation. This emphasis on a stratabound VHMS model largely pre-dated discovery of the fault-related Henty Au deposit. It also pre-dated regional geological or high-quality geophysical datasets.

Importantly, the design of exploration programs, regional mapping and interpretation of exploration results in the past has nearly always been in context with an exploration model prioritising lithology-parallel (stratabound), Pb- and Zn-

dominated mineralisation. Mineralisation at Elliott Bay that did not fit this VHMS model, such as has been found by Paragon in the vicinity of Discovery Creek, was largely disregarded, inadequately explained or never followed up.

Despite considerable structural complexity in the Elliott Bay area, no structural geologists were involved in constructing the regional geological maps of the region (Vicary, pers comm). The structural component of Elliott Bay has become an extremely important factor in designing and focusing exploration efforts.

Recent studies elsewhere in Australia are also now showing a continuum of deposit styles in VHMS-bearing terranes. In particular, work in Western Australia (Groves et al, GODS, 2002) shows an association between VHMS mineralisation and shear zone related mineralisation. Although the regional mapping in the eastern Elliott bay area lacks structural input, considerable complexity is evident in Western Tasmanian Regional Minerals Program (WTRMP) radiometric and aeromagnetic data (Reed 2011). These data clearly show anomalies across multiple radiometric and aeromagnetic datasets in areas also anomalous in Au.

The combination of narrow exploration models, new data, and an improved understanding of the styles of mineralisation that might be present in the southern Mount Read Volcanics formed the basis for Paragon acquiring the ground in 2010.

This report will reveal results from the 2013-14 program; with a recent funding allowing Paragon to follow up results with geophysical targeting and a drill program in first quarter 2014.

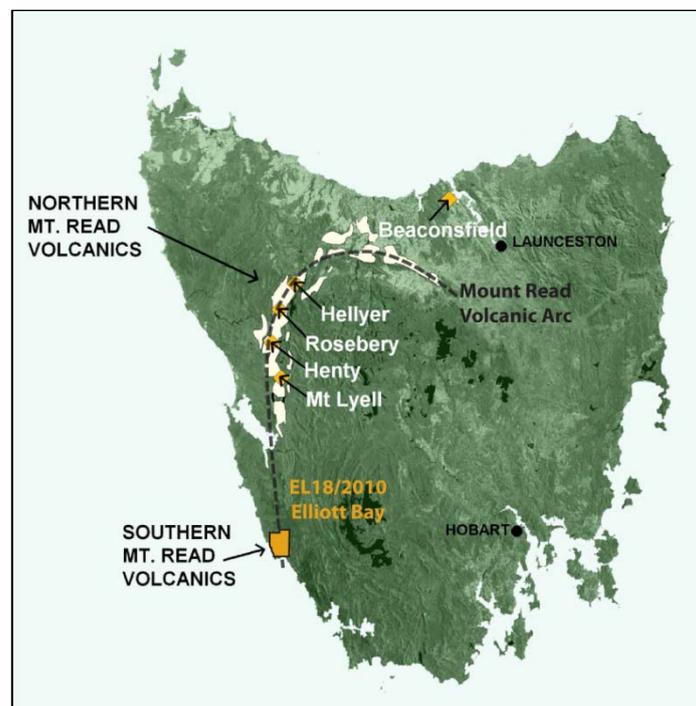


Figure 1.2. Map of Tasmania showing the location of EL18/2010 in southwestern Tasmania. The Elliott Bay licence encompasses 109 sq km of the highly mineralised Mount Read Volcanic belt.

2. EXPLORATION PHILOSOPHY

The exploration philosophy adopted by the company is a matter of constant review.

Initial targeting of the eastern Elliott Bay area resulted from realisation that anomalous and unexplained Au results in historic panned concentrates (up to 688 g/t Au) coincided with structures mapped from WTRMP geophysical data (Reed, 2011). During the 2012 program Au was found in rock chips and the area was named Discovery Creek. Au was also panned above these rock chips indicating that the host material continues up stream. Rock chips of 160 g/t and 29g/t have been taken 150m apart across stratigraphy indicating multiple shears/pods of mineralisation at discovery creek. IP lines are planned over this area for a systematic generation of targets for drilling in the next season.

Complexity in WTRMP data and field checks by MRT geologists (Green, 2002) were inconsistent with simple geological contacts shown on regional geological maps. Further investigation revealed that regional geological mapping in the 1990's had lacked structural input (Vicary pers comm). Rather, a lithological focus was seen as being more important to providing a regional context for the VHMS models driving exploration at the time.

Evidence existed for features in WTRMP data being more than artefacts. Features matched known geological trends. One feature of particular interest coincided with a zone of previously documented sericite and chlorite alteration (eg Cyprus 88/2853), as well as progressive changes in regional foliation and the presence of stretching lineation's on regional geological maps. Field checking revealed this feature to be a major shear zone mapped to be greater than 5km long.

Geophysical complexity in WTRMP data often also coincided with areas of unexplained geochemical anomalism. However, anomalous stream sediment Au results from the eastern Elliott Bay area had been largely disregarded by earlier workers because their setting did not fit with the stratabound Pb- and Zn- VHMS-style mineralisation being sought (eg as at Rosebery in the northern MRV).

Even prior to field checking, it was clear that structural geology played a more important role in the geology of the Elliott Bay area than had been previously documented. Developing a better understanding of this was crucial, especially given the structural influence highlighted for more recently discovered Au deposits in the northern Mount Read Volcanic belt, such as Henty.

Recent work in Western Australia has also shown an association between VHMS terranes and shear zone hosted mineralisation (Groves, 2003). Indeed, it is a characteristic of Achaean belts that the two deposit styles can occur together.

Demonstrably VHMS-style mineralisation at Elliott Bay (eg Wart Hill) occurs in the upper parts of the Elliott Bay volcanic sequence. By contrast, Au mineralisation in the eastern Elliott Bay area sits lower (or deeper) in the stratigraphy. This environment is conducive to a hotter, Cu-Au-rich, shear-related mineralising environment.

In summary, the hypothesis being tested by Paragon is that Cu- and Au-mineralisation located by earlier explorers in eastern Elliott Bay area did not fit the VHMS model of earlier workers because it is not a VHMS style of mineralisation. Rather, it is a manifestation of the same mineralising event, but formed deeper in the Earth's crust in areas of structural complexity not previously documented.

Results of field-checking presented in this report verify that Au mineralisation in eastern Elliott Bay is indeed associated with zones of high strain. These structures will be the focus of geophysical imagery, mapping and sampling in upcoming field trips.

A conceptual Au target for Elliott Bay is a deposit similar to or larger than the Henty – Mt Julia system (eg >2Moz) in the northern section of the MRV. A deposit smaller than 2Moz Au (eq) is unlikely to be economic given the remote location.

3. TENURE AND SOVEREIGN RISK

EL18/2010 is wholly Crown land. There is no private land, nor are there farming or grazing leases covering the licence area.

EL18/2010 is contained within one of a number of Conservation Areas located in prospective areas of Tasmania. It is not part of the World Heritage Area. Work at Elliott bay is subject to review by the Mineral Exploration Working Group, an advisory group to Mineral Resources Tasmania.

Elliott Bay falls within the Cape Sorell Strategic Prospectivity Zone (SPZ; Figure 3.1). SPZ's are recognised regions of high prospectivity for mineral discovery. They were established under 1993 legislation enacted to provide resource security for the minerals industry. Under this legislation, the status of significant parcels of Crown land within SPZs cannot be changed to a tenure excluding mineral exploration and mining without the approval of both Houses of State Parliament. The approval of the Director of Mines is needed for small parcels of land (less than 500 hectares). **If the status of land is changed so that a mineral tenement is voided or diminished in size, the holder may be compensated** (Mineral Resources Tasmania, Annual Review 2000-01, text copied from ABS website, <http://www.abs.gov.au/ausstats/abs@.nsf/0/42124675B8A0F173CA256C32002416BE>). SPZ legislation is unique to Tasmania and aims to reduce sovereign risk to the explorer by providing compensation should there be a change of land status. The SPZ legislation offers greater certainty to the explorer than might ordinarily be expected elsewhere in Australia.

There is no native title claim over Elliott Bay. Nor is Native Title the same issue in Tasmania as it is elsewhere in Australia. Rather, the Native Title (Tasmania) Act 1994 (Tas) confirms State ownership of all natural resources.



Figure 3.1. Location map showing Strategic Prospectivity Zones (SPZ's) in Tasmania. Elliott Bay (EL18/2010) is contained within the Cape Sorell SPZ.

4. LAND ACCESS AND INFRASTRUCTURE

Elliott Bay is located on the high rainfall west coast of Tasmania, with the potential for adverse weather conditions at any time of the year. Eastern parts of the Elliott Bay licence tend to be more undulating (Figure 4.1) and therefore more sheltered than exposed button-grass plains to the west. However, fieldwork is best restricted to summer months, between November and April.

Access to and within the Elliott Bay area is difficult. Vehicular access is restricted to quad-bike tracks. Lighter equipment and personnel can be flown by helicopter from Strahan or Strathgordon. Helicopter services (B2/B3 Squirrel, Jetranger and Robinson 44's) are based from Strahan during the summer months with additional operators (Squirrel and Longranger helicopters) located on the north coast. Helicopter service providers are experienced in both slinging mineral exploration equipment and the Elliott Bay area.

For this seasons work multiple operators were approached to take advantage of specific equipment for separate components of the job. This method was the most cost and time efficient way to mobilise equipment and crew to the job. See table 1 below

Helicopter	Company	Job
B3 Squirrel	Tasmanian helicopters	Mobilisation and demobilisation of camp and drill rig
Long-ranger or Jet-ranger	Rotorlift	Crew changes and mobilisation of minor equipment
R44	Seaplanes and helicopters	Mobilising minor equipment

Table 1, type of helicopter used for different situations.

There is an old but still serviceable airstrip located a few kilometres north of the EL18/2010 at Moores Valley. In 2014 Air Tasmania have advised that they are prepared to fly their Islander aircraft to Moores Valley from Hobart. Islanders are proven aircraft with a carrying capacity of about 780kg ex Hobart and 860kg ex Moores Valley. They are a cost and time effective alternative to helicopters for transport of personnel and light equipment from Hobart for larger programs.

Historically heavier equipment has previously been barged down the west coast from Strahan (eg Frontier Resources). An alternative for accessing the eastern parts of Elliott bay is to sling gear to site from a barge or fishing boat using a helicopter.



Figure 4.1. B3 squirrel and the landscape at Elliott Bay, discovery creek camp mobilisation area comprises a dissected tertiary plane, ranging from open flat button grass country in the west, as seen in the picture. To densely forested and button grass-covered planes dissected by steep-sided valleys in the east. A 4WD/quad bike track runs from Macquarie harbour through EL18/2010 to Low Rocky Cape, also passing the Moores Valley airstrip.

5. REGIONAL SETTING OF MINERALISATION

About 50% of Tasmania can be broadly classified into metallogenic domains hosting a number of mineral deposit types; including:

- Late Proterozoic Arthur lineament in the northwest of the State, yielding iron ore and magnesite .
- Early Cambrian mafic and ultra-mafic rocks containing platinum group minerals (PGMs), Ni, Cu, cobalt, Au and other minerals.
- **Middle Cambrian Mount Read Volcanics (MRV), hosting polymetallic volcanic hosted massive sulphides (VHMS) and disseminated Cu-Au deposits.**
- Middle Devonian mesothermal Au deposits in north-eastern Tasmania.
- Late Devonian to Early Carboniferous granite associated deposits.

Elliott Bay is contained within the Middle Cambrian Mount Read Volcanic (MRV) belt. The MRV belt is highly mineralised, hosting three of Tasmania's six 'world-class' deposits. The MRV boasts an impressive pre-mining resource of more than an estimated 11Moz Au.

EL18/2010 (Elliott Bay) is contained within the Southern Mt Read Volcanics (SMRV). These rocks are similarly well mineralised. Mineralisation is of the same age and style as further north but due to its remote location, has received less exploration attention and, as a result, is less well understood.

6. GEOLOGY

This section gives a brief overview of the regional Palaeozoic geological setting of the Mount Read Volcanics (MRV) and the geology of Southern Mount Read Volcanics (SMRV) in the vicinity of EL18/2010 (Elliott Bay).

Regional geology of the Mount Read Volcanics

The geology of the MRV is best understood in the north but is more controversial in the southern MRV where Elliott Bay is located.

In the north, the MRV resulted from a major period of volcanism along the eastern edge of a water filled rift in the Cambrian (circa 500Ma). Volcanism was initially rhyolitic to dacitic in composition in the centre of the trough (Central Volcanic Complex; CVC), with predominantly quartz- feldspar-phyric rocks erupted to the east (Eastern Quartz-phyric sequence).

The CVC in the northern MRV hosts the Rosebery and Hercules deposits.

Andesitic to basaltic volcanism followed with further rifting focussed to some extent on the Henty fault system. These Tyndall Group rocks host the Que River and Hellyer VHMS deposits.

Further rifting was centred on the Henty fault system and was followed by the mainly felsic final phase of volcanism. Coeval with the deposition of these dominantly volcanic sequences was the deposition of the Western Volcano-Sedimentary Sequences containing sediments of mixed volcanic or metamorphic provenance and minor felsic and andesitic volcanics.

Both Henty and Mt Lyell are mineralised deposits hosted or controlled by faults. Au-rich deposits such as Henty and Mt Lyell have characteristics of both VHMS- and porphyry Cu-Au -style mineralisation.

Geology of the Southern Mount Read Belt (SMRV)

The SMRV are separated from the main belt of MRV north of the Gordon River. Geological understanding of the relationship between the northern and southern MRV is hindered by intervening Tertiary cover and relative lack of drilling south of Macquarie Harbour.

The geology at Elliott Bay comprises Cambrian calc-alkaline felsic to mafic volcanics (Figure 6.1). Volcanic rocks are prospective for Au, Ag and base metals (Cu, Pb, Zn). Cu Au anomalism is more prevalent in the east of the

licence area at what are probably deeper stratigraphic levels, whereas Pb and Zn of VHMS affinity (with or without remobilised Devonian age Au) are more prevalent in the west (Figure 6.2).

Basement likely comprises a sequence of deformed Precambrian metasediments (similar to those outcropping to the east of EL18/2010) and/or mafic lavas and associated sedimentary rocks. Basement rocks are overlain by volcanoclastic and siliciclastic sediments correlated with the Sticht Range beds of the northern MRV sequence. This unit unconformably overlies and is in part fault contact with Precambrian metasediments east of EL18/2010.

The remaining geology and its correlation with rocks further north is more controversial. In general, the Cambrian sequence is thought to young and face west. Rocks are generally tilted to the west, with the oldest rocks in the east of the licence area.

The sequence is well foliated but demonstrates little clear folding. However, there has been little structural work and recent discovery of large ductile shear zones in the eastern parts of the Elliott Bay licence area indicate a more complex geology that is shown on geological maps. Regional geophysical data and ground truthing support greater complexity than previously mapped.

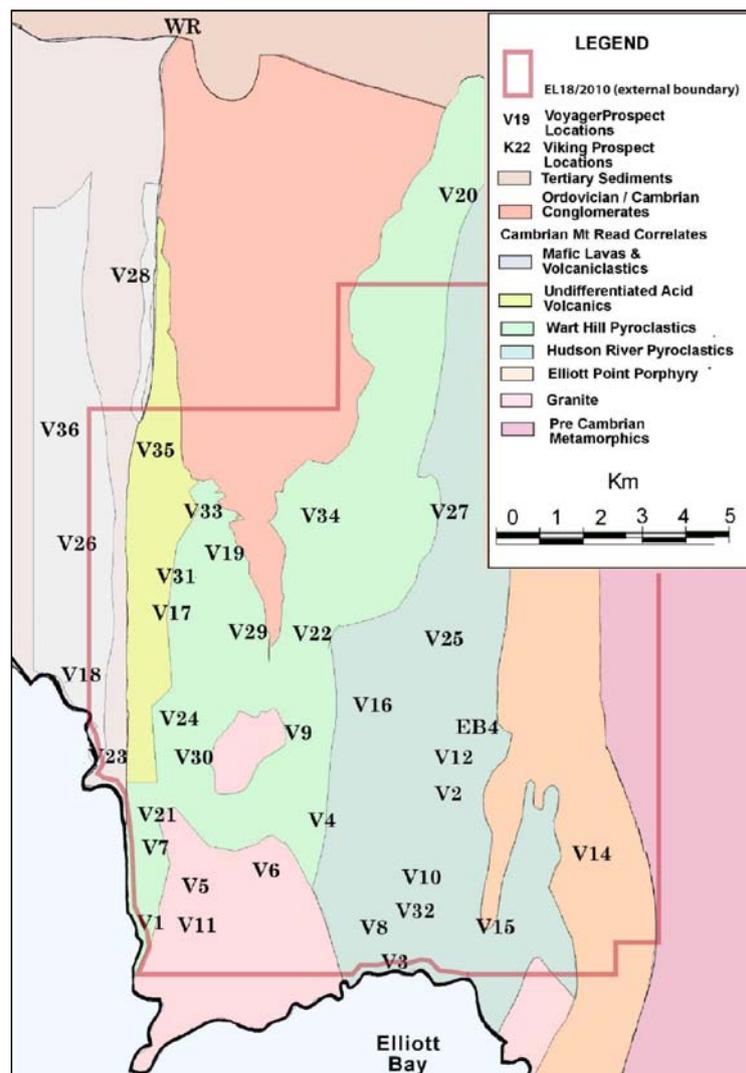


Figure 6.1. Simplified geological map of the Elliott Bay area. The gross geology has been grossly mapped as a westward-facing sequence. However, the on-ground geology is complex and a stratigraphy remains controversial. Geological maps of the area vary greatly in their interpretation, and readers are best advised to limit their reliance to factual measurements and site descriptions and to use these in context with geophysical data.

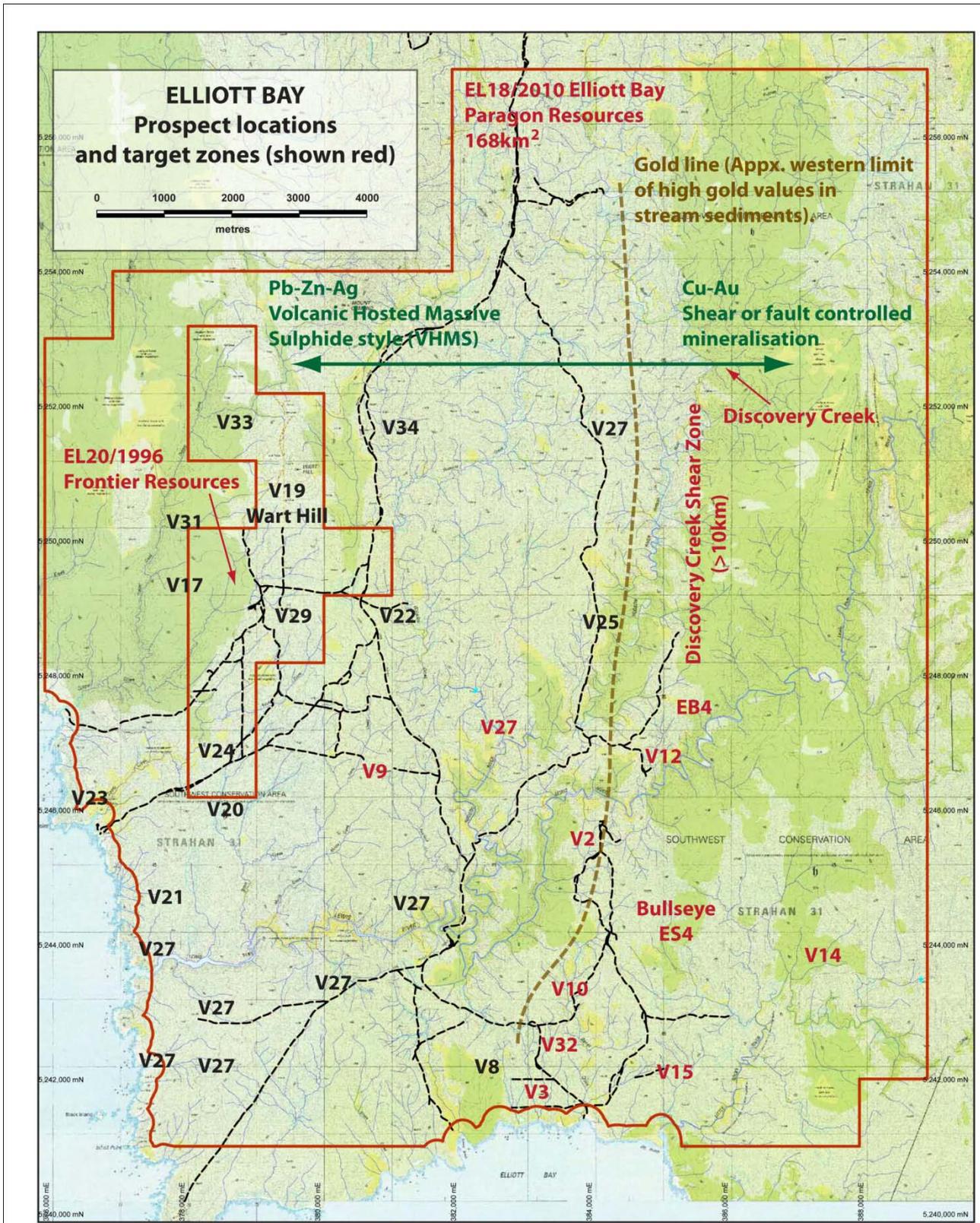


Figure 6.2. A topographic map showing the extents of EL18/2010 and some of the many prospect locations. EL18/2010 encompasses Frontier Resources tenement EL20/1996 which includes the Wart Hill Prospect (V19). Wart Hill has been the focus of much work in the Elliott Bay, often to the detriment of exploration of prospective ground in surrounding areas. Au anomalism in stream sediments that is associated with Cambrian age mineralisation at Elliott bay tends to be higher in the east, with recent work suggesting an association with shear zones. Lead isotope work suggests that less widespread vein-style Au in the west (eg V24, Sassy Creek) is of probably younger Devonian age (ie remobilised Au). (grid shown is AMG with offset coordinates being GDA)

In the east, the base of the Cambrian sequence outcrops includes what has been mapped as a 2 to 3 kilometre thick quartz-feldspar-biotite porphyry (Elliott Point Porphyry). Field checking (this study and Green 2002) indicates greater complexity with porphyry structurally and/or lithologically interleaved with volcanic rocks.

The Lewis River Volcanics lie west and stratigraphically above the Elliott Point Porphyry. These are subdivided into the Hudson River and Wart Hill Pyroclastics, and consist of variably quartz-, biotite- and feldspar-phyric volcanic sediments and lavas and/or intrusives.

Much is made in the literature about the quartz-rich rhyolitic nature of these rocks and their correlation with rocks in the Eastern Quartz-phyric sequence in the northern MRV. To an extent, this correlation has justified exploration being focussed in the west of the current licence area to the detriment of the east. The geology is not yet clear enough to make these conclusions. Both quartz- and feldspar-phyric rocks are abundant throughout the sequence. Some rocks of apparently rhyolitic appearance in the east were also originally of more intermediate composition but altered after deposition (Wallace, Aberfoyle, 91/3320, p334).

As well as quartz, sericite and/or chlorite alteration is also common and can be pervasive.

The Waterloo Creek Group unconformably overlies the volcanics and comprises a unit of felsic derived volcanoclastics, overlain by a unit of black pyritic shale with minor horizons of micaceous siltstone. The Waterloo Creek Group has been correlated with the Tyndall group further north.

Ordovician Owen Conglomerate and sandstone conformably overlies the Waterloo Creek Group.

The Copper Creek fault is a major north-south fault in the west of the licence area. West of this fault are the Western Epiclastics (including mafic volcanics). These rocks are possible correlates of the Mainwaring River Group further to the west.

Three granitoid bodies intrude the MRV at Elliott Bay; the Low Rocky Point granite, the Little Rocky River granite and the Stoney Creek porphyritic granite. The Low Rocky Point granite is a composite intrusion consisting of pink granite, cream adamellite and coarse porphyritic granite. The Stoney Creek body comprises granite porphyry with feldspar, quartz and biotite phenocrysts in an intensely sericitised and cleaved matrix. The Little Rocky River granite is also a composite intrusion consisting of massive granite porphyry and strongly foliated medium – grained quartz feldspar porphyry.

The relative timing of the intrusions and deformation events is not known. There is, however, fairly good consensus that the granitoids are more or less synvolcanic i.e. Cambrian and predate Devonian deformation.

Mineralisation types present in the southern MRV

The search for metals in the Elliott Bay area has focussed on VHMS-style massive sulphide. However, a number of different types and styles of mineralisation exist.

Au mineralisation occurs as:

- High grade in silicified structures – possibly ‘Henty-style’;
- Low grade in VHMS deposits, eg at Wart Hill (V19);
- Associated with chlorite-pyrite alteration, overprinting quartz-pyrite-tourmaline alteration zones at North Lewis (V12);
- Quartz- gossans associated with magnetite-chlorite alteration at granite margins, eg the Low Rocky Point granite;
- Vein style mineralisation in coarse pyroclastics, eg Sassy Creek (V24);
- In Tertiary gravels.

Base metal sulphide mineralisation as:

- VHMS massive sulphide style, eg Wart Hill (V19);
- Vein style galena, sphalerite and arsenopyrite mineralisation along the Copper Creek fault eg. V31;
- Disseminated Pb – Zn – Ag mineralisation in volcanoclastics eg. Lewis River
- Postulated Besshi style, eg Mainwaring Group prospects

Lead isotope work has recognised mineralisation as early Cambrian but with some Devonian age remobilisation (eg Sassy Creek, V24).

7. EXPLORATION HISTORY

The region has been significantly under-explored in comparison with the much better known northern section of the volcanic belt. There is extensive metal anomalism in regional stream sediment surveys with more than 25 additional discrete mineral prospects identified to date (eg Figures 6.1 and 6.2).

There has been a low density of drilling throughout the licence area and little modern drilling. Frontier Resources completed drilling at V19 (Wart Hill) and areas to the south and along strike to the east and north (Alderbarren; vicinity of V22-V34). These sites sit in the west of the Elliott bay licence and are not of direct interest to Paragon Resources.

Most historic drilling at prospects in the eastern licence area is shallow sub-soil test work only. Core drilling at prospects such as V12 and V2 aimed to test stratigraphic targets (VHMS models) but in both cases failed to adequately explain surface anomalism.

The SMRV Project area has not recorded any metal production to date. There is a small resource at Wart Hill (Table 5.1), encompassed by, but not included within EL18/2010. Wart Hill comprises 'rafts' of massive sulphide mineralisation from a probable nearby source but one that has yet to be discovered. This mineralisation may be at depth or have been eroded, but, regardless, clearly demonstrates the Elliott Bay area as a centre of mineralisation.

There is a significant amount of data available for the Elliott Bay area, including some detailed regional geological maps published by the Tasmanian government in the early 1990's. These data and maps have been produced and interpreted almost solely in context with a stratabound VHMS massive sulphide style of mineralisation in mind. There has been little if any work toward understanding the complex structural geology in the Elliott Bay area. A stratigraphy for the area also remains controversial and is a matter of debate throughout the company literature.

There is a long history of exploration at Elliott bay, with the area held under licence continuously since the early 1960's.

The Elliott Bay area saw minor prospecting in the period between 1890 and 1910 with old workings visible at Voyager 1 (V1) also known as Penders Prospect, Lewis River (V2), and V3 (Figures 6.1 and 6.2).

Exploration since has almost universally targeted stratabound deposits of similar style to those VHMS deposits known in the northern MRV.

In 1957 the L. E. E. joint venture held the first modern EL in Tasmania the "Gordon Concession" which covered a large area of southwest Tasmania. They undertook an airborne EM, magnetics and scintillometer survey and undertook inspection and some mapping and sampling of the old workings.

BHP explored the southwest of Tasmania from 1965 to 1975. They undertook airborne surveys as well as stream sediment geochemical sampling of the MRV and some soil geochemical sampling.

Geopeko (a division of Peko – Wallsend Operations) undertook an extensive exploration program in the area between 1976 and 1985 recognising the potential of this southern extension of the MRV. The work started collecting stream sediment geochemical samples, geological mapping and follow-up of regional EM and aeromagnetic anomalies. This work identified 35 prospects called Voyager (after the Voyager spacecraft), numbered V1 to V12 and V14 to V36. The prospects were identified by various methods as historical prospects and outcrops (V1, V2, V3, V12, V18 and V23), aeromagnetic anomalies (V5, V6, V7, V14, V15 and V17), airborne EM anomalies (V11, V21, V26 and V46), stream sediment geochemical anomalies (V8, V10, V24, V25, V27, V30, V31, and V35), soil geochemical anomalies (V28 and V29), favourable geology (V32, V33 and V35) and multidisciplinary anomalies (V4, V9, V14, V19, V20 and V29).

Further work included variously covering prospects with systematic gridding, soil geochemical sampling including C – horizon sampling (Figure 6), ground magnetics, VLF – EM and drilling. A total of 32 holes (3,573m) were drilled on 9 prospects. Between 1978 and 1981, drilling focussed on the prospectivity of the V2 (Lewis River), V3, V9, V12 (North Lewis) and V24 (Sassy Creek) /V30 (Pleiades) prospects. In 1981, regional geochemical sampling and follow up mapping resulted in the discovery of the V19 (Wart Hill) prospect where small zones of massive sulphide were discovered with highly anomalous rock chip geochemical sampling results. Trenching and drilling of this prospect was followed by more regional work (IP and C - horizon soil geochemical sampling) in the Mt Osmond syncline. This work led to the identification of the V22, V29 (East Camp), V33 (Copper Creek and North Wart) and V34 (Aldebaran) anomalies. Subsequently V33 was drill tested.

Geopeko withdrew from the area in 1984 for a number of reasons, they had concluded that potential to locate 'an economic high-grade VHMS deposit' within 100m of surface was low, exploration projects were being rationalised Australia wide and they were unable to attract a joint venture partner on favourable terms.

Cyprus Gold Australia Corporation (Cyprus) acquired the exploration rights in 1985 and undertook exploration between 1985 and 1990 targeting VHMS style massive sulphide deposits and Au. After a complete review of the Geopeko work, Cyprus undertook a helicopter borne Dighem – EM and magnetic geophysical survey as well as additional C – horizon soil and rock chip geochemical sampling and geological mapping. Anomalous areas were followed up with priority on V12 (North Lewis), V24 (Sassy Creek), V29 (East Camp) and V19 (Wart Hill).

At North Lewis (V12) Cyprus drilled 5 diamond core holes (349.6 m). Follow up geochemical soil sampling at Sassy Creek (V24) led to a recommendation to drill, but this was not undertaken. Cyprus drilled 3 diamond core holes (409 m) at East Camp (V29). Cyprus also drilled 12 diamond core holes (1,962.3 m) at Wart Hill (V19). Down the hole EM was completed on the majority of the drill holes.

In 1989 – 1990 Cyprus joint ventured the area with Aberfoyle Resources Limited (Aberfoyle). They undertook an airborne QUESTEM geophysical survey covering a large part of the area. This survey identified 9 anomalies (EB1 – EB9) that warranted ground follow up. Ground EM and soil geochemical sampling was undertaken over some of the anomalies. Drilling was attempted at anomaly EB1, located adjacent to V3 prospect but its effectiveness was limited owing to difficult ground conditions. Further work was recommended at EB4 that had gossanous outcrops associated with it, only 600m along strike from North Lewis (V12) but was not undertaken. Aberfoyle also supported lead and sulphur isotopes work at the CSIRO and CODES (University of Tasmania).

Plutonic Operations Ltd (Plutonic) successfully tendered for the area in 1994 and carried out work from 1994 – 1995. Plutonic reviewed data and geologically mapped core and outcrop at V3, Wart Hill (V19) and East Camp (V29), reviewed various geophysical surveys and undertook a moving loop SIROTEM and ground magnetic survey at Wart Hill (V19). They undertook a detailed geological re-evaluation of Wart Hill attempting to define vectors to mineralisation but decided not to undertake any further drilling at Wart Hill for massive sulphides although drilling targets on geophysical anomalies were recommended. Plutonic geologists recommended work in the Eastern Elliott Bay area at V12/Lewis River (Hermann, Plutonic, 96/3841), but given disappointing results for Wart Hill Plutonic decided to relinquish the tenement in 1996.

Macmin applied for an exploration license surrounding the Cyprus / Aberfoyle license in 1994. This was targeted on 3 geochemically anomalous areas; the margins of the Low Rocky Point granite, the Three Creeks and Upper Hudson River areas. Macmin undertook field reconnaissance and soil (auger samples) and pan concentrate geochemical sampling.

Exploration & Management Consultants Pty Ltd (EMC) successfully tendered for the exploration rights to the SMRV area after Plutonic relinquished it and undertook a review of all the past work. In 1998 they joint ventured the area with Fimiston Mining NL (Fimiston).

Fimiston conducted a review and reprocessing of geophysical data then drilled two diamond core drillholes (752 m). One hole was drilled at Wart Hill (V19) and the other was drilled 500m to the south towards the East Camp prospect targeted on anomalous geochemical analyses and geophysics. Fimiston withdrew from the area in 1999. EMC has since focussed on digitising the large body of technical data.

TasGold, subsequently Frontier Resources, held ground in the Elliott Bay region under several licences, including; EL20/2006 Lewis River, EL21/1999 Wanderer River and EL20/1996 Elliott Bay. EL 20/1996 still exists as an exclave within Paragons EL18/2010 and includes the Wart Hill and Sassy Creek prospects.

Frontier acquired the ground with the aim of following up on multiple prospects, including adopting a Henty-style model for exploring for Au, but ultimately focussed on looking for extensions to base metal mineralisation at Wart Hill. Exploration was focussed within the Wart Hill area and along strike to the east and north and included drilling and geophysical (IP) surveys.

In 2012, Frontier spun out its Tasmanian assets into Torque Mining. This included Wart Hill.

Exploration at Wart Hill has almost universally focussed attention away from the many other geochemical anomalies in the Elliott bay area. Au anomalism is widespread yet the sources of the Au in the eastern parts of the Elliott Bay licence area have not been satisfactorily explained. This Au is the target of work by the current tenement holder, Paragon Resources.

This report presents findings that show that Au in eastern Elliott Bay is not of a VHMS style as sought by previous workers but is instead associated with previously unmapped ductile faults and/or shear zones.

The style of mineralisation, age, tectonic setting, and association with VHMS mineralisation in eastern Elliott Bay are all consistent with a shear-zone model for Au mineralisation. Although of vastly different age, shear zone mineralisation is perhaps exemplified by goldfields style mineralisation in Western Australia, the largest deposit being the Super Pit at Kalgoorlie (>83Moz; for description of deposit styles and associations with other deposit types, see Groves 2003).

8. PARAGON RESOURCES: RESULTS OF WORK YEAR 3 TO YEAR 4

Desktop Studies

Remodelling of Historical GIS

In light of recent progress of inversion of induced polarization data (Li, 2000) John Caon of Caon Geophysics was approached to remodel the historical data collected by former explorers. It was concluded that there was 4 priority areas of interest for the focus of the program, V10, V2, V12 and discovery creek. These areas were researched for historical information including mapping, geochemistry, drilling and geophysics. All updated information provided in digital format. Most maps, drilling and historical geophysics were reprojected into GDA94 z55. 3D Magnetic shells were created to define the depth of large magnetic bodies related to intrusions and alteration. Historical IP sections have been remodelled and inverted to create chargeability and resistive shells, historical data was identified at V2 and V12 prospects to be of good quality. The data was then integrated into a trial version of Micromine 3D software. It was then evident that in multiple situations the cores of anomalies were not tested, this will be discussed for each anomaly below.

Geophysical remodelling

V2 anomaly

The historical IP data revealed a chargeable zone to the north of the prospect striking North West across the V2 prospect (figure 8.1). This anomaly was originally drilled by the V2-1 and V2-6 drilling (figure 8.2). After on-ground geo-referencing and digitising of historical mapping, it was concluded that the two drill holes partially tested the halo of the anomaly. The V2 area is suitable to be revisited with shallow drilling and will be proposed in future programs. Figure 8.1 also shows a continuity between historically mapped geology and the conductivity anomalies identified through the inversions.

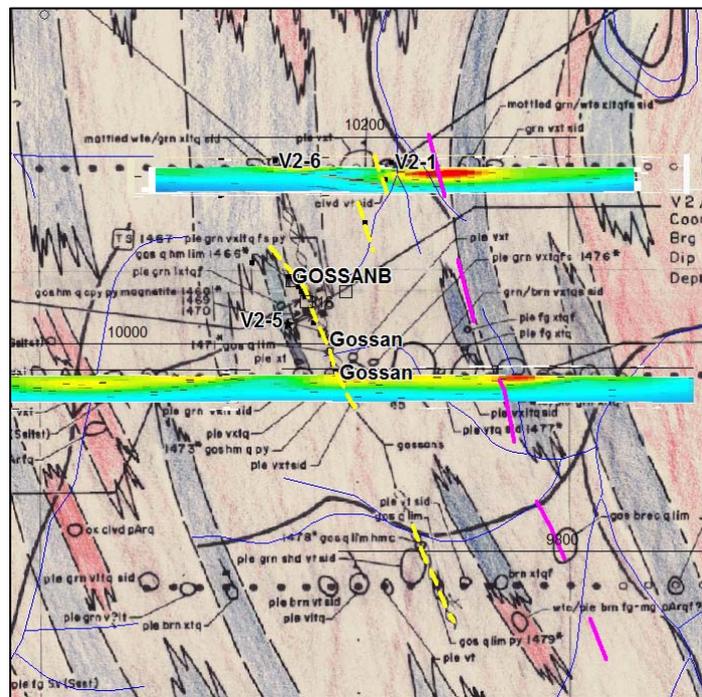


Figure 8.1. Screen shot of a Geological map with chargeability zones shown in red.

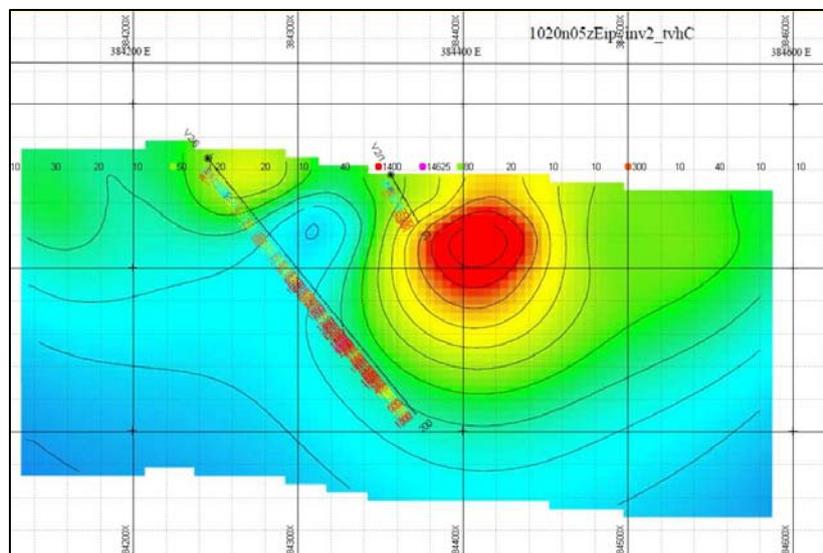


Figure 8.2. Remodelling and inverted Chargeability zone shown in red over the historical drilling, looking north on an east west inversion.

Drilling shown in Figure 8.2 show that drilling holes intersecting the outer perimeter shell of the chargeable anomaly. The V2 IP inversion shows an anomaly of limited depth, it is likely that the zone is similar to the gossanous material found near the adit, is a lensoidal body dipping to the West striking to the North West. Reclogging of historical core showed V2-6 drill core contained fine stringer mineralisation of sphalerite and galena with minor disseminated chalcopryrite. Maximum intercept of V2-6 was 5m at 2.24% Pb. To the east of V2-1 a clay rich bog was noted, this has the possibility of causing a false surface chargeability anomaly although is likely to be coincident in this situation. The low resistivity of 150 ohm-m on a background of 950 ohm-m indicates a fairly conductive body below this chargeable zone, potentially indicating a target on line 2 (figure 8.2)



Figure 8.3, Facing north to the Lewis River, wooden rubble from the drill rig platform of V2-1.

In conclusion the IP target and gossanous zones at V2 show to be anomalous in base metals. The man portable diamond drill rig might be useful in drilling the V2-1 gossanous zone at shallow depth.

V12 / Lewis River North

The V12 or Lewis River Prospect was discovered by Geopeko between 1976 and 1984 on the back of anomalous stream sediment data in tributaries flowing into the Lewis River. It was further explored by Cyprus/Aberfoyle between about 1985 and 1990.

The V12 anomaly is defined by a large pronounce ridge with a Cu, Au surface anomaly. The target has been drilled several times with only minor mineralisation identified at depth. The area has been identified to have two phases of alteration most likely related to the documented proximal porphyry to the east.

Soils and rock chips at surface are up to 265 g/t Au, 0.36% Cu, 440 g/t Ag, 0.7% Zn and 0.68 % Pb (Wallace, Aberfoyle, 91/3320, p358; Torrey & Polltock, Cyprus, 88/2853, p35).

Results of rock chips collected this last season reinforce V12 as being a target for Au mineralisation. Thompson (1999) describes similar associated metal suites linked to Intrusion-Related Au Systems. This includes a combination of elevated levels of Bi, W, As, Cu, Sb and Te. Results have also found that quartz tourmaline veins at V12 (sample 129923) are barren, with dissimilar geochemical signatures.

Remodelling of the historical data has identified that drilling at the southern portion of V12 had dominantly failed to test the cores of conductor anomalies.

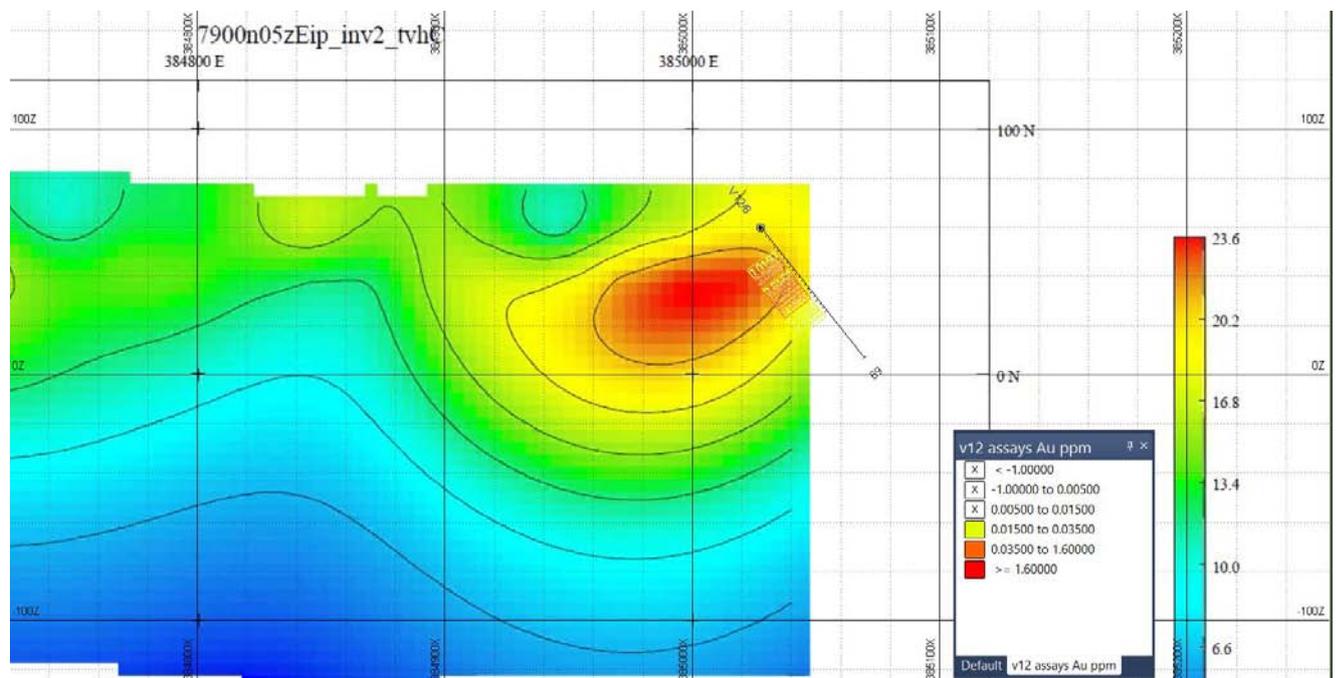


Figure 8.4, East West cross section at V12 displayed image is of drilling with Au values over a conductive IP slice. From modern inversions it is evident that the core of the anomaly has not been tested.

Au mineralisation at V12 is considered to have post-dated intrusion of what appears to be a stratigraphically underlying porphyritic rock to the southeast (Elliott Bay Porphyry outlier). The proximal porphyry will have a large physical influence over the prospect. Although mineralisation postdates the intrusion remobilised fluids from these events could be playing a large role in the mineralogy of the prospect.

Past exploration has focused solely on a stratabound model for massive sulphide mineralisation and has not considered the coincidence of Cambrian faulting at the north-eastern end of the prospect with peak metal values.

The position of the high south-trending Discovery Creek Shear Zone north of V12 and/or how it interacts with possible feeder structures at or near V12 remains uncertain. Determining the location of the DCSZ at V12 seems important given the proximity to each other and apparent association of both the DCSZ and V12 with Au mineralisation.

The 'bull's-eye' anomaly.

This target was first identified from WTRMP aeromagnetic data and subsequently correlated with earlier (but as yet unexplained) observations from surface of chlorite alteration and metal anomalism (Geopeko). A high frequency mag response, shallow to outcropping, limited by depth extent and modelled as steeply dipping

The image below (figure 8.5) shows an inversion of the magnetics revealing the nature of the "bull's eye" this is overprinted by a minor chargeable anomaly and a linear conductor that projects into the magnetic anomaly.

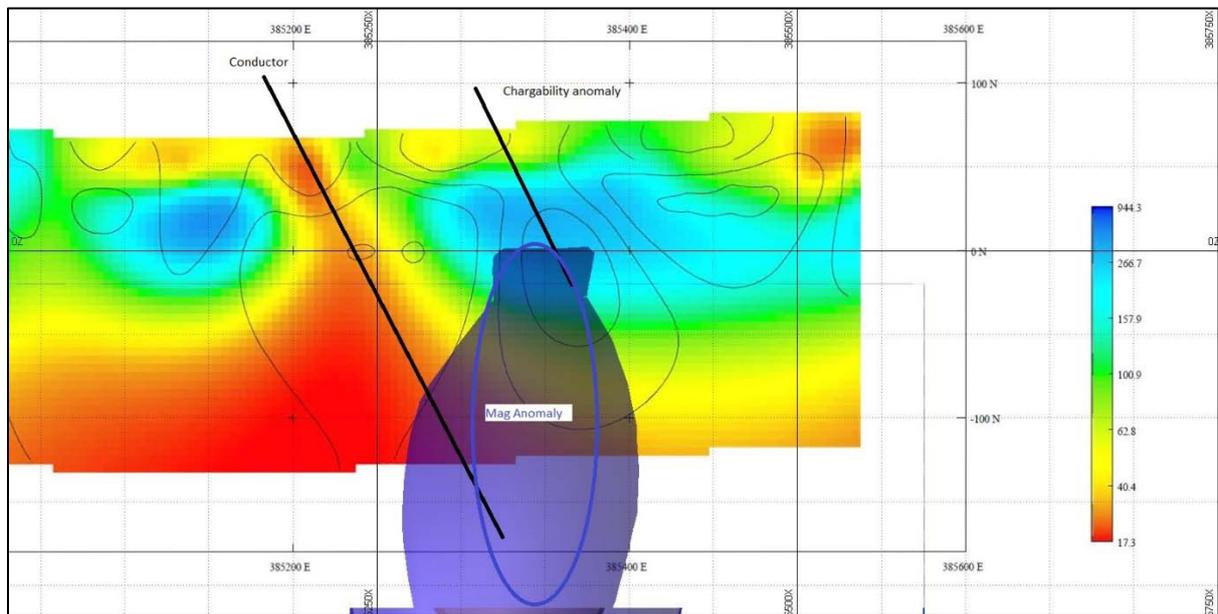


Figure 8.5, Purple shell represents the magnetic shell, the coloured image represents the resistive component and the rimmed contours show chargeability zones.

Regional Exploration Activities

Work to date developed on the basis that past exploration (reviewed in Reed, 2011) in the Elliott Bay licence area had focussed almost solely on identifying sources of VHMS-style Pb-Zn-Ag -dominated mineralisation. By contrast, little thought had been given to explaining extensive Au anomalism evident in earlier regional stream sediment surveys.

Track cutting

Roger's exploration services were contracted to cut tracks for access into discovery creek and for the commissioned IP program. A total of 4.3km of track was cut on East – West lines though the dense scrub (figure 8.6).

The second line was extended though to around 2.2km to gain access to the eastern margins of the tenement, where creeks had not been sampled before.



Figure 8.6, Lines cut by Rogers exploration services.

Camp

The discovery creek camp was designed to be a temporary base of operation. It was set up as a functional kitchen with the ability to become an office if needed. Multiple Dome tents were purchased and used, it was important that the tents were of high quality as heavy winds from the north and west occasionally developed. A portable gas hot shower was provided for the field crew. Two Honda inverters were used for powering the camp, one 2kva and one 3kva they were both quiet and fuel efficient. Crew changes occurred every week with a typical roster of 2/1. Having a crew change every week allowed a fresh supply of meat and vegetables. Food was stored in 1 x 60L fridge (electric) and 1 x 60L freezer. A three burner gas camp stove was used to prepare meals.

Nothing was left at the site, all rubbish, human waste and equipment was transported back to Hobart to dispose of.



Figure 8.7, The Hudson creek camp, taken March 2014.

Stream sampling

Stream sampling was concluded to be the most effective way of testing large areas for mineralisation. It has been the method used to identify multiple anomalies. It was decided to focus on tributaries feeding into the Hudson and the Lewis River from Discovery Creek through to V12 (figure 8.8). Overlapping sample areas from historical surveys were intentionally resampled in an effort to level the assays gathered. Out of the ambitious program not all sites were able to be sampled, terrain difficulty, weather and limited staff restricted the program. A standard sampling practice was developed to maximise efficiency, the stream Sediment Sampling Procedure is as follows:

The ideal sample point is on a primary drainage with a relatively small upstream catchment as even large anomalies are rapidly diluted in secondary streams.

Only the active high energy trap sites of sediment in the stream base should be sampled. Do not sample bank material as this may be locally derived and not representative of the catchment as a whole.

The panned concentrate will be made by way of sluicing approximately 10kg coarse sediment material this will equal around $\frac{3}{4}$ of a 7L bucket of material. Use a clean spade or sediment scoop for collection. Dig with a spade to a depth of approximately 15cm to ensure heavy components are captured. Remove any coarse muddy boulders and waterlogged organic matter by hand washing material in the bucket before disposing of them.

The material is then sorted by way of feeding into the neck of a moderate to high flowing sluice. Care should be taken to slowly feed the material into the sluice. Help coarse gravel along the sluice if they get caught up, this should be rare, as the water should have enough energy to move them along. Remove sluice from the flow lifting the lower end first to ensuring that no increase in the turbulent flow disturbs or dislodges the samples. Remove the metal riffles and carefully wash the carpet into a bucket. Wash metal riffles into the bucket collect all sediment by washing the bucket out thoroughly into the pan.

Slowly pan the material do not rush this process, sediments must not be super-panned: the concentration process is to be continued until the ratio of heavy to light minerals is about 2:1 or 100g. This minimises the loss

of fine gold during the panning process. The sample is then carefully transferred into a numbered plastic bag tied with a cable tie and put in a numbered calico bag.

Label the sample using a permanent marker with a number from a ticket book. Have a look around for Outcrop and note the local lithology. Record as much detail as possible about the sample site should be recorded. The date, Easting and Northing written in the ticket book. Other information to note should include stream width, flow, nature of coarse float and any outcrop. Also then examine the sample with a hand lens to determine the gross composition ie: heavy mineral % estimate, gold grain count for pan con, dominant sediment size, sediment colour etc.

Drying and weighing of samples are to be done by the lab

At the North Eastern Lewis River, 3 samples were collected from this remote location but it was decided that it was too difficult to fly camp and complete the rest of the eastern sampling. A kayaking trip was designed to gain access to these areas. It was proven difficult to reach by foot (section of the map in Figure 8.10). Therefore an alternative rafting program which involved 3 kayaks to be dropped in by helicopter. A few weeks later 3 geologists and supplies were dropped proximal to the drop location. The river was used to access streams flowing into the Lewis and sampled at the mouth of each tributary. Overall this was a successful way of testing a large remote area.

All checked streams produced very fine Au (<0.5mm diameter grains; Figure 8.9), other associated minerals included dark heavy minerals, dominantly consisting of rutile. Along with lighter minerals include kyanite garnet and minor zircon, fine-grained zircon.

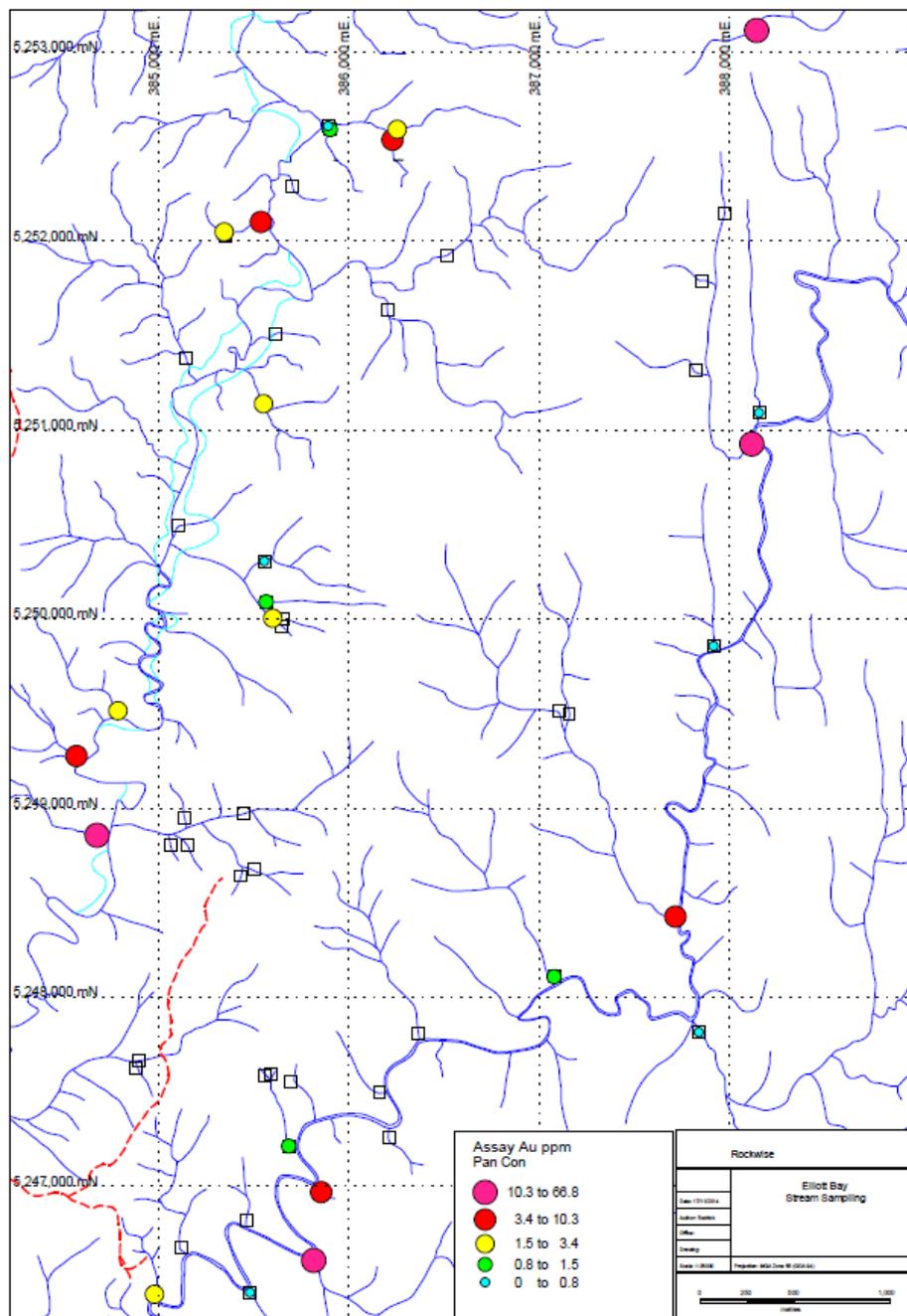


Figure 8.8, Stream sampling over the discovery creek area, Hollow Squares are planned sampling sites not all were tested.

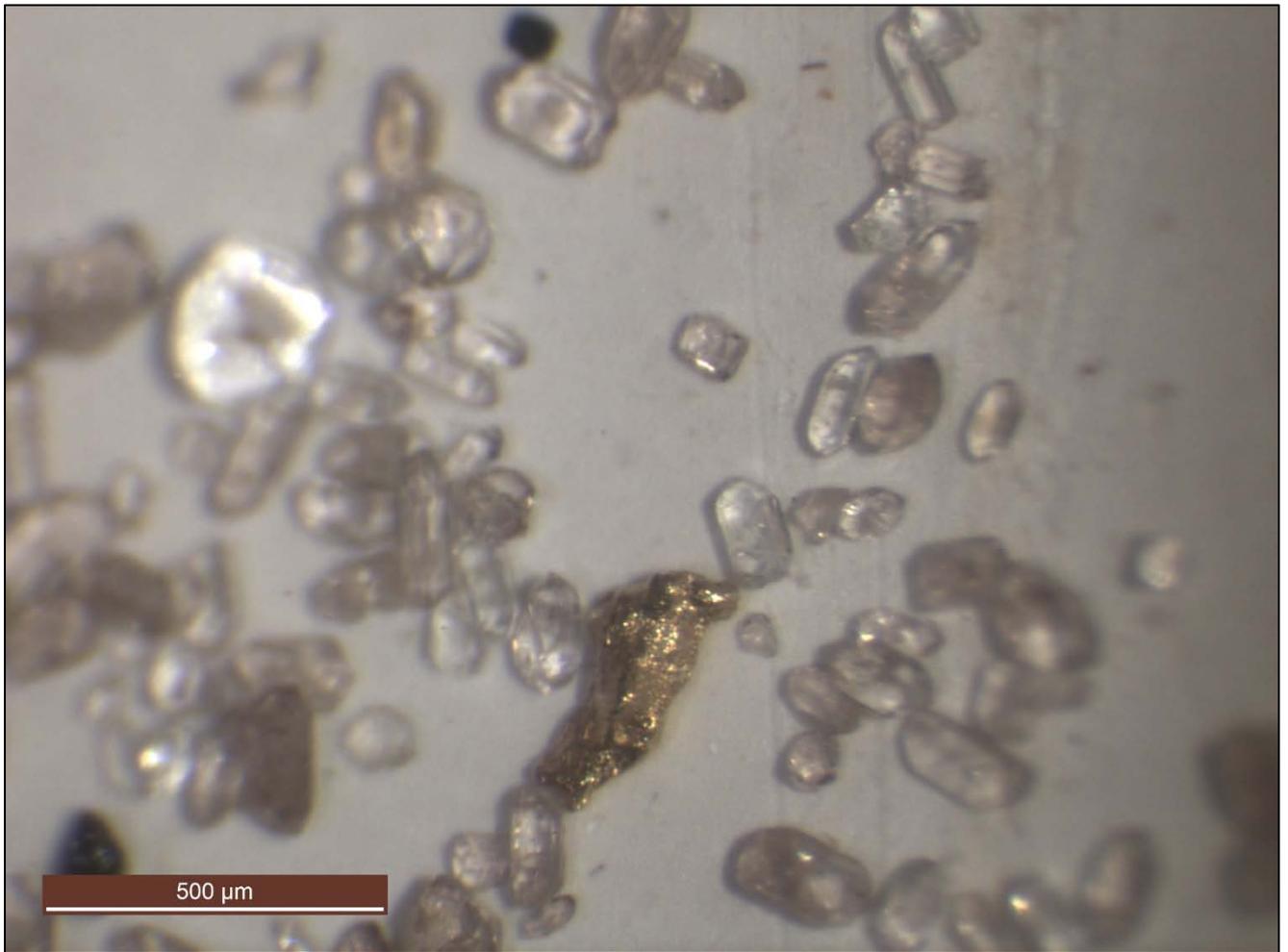


Figure 8.9, Elongated gold grains found within stream sample DC-029

It was identified that darker minerals around the southern extent of stream sampling proximal to V12 were dominated with tourmaline (figure 8.10). Tourmaline has been identified within the secondary later phase of baron veining.

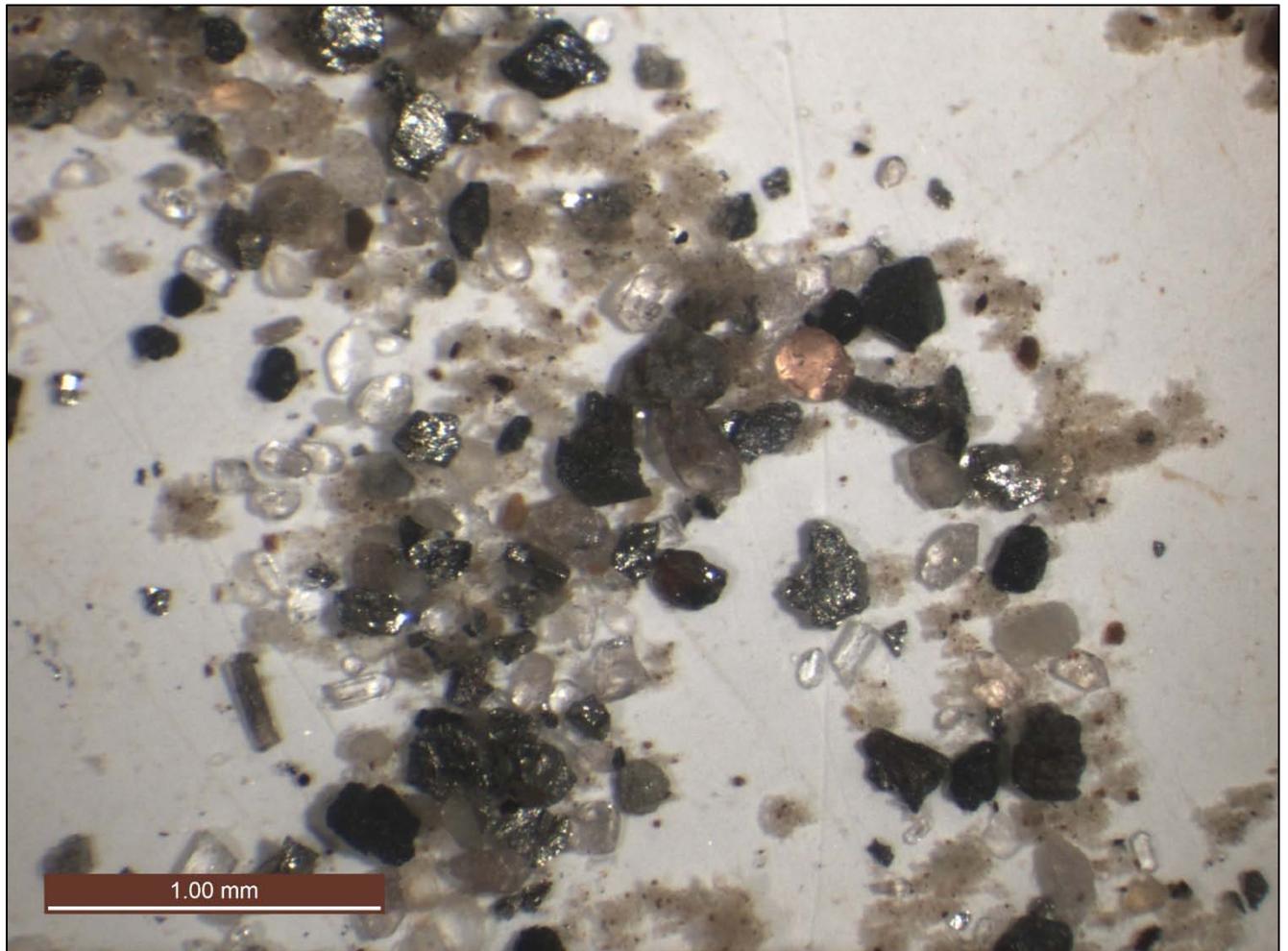


Figure 8.10, taken from EB-015 North West of the V12 prospect, adjacent to the EB4 Vtem anomaly note the tourmaline within the sample.

Over the whole stream sampling program 5 new areas were highlighted to show significant anomalism and it is intended that some will be followed up in upcoming programs (figure 8.8). The area of most excitement is Northwest creek, discussed next in the report. Historical stream samples showed to be comparable to recent work conducted. There is an average of 3x higher Au grade using the historical method.

Northwest Creek

The Northwest creek is a newly identified structural corridor, it was not documented prior to this year's exploration program and does not appear on regional geological maps, it is however evident in topographic (Figure 8.11) and magnetic images. Identified this year, during the stream sampling survey, a sub massive sulphide outcrop striking up the Northwest structure following a creek extending around 30m in length and up to .5m wide (figure 8.12). Rock chips taken are elevated in Au (2.4g/t), As, Ag and Bi and are set within a heavily Northwest foliated sub massive pyrite breccia. Panned concentrates were also elevated in gold with 9.8g/t.

The Northwest creek remains a priority target area for Paragon. Follow up work will be discussed in section 9 of this report.

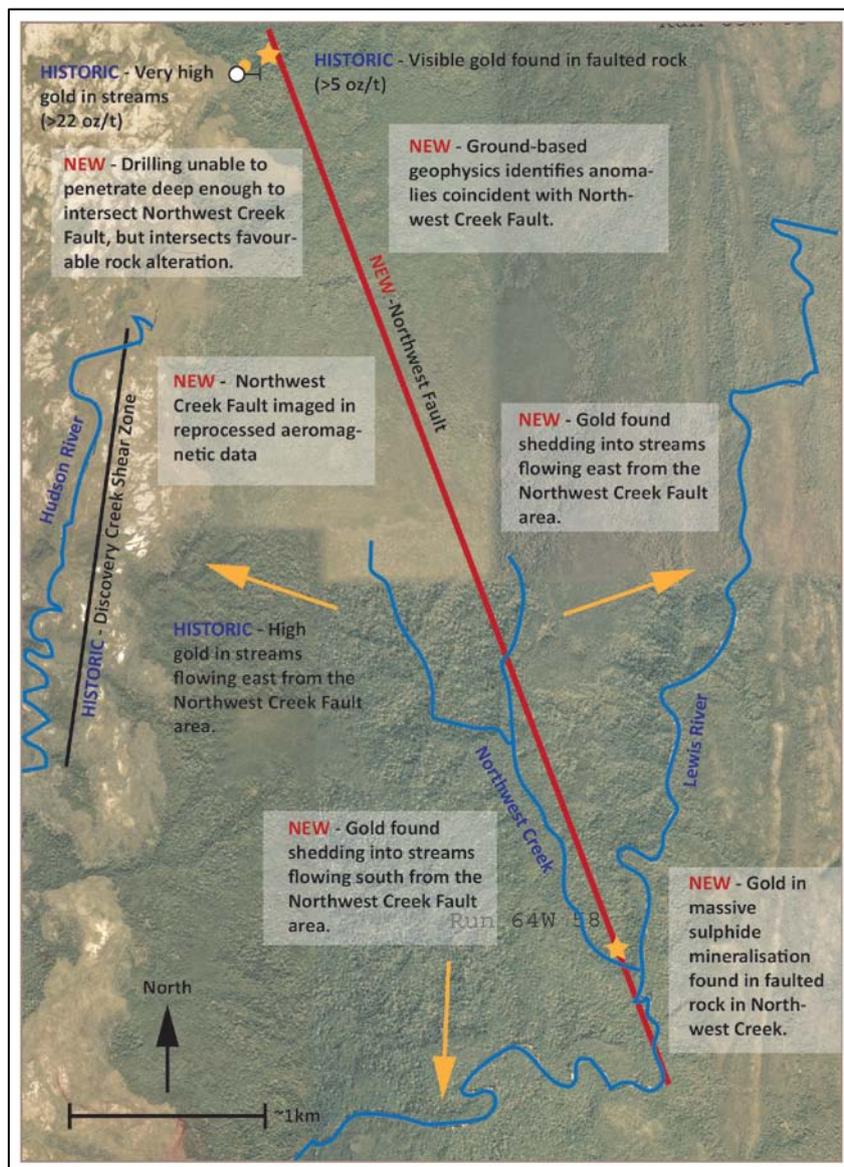


Figure 8.11, Northwest creek interpretation map.

Results of exploration to date are positive, highlighting weaknesses in earlier exploration models and interpretations of exploration data, but reinforcing the value of existing data in context of an overall better understanding of the geology and setting of Au-related mineralisation.



Figure 8.12, Sub massive sulphide outcrop grading 2.4/t

Prospect Based Exploration Activities

V2

The remodelling of IP data encouraged on ground investigations of specifically where collars are located and weather mineralisation could be identified from the shallow chargeability anomalies. Figure 8.3 was identified as the platform of drill hole V2-1, one of poor recovery and anomalous base metal results. This allowed a greater accuracy on IP lines and collar coordinates than relying historical location methods.

Discovery Creek Shear Zone

The Discovery Creek Shear Zone (DCSZ) was originally targeted on the basis of significant Au anomalism in panned concentrates (up to 688 g/t Au), a weak aeromagnetic linear in WTRMP data and sericite-pyrite alteration shown on Geopeko maps.

Surface sampling along discovery creek

Surface sampling over discovery creek with an effort to extend surface mineralisation and gain a better geological understanding, these samples have been documented for geology and tested for mineralisation. Surface sampling has proven that volcanoclastic and volcanic units extend deep into discovery creek.

The surface samples were tested for mineralisation with a hope that the high grades identified historically in rock chips could be repeated. Unfortunately the elevated Au results were not repeated (highest Au 0.03g/t). It should be stated that the surface sampling could only be completed on outcropping geological formations. This was generally rare with most areas under cover. It was identified that altered volcanics and not porphyry extends up to 500m further to the east than originally interpreted.

Discovery Creek IP

During April 2014, Zonge Engineering and Research Organization (Zonge) mobilised a 4-person geophysical field crew to SRA's EL18/2010 prospect within the Elliot Bay project in Tasmania to conduct a Dipole-Dipole Induced Polarisation (DDIP) survey.

Survey line parameters were provided to Zonge by Rodrick Campbell of SRA and reading methodology was planned with consultation with John Caon of Caon Geophysics. During this

program 3.175 line kilometres of DDIP were surveyed providing 1102 resistivity and chargeability data points over 2 lines.

A GDD GRX-32 IP receiver was used to take all of the data for this project. Data was recorded using specialised multi-conductor receiver cables allowing each line to be read in a pseudo "roll-along" 24-dipole receiver array. Porous ceramic pots filled with copper sulphate were used as non-polarisable receiver electrodes.

Transmitted fields were generated using a GDD TXII geophysical transmitter at 0.125 Hz. Signal frequency was controlled internally by the transmitter; synchronisation was automatically detected by the GDD IP Receiver. Stainless steel stakes were used as transmitter electrodes.

The raw data from each day was downloaded every evening from the PDA used with the receiver to a laptop computer for review by the Crew Leader in the field. Notes and data were subsequently sent to Zonge's Adelaide office on a daily basis.

All data recorded during the survey was taken at a frequency of 0.125 Hertz. During acquisition chargeability data was recorded over 20 time windows after an initial delay of 40ms. A semi log window scheme was used to record decay data over the 2000ms off-time. Stack size was varied depending on signal strength and number of repeat stacks was adjusted in the field to balance survey speed with data quality. Generally output transmitter currents ranged from 1.5 to 3.5 Amps due to the resistive conditions. The data were taken in pseudo roll-along configuration using a 24 channel receiver array. In order to balance survey efficiency with depth of investigation the receiver array was fixed to four transmitter moves, then moved up four stations and the cycle repeated. In this way the survey provided n=4-28 to n=1-24 coverage along each line.

Early surveying on the western section of line 5252645N was carried out using 25m and 50m receiver dipoles and 25 transmitter moves. Surveying was carried out in this fashion to allow higher resolution over key zones of interest and to allow direct comparison of results from the two receiver dipole sizes. After three days of surveying reading was conducted only using the 50m receiver dipoles and stations. It was concluded that the data obtained was detailed enough at this spacing and was continued at 50m receiver dipoles and stations for the 5252455N line.

Due to weather related access problems (flooding of the Hudson River) the first day of readings the first four stations were read using 25m transmitter stations.

Table 1 Line 1 Tx/Rx configuration

Line	Tx (size/move)	Rx(size/move)	Channels	Tx (size/move)	Rx(size/move)	Channels
	Part 1 (4 spreads x 1 time)			Part 2 (rest of the line)		
5252445N	50/25	50/50	12	50/50	50/50	12

Table 2 Line 2 Tx/Rx configuration

Line	Tx (size/move)	Rx(size/move)	Channels	Tx (size/move)	Rx(size/move)	Channels	Tx (size/move)	Rx(size/move)	Channels
	Part 1 (4 spreads x 4 times)			Part 2(4 spreads x 2 times)			Part 3(2 spreads x 5 times)		
5252645N	25/25	25/25	24	50/25	25/25	24	50/50	50/50	12
	25/25	50/50	12	50/25	50/50	12			

Table 3 Survey line specifications

Line	Start			End			Orientation (True)	Line length* (kms)	Data points**
	Local	UTM		Local	UTM				
		Easting	Northing		Easting	Northing			
5252445N	4905	384905	5252445	6355	386355	5252445	0	1.45	204
5252645N	5430	385430	5252645	7155	387155	5252645	0	1.725	898
Total line kilometers / data points:								3.175	1102

* Line length is taken from maximum extent of electrodes.

** Number of data points after averaging and editing

Areas of interest identified by the two surveys include surface anomalies that should be tested with soil sampling, these include the chargeable anomalies at 5252645N 385630E and 5252445N 385055E, as they are shallow these may be drillable using a man portable drill rig. Images of the two surveys are available in the appendix. It was concluded that the drilling was unable to drill deep enough to test the northwest fault.

Drilling

Drilling

Drilling at discovery creek was designed to intersect mineralisation along north striking shear structures. Due to budget restraints geophysics was not able to be completed until after drilling.

The Elliott Bay project is remote and an environmentally sensitive area, for this reason a small heli portable drill rig was required for the program, a company with proven track record, in both remote and environmentally sensitive areas had been a priority. Low Impact Diamond Drilling Services (LIDDS) had the experience, an adequate drill rig, and came at a competitive rate. Initially to drill both discovery creek and the V2 deposit, a decision was made not to drill V2 discussed below, and the program was also cut short drilling discovery creek. Primarily the first hole due to drilling conditions and the second hole due to limited visual success in intersecting mineralisation. These are discussed further below.

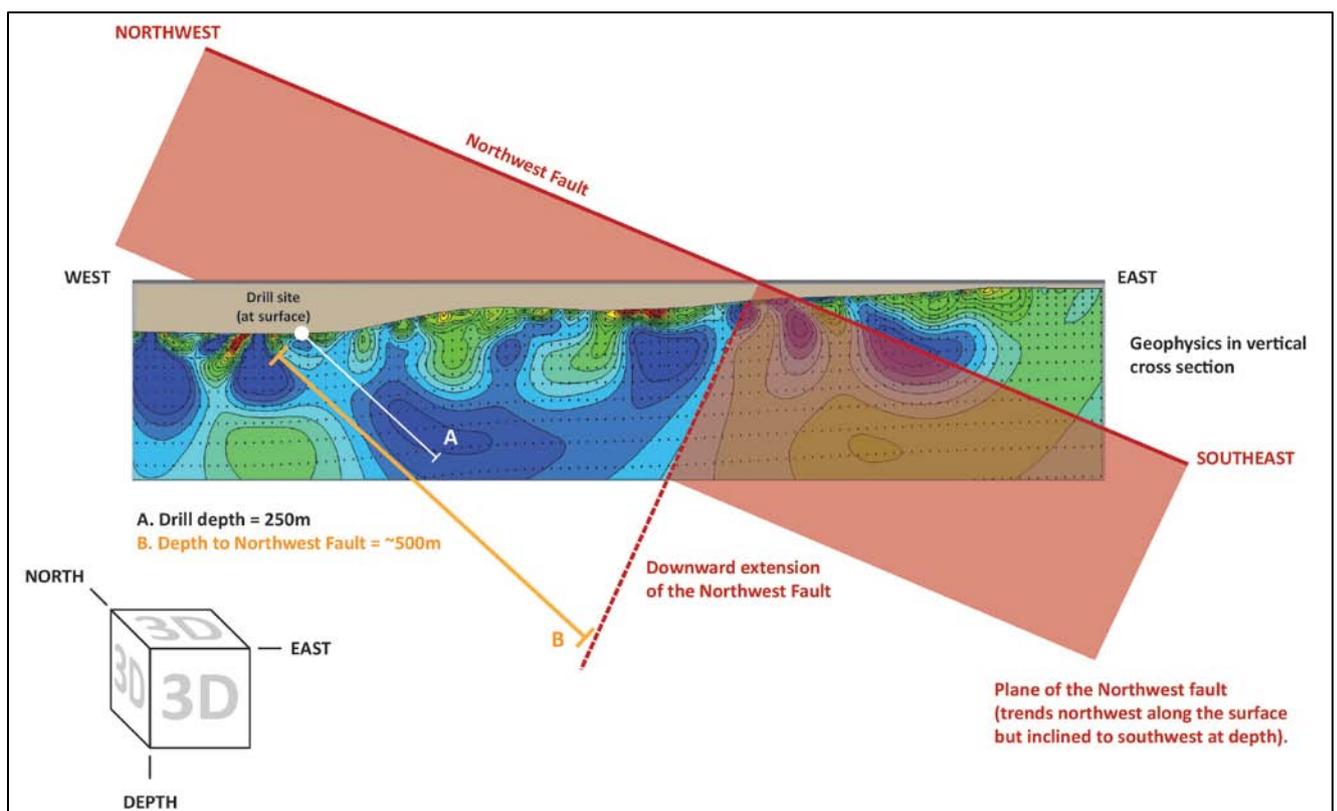


Figure 8.13, Ground-based geophysics shows the Northwest Creek Fault east of the 2014 drill site.

Drilling at Discovery Creek was unable to penetrate deep enough to intersect the Northwest Creek Fault. Drilling did intersect fault-related alteration of a style consistent with nearby gold mineralization figure 8.13.

Regional geological maps show the intersection of Discovery Creek and the Hudson River coincide with the western margin of the Elliott Bay porphyry. These interpretations are incorrect and do little justice to the complexity of the area and/or contact. Rather, the geology east of the Hudson River is characterised by alternating assemblages of variably altered, mineralised (including free Au;) and deformed intercalations of granite, feldspar-phyric diorite, quartz-porphyry, volcaniclastic rocks and graphitic schist.

Drill information

Name/location: DDDC01 Discovery Creek

Location (MGA94): 385800, 5252636

Azimuth and dip: AZI 104 DIP -42
Length: 236.8m
Drill type: Diamond
Company: Paragon Resources Ltd
Purpose: Metallic minerals
Driller category: Private contractor
Date drilled: 9/2/2014

The first 5 meters drilled into alluvial wash, there after drilling into a strongly deformed and altered felsic intrusive this is variably biotite-tourmaline, muscovite altered through to 95m where the unit is faulted out against a heavily foliated chlorite hematite +/- epidote altered volcanoclastic to 236.8m. Sulphides are rare but are dominantly within the volcanoclastic. There is an obvious change to a more lapilli lithic rich unit that is quite polymict. There are clasts that are quite rounded and the foliation hasn't stretched them nearly as much as the preceding intervals. There is a marked decrease in K-Felds and chlorite alteration and an increase in the sericite content particularly associated with the small quartz veinlets. There is a couple of pinkish calcite veins and there seems to be hematite on the margins of these with a few other fractures with similar dustings there was one quartz vein with some galena and possibly honey-tan sphalerite sub parallel to the main foliation. There was a short interval of better K-felds after this for about 4m from 215m, but this soon gave way to choppy ground with a fault pug and weaker sericite and chlorite with K-Felds only selectively replacing clasts. The sulphide content is a little disappointing but reflective of the decreasing intensity of the alteration and if you believe the quartz veins are the same generation the galena-sphalerite may reflect a decrease in temperature of veins from the galena-cpy veins identified up hole. Moving down the hole rocks are still moderately foliated, but typically there is less lensing of the now obvious clasts.

Detailed logs are available on log sheets attached in the appendix.

No significant Au mineralisation was identified within the drill hole. The highest results obtained where from intervals 155 to 157m averaging .003g/t. no Au associated elements where identified to be elevated.

Name/location: DDDC02 Discovery Creek
Location (MGA94): 385798, 5252636
Azimuth and dip: AZI 83 DIP -60
Length: 157.2m
Drill type: Diamond
Company: Low Impact Diamond Drilling Pty Ltd
Purpose: Metallic minerals
Driller category: Private contractor
Date drilled: 1/3/2014

As DDDC02 was drilled at a lower angle than DDDC01 there are very similar elements.

0 – 6meters drilled into soils and alluvial wash, there after drilling into a strongly deformed and altered felsic intrusive this is variably biotite-tourmaline, muscovite altered through to 110m where the unit is faulted out against a heavily foliated chlorite hematite +/- epidote altered volcanoclastic to 117m. A felsic dyke or wedge of the felsic intrusive is intersected through to 123m. From 123 to 157.2m (EOH) the same volcanoclastic as earlier in the hole is intersected. Again sulphides are rare but are dominantly within the volcanoclastic. Logs are available on log sheets attached in the appendix.

It was decided to only Assay DDDC001 to keep costs to a minimum if assays produced positive results it was intended to assay DDDC02.

Hy-logging

Drill holes have been processed through the MRT Hylogging machine, both holes have clear lithological boundaries separating upper quartz and white mica from a lower white mica, chlorite and albite. White mica AIOH wavelengths indicate it is predominantly phengite with only minor excursions towards muscovite (Green, David pers comm 2014)

Environment

Rehab

The drill site was originally hand cleared to allow the drill rig access. After drilling was completed the cut shrubs were spread back over the drill area to promote regrowth (figure 8.14 and 8.15). Photos were taken just after drilling was completed, all rubbish was taken off site. 6m of HQ casing was left in each hole. Collars have been capped with drill ID and hole depth. It was noted that the holes are not producing water at time of capping.



Figure 8.14, Discovery creek drill site after demobilization.



Figure 8.15, Capped drill hole collars.

Other work

Literature review (ongoing)

Work by Paragon Resources in Year 1 of EL18/2010 included commencing a review of the extensive amount of information (>11Gb) spanning almost 50 years of exploration in the Elliott Bay area. This was an ongoing process throughout Year 3 and has continued throughout Year 4.

Review of these data is an ongoing process. New information comes to light which in turn necessitates revisiting reports previously reviewed.

9. FUTURE WORK

Future work is discussed in context with the specific areas of interest above. In summary, work for 2014/15 includes:

- Drilling at Northwest Creek and at V2 with use of a Man Portable Drill Rig will be used to drill deeper than surface samples (to around 10 – 15m depth).
- Ongoing mapping, in particular structural mapping placing Au mineralisation and relationship between DCSZ and Northwest Creek.
- Follow up work on the regional stream sediment sampling program of 2013/14 program.
- Appraisal, reprocessing and inversion of existing geophysical data over the V9 prospect.

Funding for the above programs has been approved and a work program will be submitted to MRT in due course.

Expenditure for the 2014/15 year is expected to be in the order of \$110,000.

10. EXPENDITURE TO DATE

This section details expenditure by Paragon Resources on EL18/2010. Minimum expenditure for the year as set by MRT \$80,000 actual expenditure was \$514,356.

Quarter ended December 2013 (quarterly report submitted)

Geology costs	planning, POW submitted, geophysics remodelled	\$70,558
General administration	Rental fees	\$30,306
Q4 total		\$100,864
Cumulative expenditure		\$360,102

Quarter ended March 2014 (quarterly report submitted)

Geology costs	Track Cutting 2 diamond drill holes at discovery creek, stream sampling	\$143,746
Other and admin		\$157,336
Q1 total		\$301,082
Cumulative expenditure		\$661,184

Quarter ended June 2014 (quarterly report submitted)

Geology costs	IP lines over Discovery Creek assay of sampling	\$77,941
Other and admin	Helicopter and Demobilisation	\$82,523
Q2 total		\$160,464
Cumulative expenditure		\$821,648

Quarter ended September 2014 (quarterly report submitted)

Geology costs	Reporting, Demobilisation continued.	\$18,333
Rental Fees		\$4,800
General administration		\$2,300
Q3 total		\$25,433
Cumulative expenditure		\$847,081

Quarter ended December 2014 (quarterly report not submitted – costs to date)

Geology costs	Reporting	\$24,977
General administration		\$2,400
Q4 total		\$27,377
Cumulative expenditure		\$874,458

Total year 1 expenditure:	\$53,019
Total year 2 expenditure (minimum required by MRT shown):	\$140,579 (\$36,681)
Total year 3 expenditure (minimum required by MRT shown):	\$76,517 (\$55,000)
Total year 4 expenditure (minimum required by MRT shown):	\$514,356 (\$80,000)
TOTAL EXPENDITURE TO DATE (Y1 + Y2 + Y3+Y4):	\$874,458

11. CONCLUSION

Work to date continues to support the Elliott bay area as being prospective for an economic Au deposit, with additional potential for Cu, Pb, Zn, Bi and Ag.

Assay results collected over the last year have been exceptional, up to 160 g/t Au from rocks here associated with the recently identified Discovery Creek Shear Zone.

During the current exploration program we have managed to drill two diamond drill holes totalling 394m carry out 3.175km of ground dipole dipole IP.

26 stream samples have been taken of 6 are of elevated value and require further investigation.

45 rock chip samples have been taken none carry the significant gold results of previous years. One sample up Northwest creek requires further investigation.

The program was unsuccessful in drilling the extension of the discovery creek surface anomaly, but the program has successfully identified other anomalies that will be the focus of next year's program.

The 2014/15 field seasons includes drilling, geochemistry and geological mapping. Proposed expenditure is to be around \$110,000.

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13. METADATA

Tenement holder: Paragon Resources Pty Ltd

Activities: Hylogging, Assay results, assay results, Geophysics IP

Contractor to Paragon Resources: Rockwise Pty Ltd (Rodrick Campbell)

Keywords: Elliott Bay, Mount Read Volcanics, VHMS, massive sulphide, gold, Henty, structural geology, shear zone, faulting, mylonite, V2 prospect, V12 prospect, geophysics. Aeromagnetic, Discovery Creek, Northwest Creek.

14. STATEMENT OF EXPERIENCE

This report has been prepared by Rodrick Campbell, BSc consulting geologist with over 5 years' experience. Assisted by Dr Alistair Reed, BSc (1st), PhD, Consulting Geologist who has had over 20 years' experience in exploring for base metals and Au systems. Dr Reed is a Member of the Australian Institute of Geoscientists (AIG) and is qualified to report under the Joint Ore Reserve Committee (JORC) and VALMIN Codes.

15. DISCALIMER

The information used to prepare the report is drawn from reports prepared by previous tenement holders, consultants and MRT. I do not doubt the authenticity or substance of previous investigation reports, but have not carried out a total audit of the available information. The statements and opinions contained in this report are given in good faith.

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