

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

To Year 5 (Nov 2014 - Nov 2015)

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Prepared by Rockwise Pty Ltd for Paragon Resources.



Drilling the V2 prospect.

Abstract:

Paragon Resources is committed to exploring and evolving its Elliott Bay license, achieved through bringing new ideas, technology and exploration techniques. The objective is to identify economic mineralisation in the Elliott Bay license.

Year 5 work includes two separate drill campaigns, conducted over two prospects. A total of 11 Diamond drill holes; 6 at North West Creek, targeting a newly identified Au anomaly. And 5 at the V2 Prospect following up historical Pb and Zinc anomalism and coincident chargeable IP anomaly.

Drill results at North West Creek peaked with 1.1m @ .657 g/t Au from surface at drillhole NWSD02, the first 3 drill holes into North West Creek all show Au anomalism throughout their entire holes. Drilling at the V2 prospect shows Pb, Zn veining and supports the identified chargeable anomaly. Minor mineralisation was identified, along with poor recovery within the sheared ground.

Following up positive rock chips and stream samples from 2014, drilling at North West Creek has proven mineralisation to continue to depth. Detailed regional mapping would help identify extent of the host unit along with deeper drilling to build our understanding of the mineralised unit.

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1. Introduction

This fifth Annual report for EL18/2012 ('Elliott Bay', the 'license area') presents results from the Elliott Bay licence is held by Paragon Resources Pty Ltd ("Paragon"). This year the Elliott Bay project was managed for Paragon by Rockwise Pty Ltd ("Rockwise").

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 extension of exposed Mount Reed Cambrian volcanics and related intrusive rocks. Exploration at Elliott Bay in the past has focussed on VHMS-style massive sulphide (Pb and Zn) mineralisation with little regard to explaining the considerable Au anomalism in the area. Paragon is addressing the structural complexity and the implications has for the Au occurrences.

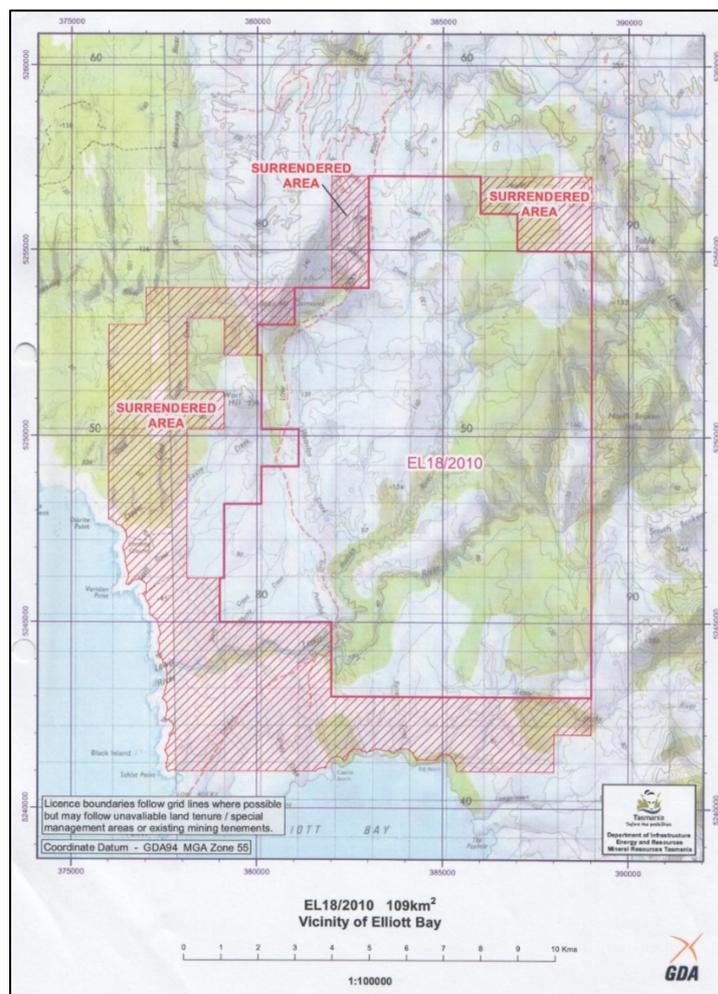


Figure 1.1. Map showing Elliott Bay licence area, and area relinquished in 2012. The area retained is considered prospective for yielding a Cambrian age mineral deposit of economic size (>2Moz Au eq)

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 Pb 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 2014-15 program; with recent funding allowing Paragon to follow up geophysical anomalies and Anomalous Stream sampling results with a drill program in first quarter 2015.

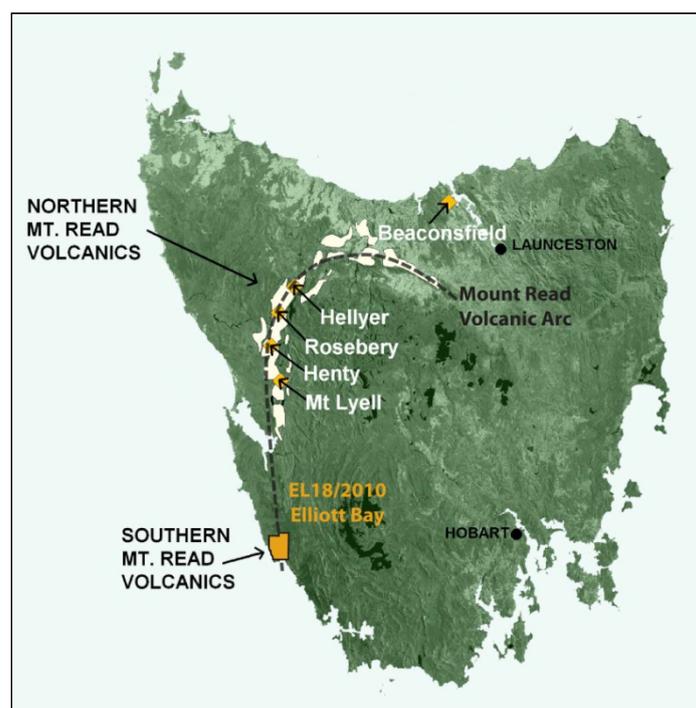


Figure 1.2. Map of Tasmania showing the location of EL18/2010 in southwestern Tasmania. The Elliott Bay licence encompasses 109 sq km of the highly mineralised Mount Read Volcanic belt.

2. Review of previous work

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.

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, 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).

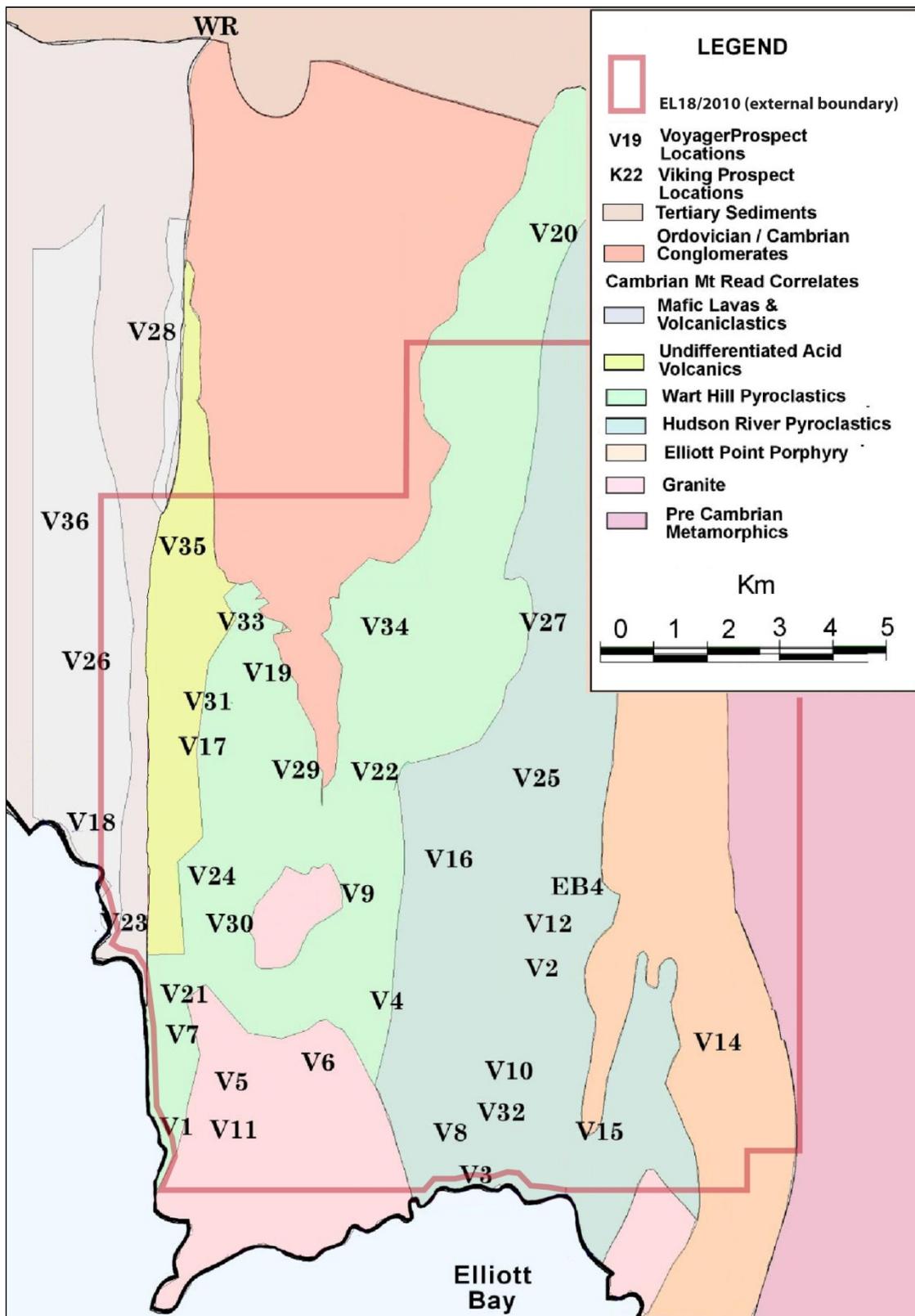


Figure 2.1. Simplified geological map of the Elliott Bay area. The gross geology has been roughly mapped as a westward-facing sequence. However, the on-ground geology is complex and a stratigraphy remains controversial. Geological maps of the area vary greatly in their interpretation, and readers are best advised to limit their reliance to factual measurements and site descriptions and to use these in context with geophysical data.

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, 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 Pb 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).

3. During the life of the licence

The first two years included work at Elliott Bay including Hylogger studies in conjunction with input from mineral Resources Tasmania and the CSIRO, a review of the V9 prospect and historic data, and ongoing review of historic data for surrounding prospects (V2, V12, Waterloo Creek and V10 being the priorities).

Third year included results 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'). Of the samples collected, all were anomalous in Au, with one sample assaying 160g/t Au. Notably, the DCSZ also coincides with areas of historically high panned concentrate Au results.

Fourth year received results from nine weeks of on-ground field work including; two diamond drill holes totalling 412m, two induced polarization (IP) geophysics lines totalling 2100m of dipole dipole, Regional stream sampling and surface sampling.

4. Exploration completed during the reporting period

V2 prospect:

Remodelling of historical IP data by Caon Geophysics in 2013, identified that drillhole V2-1 and V2-6 targeted but missed a shallow chargeable anomaly (figure 4.1), in addition it was noted that they had poor recovery. Interestingly assay results showed that there was mineralisation within the system. Follow up drilling with two shallow drill holes east of the V2-1 drillhole targeting a north south trending chargeable IP anomaly zone.

Drill core from the IP anomaly holes showed minor thin veinlets of galena within a fine shale, veining being up to 1cm thick. Recovery was poor and it was noted that through the mineralised zones recovery dropped, silver (galena) cuttings flowed out the collar. This was both disappointing and frustrating.

Three additional drill holes were placed under and across strike from an adit proximal to the chargeable anomaly. This area was identified during the second year of exploration to have high Cu, Pb, and Zn anomalism. Drilling results that followed showed that the mineralised zones had very limited depth and extension. The conclusion is that these are small mineralised lensoidal pods that would unlikely hold economic grades or tonnes.

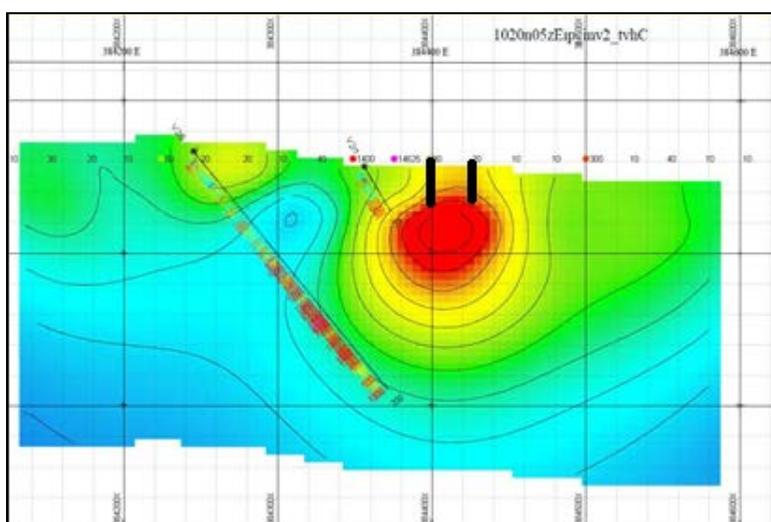


Figure 4.1. Remodelled and inverted Chargeability zone shown in red over the historical drilling, looking north on an east west inversion. Black indicated locations of drill holes.

North West Creek:

Two similar deformed porphyritic intrusive units have been identified, although at first glance very similar, are slightly different in grain size and with close inspection composition and alteration.

Rock chips taken in 2014 revealed elevated in Au (2.4g/t), As, Ag and Bi and are set within a heavily foliated sulphide rich volcanic unit.

The drilling has established that there is continuity to the gold mineralisation across width and depth with multiple drill holes across the anomaly.

This seasons drilling has identified that Au mineralisation, intersections include:

- NWSD02 5.2m at .39 g/t (0-5.2m) including 3.3m at .52 g/t (0-3.3m)
- NWSD01 2.4m at 0.3 g/t (0-2.4m)



4.2 Chalcopyrite and other sulphides within the foliated porphyritic unit carrying gold mineralisation.

Drill holes NWSD01, 2, 3 and 6 (to the south) and have defined a more sulphidic deformed porphyritic unit that carries the Au mineralisation identified. Porphyroblastic quartz and feldspar clasts within foliated porphyritic unit, sulphide mineralisation generally follow foliation. Within these holes interestingly the Au, Cu and Sn correlate well, there are also high tungsten levels possibly indicating a high temperature system. A possible faulted contact found at the end of drill hole NWSD03 shows a boundary with another very similar porphyritic unit, also carrying minor hematite veining and alteration, this unit is also theorized to be within drill holes NWSD04 and 5 (to the north). Both units have been found to be extremely hard and high in silica.



4.3 semi massive sulphide mineralisation in NWSD03

Discussion of Results

The benefit of using a man-portable drill rig is that a continuous sample can be attained at a relatively low cost compared to conventional drilling, there is an extremely low impact to the environment and the rig can be walked into almost any site. The limitations of using this man-portable drill is the limited depth at which a hole can reach.

Mineralisation at North West Creek warrants further work, the mineralisation has shown to continue at depth and laterally across the identified mineralised unit. V2 prospects IP response has been explained mineralisation does not seem to be extensive and there for does not require further work.

5. Conclusions

Drilling this year at North West Creek showed that the mineralisation has continuity between drill holes. Mineralisation also continues to depth. The characteristics of the mineralisation observed in drill core are also suitable to using geophysics to generate a focused target for deeper drilling.

6. Environment

The use of the man portable drill reduces the environmental impact of diamond drilling. The holes are shallow and quick, and of low diameter thus disturbance of any one site is very limited. No clearing of vegetation is required in most cases. 1-1.5m of PVC casing was added to the hole after the drillhole was completed, caps with drill hole ID and depth have been added to each hole. Site photographs for V2 are below, Drill holes for North West Creek could not be taken as the field camera was broken during mobilization.

V2 Prospect.

Drilling at the V2 prospect, water was obtained from the Lewis River. Drilling cuttings were minimal and left to naturally wash away. V2-7 and 8 as shown below in Figure 6.1 and 6.2. vegetation was small and displayed no safety hazard, no vegetation was cut or removed at V2 and drilling was completed next to button grass instead of removing it.



Figure 6.1 drillhole V2-7, dominantly button grass vegetation and a soft muddy soil.



Figure 6.2 Drillhole V2-8 proximal to V2-7 similar vegetation, silty muddy ground.



Figure 6.3 Drillhole V2-9 Butten grass vegetation but dry rocky ground.

North West Creek

Drilling in this area was on exposed outcropping banks proximal to North West Creek, water was pumped from the Creek and was clean and reliable source. Cuttings were very limited and left to wash over vegetation and soil. Very little vegetation was cut or removed to make way for tracks and pads for drilling. An effort was made to minimise impact on the area, there was an approach of going around vegetation rather than going through it. No chainsaw was brought on site to clear tracks.

7. Expenditure:

Quarter ended December 2014 (quarterly report submitted)

Geology costs		\$24,977
General administration		\$2,400
Q4 total		\$27,377
Cumulative expenditure		\$868,758

Quarter ended March 2015 (quarterly report submitted)

Geology costs		\$11,103
Drilling and Admin		\$16,641
Q1 total		\$27,744
Cumulative expenditure		\$896,502

Quarter ended June 2015 (quarterly report submitted)

Geology costs		\$6,883
Other and admin		\$13,691
Q2 total		\$20,574
Cumulative expenditure		\$917,076

Quarter ended September 2015 (quarterly report submitted)

Geology costs		\$33,158
General administration		\$3,250
Q3 total		\$36,408
Cumulative expenditure		\$953,484

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

Geology costs	Reporting	\$3,500
General administration		\$200
Q4 total		\$3,700
Cumulative expenditure		\$960,184

Total year 1 expenditure:	\$53,019
Total year 2 expenditure:	\$140,579
Total year 3 expenditure:	\$76,517
Total year 4 expenditure:	\$508,656
Total Year 5 expenditure:	\$88,426
TOTAL EXPENDITURE TO DATE (Y1 + Y2 + Y3+Y4+Y5):	\$960,184

8. References

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Groves, D. I, Weinberg, R. F., Hodkiewicz, P., and van der Borg, P. 2002 Yilgarn Atlas: Hydrothermal Systems, Giant Ore Deposits [GODS] and a New Paradigm for Predicative Mineral Exploration, AMIRA International Ltd, Project Report P511, V3.

9. Statement of Experience

This report has been prepared by Rodrick Campbell, BSc consulting geologist with over 6 years' experience in exploration. Rodrick Campbell has worked with this license for the last 3 years.

10. Disclaimer

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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