



Paradigm
Metals

ABN 28 102 747 133

Companies Announcements Office
Australian Securities Exchange Ltd
Sydney

**INTERIM FINANCIAL REPORT
AND DIRECTORS' REPORT
FOR THE PERIOD ENDED
31 DECEMBER 2011**

PARADIGM METALS LIMITED AND SUBSIDIARIES**DIRECTORS' REPORT****FOR THE SIX MONTHS TO 31 DECEMBER 2011**

The Directors of Paradigm Metals Limited ("PDM") submit the interim financial report of the consolidated entity for the half-year ended 31 December 2011.

1. Directors

The names of Directors who held office during or since the end of the half-year were:

Graham Carman	Non-executive Director (Managing Director until 2 December 2011)
John Gaskell	Non-executive Director
Stephen Lonergan	Non-executive Director

2. Corporate

Paradigm Metals Limited ("PDM") is continuing its focus on gold exploration in central New South Wales, and base metals exploration in northwest Queensland.

Under an agreement with Triako Resources Pty Limited and Golden Cross Operations Pty Ltd, PDM has the right to earn a 51% stake in the Yellow Mountain gold project, EL 6325 in two stages.

In the first stage, PDM can earn a 30% stake in the project by expending \$400,000 by 31 March 2012. PDM reached this milestone during the reporting period. PDM may elect on or before 30 April 2012 to earn a further 21% interest by expending an additional \$500,000 by 31 March 2013.

In December 2011 Dr Graham Carman resigned as the Managing Director of PDM and Mr Greg Curnow commenced as the Chief Executive Officer. Dr Graham Carman remains as a non-executive Director of PDM.

3. Operations and Financial Performance

During the half year the Company continued its operations as a mineral explorer. The Company made a loss for the 6 month period to 31 December 2011 of \$257,225 (2010: \$281,822).

The Company's cash balance at 31 December 2011 was \$487,908 (30 June 2011: \$976,522).

The Directors have received the Auditors' Independence Declaration which is included on page 4 of the half year report. The Half-Year Financial Report for 2011 is signed in accordance with a resolution of the Board of Directors.

DIRECTORS' REPORT (cont'd)

4. Review of Operations

Yellow Mountain project (PDM 30%, may earn 51%)

In June 2011 PDM drilled 35 aircore/RC holes for a total of 1,400 metres and delineated an extensive zone of shallow oxide gold mineralisation at the Quarry Hill prospect, with some of the highlights including:

- 6m @ 1.8 g/t from 34 metres in PRC005;
- 4m @ 2.4 g/t from 20 metres in PQH029;
- 4m @ 2.0 g/t Au from 4 metres in PQH044.

During the current period PDM has reviewed the results of the drilling and remodelled the results together with the available geophysical data and the historical geological data, especially from Marranoonbah exploration licence EL 7697 (PDM 100%) which was granted to PDM in February 2011.

This analysis has generated a number of promising targets which will be followed up during 2012. Yellow Mountain has pervasive gold values and a large untested magnetic anomaly. Yellow Mountain has the potential to host significant gold and base metal mineralisation and therefore remains a primary focus of PDM.

Field work for the period was limited to carrying out rehabilitation on the previous PDM drilling. All drillhole rehabilitation at the project is now complete.

Toolebuc Joint Venture (PDM 50%)

In November 2011 the Toolebuc joint venture (PDM 50%: Exco Resources 50%) completed a second reconnaissance aircore drill program on EPM 16073 near Cloncurry, northwest Queensland, targeting rare earth element (REE) and base metal mineralisation that was delineated during similar drilling in late 2010 which included an intersection of 4m @ 0.26% REE & 0.32% Zn from 37 metres in hole LEV002.

Eleven holes were drilled for a total of 500 metres to target extensions from the 2010 drilling and targets generated from a ground magnetics survey carried out in the first half of 2011.

One of these holes, LEV011, intersected rare earth element (REE) mineralisation in Proterozoic black shales at the contact with the younger cover rocks. The intercept was 7m @ 0.65% combined REE from 35-42 metres mostly as a combination of lanthanum (La), neodymium (Nd) and yttrium (Y). This is similar to the mineralisation in LEV002.

As a follow up to the November drilling PDM also completed a ground gravity survey in early December. An area of 1km², covering the drill holes, was surveyed to identify possible geophysical features which could assist in targeting further drilling.

PDM, along with its joint venture partner Exco Resources, is continuing to evaluate this information.

A mineralogical study of the REE drill material is awaited, with further work planned for 2012.

DIRECTORS' REPORT (cont'd)

NSW base metals and tungsten projects

On 15 February 2012 the Company announced that it had granted Resmetco Limited (A.B.N. 89 150 566 626) an option to purchase PDM's 100% interest in NSW Exploration Licence 6724 which contains the Company's White Rock tungsten project. Resmetco is an unlisted public company based in Brisbane and is focussed on exploring and developing strategic metals projects in Australia, and plans to list on the ASX in the next 18 months.

The option may be exercised by Resmetco within the 18 month option term and only after Resmetco has been admitted to the Official List of the ASX. During the option term, Resmetco is required to keep EL 6274 in good standing. On exercise of the option, Resmetco is required to issue 4 million ordinary fully paid Resmetco shares to PDM

The White Rock tungsten project, EL 6274, has a JORC-compliant Inferred Mineral Resource of 260,000 tonnes at 0.7% tungsten oxide with additional exploration potential adjacent and beneath the current resource.

The Kangiara project, EL 7273, contains a JORC-compliant Indicated and Inferred Mineral Resource of 2.75 million tonnes at 1.3% zinc, 1.0% lead, 0.18% copper, 0.5 g/t gold, and 24 g/t silver. Kangiara has the potential to host significant oxide silver mineralisation, with drill intercepts including 18m @ 151 g/t silver from surface.

The Frogmore project, EL 6590, contains significant copper mineralisation at the Pride of Frogmore prospect based on PDM drill holes. The Company has targeted a deposit of 1.5 to 3 million tonnes at Frogmore, and the project requires additional drilling to realise the potential. Exploration potential for copper also exists elsewhere in the Frogmore project area.

PDM is also actively seeking expressions of interest to buy or to farm-in to its other tenements in the Boorowa region of southern NSW.

Auditor's Independence Declaration

In accordance with the audit independence requirements of the Corporations Act 2001, the Directors have received and are satisfied with the "Auditors' Independence Declaration" provided by the Company's external auditors PKF. The Auditors' Independence Declaration has been attached on page 4 of this half year financial report.

Signed in accordance with a resolution of the Directors.



Stephen Lonergan

Director

Dated: 12 March 2012

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Graham Carman who is a Member of the Australasian Institute of Mining and Metallurgy. Dr Carman is a non-executive director of Paradigm Metals Limited, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Carman consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Paradigm Metals Limited and the entities it controlled during the year

I declare to the best of my knowledge and belief, in relation to the review of the financial half-year ended 31 December 2011 there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink that reads 'John Bresolin'.

John Bresolin
Partner

Sydney

Dated this 12th day of March 2012

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PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2011

	Note	Half year to 31 Dec 2011 \$	Half year to 31 Dec 2010 \$
Other income		29,145	20,187
Expenses	2	(286,355)	(301,072)
Share of Joint Venture Losses		(45)	(937)
Loss before income tax		(257,255)	(281,822)
Income tax expense		-	-
Loss for the half-year		(257,255)	(281,822)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year attributable to owners of the parent		(257,255)	(281,822)
Basic earnings per share (cents per share)		(0.17)c	(0.25)c
Diluted earnings per share (cents per share)		(0.17)c	(0.25)c

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the attached notes.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Financial Position
As at 31 December 2011

	Note	As at 31 Dec 2011 \$	As at 30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		487,908	976,522
Trade and other Receivables		2,450	823
Other current assets		26,288	43,427
Share of Joint Venture Current Assets		12,636	1,027
TOTAL CURRENT ASSETS		529,282	1,021,799
NON-CURRENT ASSETS			
Plant and equipment		61,417	67,929
Other non-current assets		60,000	62,500
Exploration and evaluation assets		3,360,390	3,312,953
Share of Joint Venture Non-Current Assets		38,154	42,424
TOTAL NON-CURRENT ASSETS		3,519,961	3,485,806
TOTAL ASSETS		4,049,243	4,507,605
CURRENT LIABILITIES			
Trade and other payables		34,425	161,024
Short-term provisions		-	46,442
Share of Joint Venture Current Liabilities		184	8,750
TOTAL CURRENT LIABILITIES		34,609	216,216
NON-CURRENT LIABILITIES			
Long-term provisions		5,000	24,530
TOTAL NON-CURRENT LIABILITIES		5,000	24,530
TOTAL LIABILITIES		39,609	240,746
NET ASSETS		4,009,634	4,266,859
EQUITY			
Share capital	7	10,732,353	10,732,353
Share Option Reserve		367,712	367,712
Accumulated losses		(7,090,431)	(6,833,206)
TOTAL EQUITY		4,009,634	4,266,859

The Consolidated Statement of Financial Position is to be read in conjunction with the attached notes.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2011

	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total \$
As at 1 July 2011	10,732,353	367,712	(6,833,206)	4,266,859
Total comprehensive income for the half-year			(257,225)	(257,225)
Transactions with owners in their capacity as owners	-	-	-	-
Balances as at 31 December 2011	10,732,353	367,712	7,090,431	4,009,634
As at 1 July 2010	9,763,660	82,979	(6,551,384)	3,295,255
Total comprehensive income for the half-year	-	-	(281,822)	(281,822)
Transactions with owners in their capacity as owners:				
Shares issued during the half-year				
- Placement of shares	1,326,611	-	-	1,326,611
- Transaction costs relating to issue of shares	(357,918)	264,303	-	(93,615)
Options capitalised during the half-year	-	20,430	-	20,430
Balance as at 31 December 2010	10,732,353	367,712	(6,833,206)	4,266,859

The Consolidated Statement of Changes in Equity is to be read in conjunction with the attached notes.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

Consolidated Statement of Cash Flows
For the half year ended 31 December 2011

	Half year ended 31 Dec 2011 \$	Half year ended 31 Dec 2010 \$
Cash flows from operating activities		
Payments to suppliers and employees	(328,260)	(311,682)
Rent received	1,871	1,871
GST received	14,245	14,972
Interest received	27,274	18,316
Net operating cash flows	(284,870)	(276,523)
Cash flows from investing activities		
Receipt of tenement deposits relinquished	-	2,500
Payment for plant, property and equipment	-	(6,833)
Payments for exploration	(193,069)	(180,466)
Net investment – Toolebuc Resources P/L	(10,674)	(25,000)
Net investing cash flows	(203,743)	(209,799)
Cash flow from financing activities		
Proceeds from issue of equity securities (net of issue costs)	-	1,241,506
Net financing cash flow	-	1,241,506
Net (decrease)/ increase in cash held	(488,613)	755,184
Cash at 1 July 2011	976,522	765,474
Cash at 31 December 2011	487,909	1,520,658

The Consolidated Statement of Cash Flows is to be read in conjunction with the attached notes.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Paradigm Metals Limited and its controlled entities during the half year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

(a) Basis of preparation of half-year financial report

This half year financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, and AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half year financial report is presented in Australian dollars and has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2011 unless otherwise stated. For the purpose of preparing the half year financial report, the half year has been treated as a discrete reporting period.

(b) Going Concern

The half-year Financial Report has been prepared on the basis of a Going Concern, notwithstanding the fact that material uncertainties exist, going forward, which cast significant doubt on the Company's ability to continue as a going concern. The Group incurred a loss for the half-year after tax of \$257,255 (2010: \$281,822) and a net cash out flow from operating activities of \$284,870 (2010: \$276,523). The Company acquires mineral tenements and then applies its expertise to conduct mineral exploration in search of base and precious metals deposits. In addition to the many uncertainties inherent in the mineral exploration and development industry, the Company does not yet have a significant revenue stream and must rely on raising money in the capital markets. Management has successfully raised money in the past, but there is no guarantee that adequate funds will be available when needed in the future.

The half-year Financial Report has been prepared on the basis of a Going Concern, as the Directors believe that adequate funding will be raised to enable the Group to pay its debts as and when they become due for a period of twelve months from the date of approving this Report. In the event that the Group is delayed in raising funding and or committing to development of its core tenements, the Group may need to either reduce its rate of expenditure or raise additional working capital to ensure that it can continue to meet its obligations as and when they fall due.

Expenditure commitments include obligations arising from annual minimum work obligations for exploration permits. Minimum work obligations, may be subject to negotiation and approval and could be varied, they may also be satisfied by farm-out, sale, relinquishment or surrender.

In the event that the Group is not able to raise sufficient working capital within the time frame required, it may not be able to realise its assets and crystallise its liabilities in the normal course of business at the amounts stated in this half-year Financial Report.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the company be unable to continue as a going concern and meet its debts as and when they fall due.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	31 Dec 2011 \$	31 Dec 2010 \$
NOTE 2: EXPENSES FROM ORDINARY ACTIVITIES		
Expenses from ordinary activities are as follows:		
Labour and employee expenses	54,225	122,224
Accountancy fees	8,960	1,000
Audit and audit review fees	29,500	28,500
Communication and computer expenses	5,093	6,902
Consultants	37,162	13,365
Depreciation	6,513	2,984
Directors Fees	44,000	44,000
Rent	24,021	22,146
Share registry and ASX expenses	19,390	33,726
Other expenses	57,491	26,225
Total expenses from ordinary activities	286,355	301,072

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 3: SEGMENT INFORMATION

Description of Segments

Operating segments

The consolidated entity undertakes the activities of exploration of mineral resources. The Board has therefore identified the reportable segments to be by geographical location as each has different economic characteristics. The regions are New South Wales (NSW) and Queensland (QLD).

31 December 2011

	Exploration			31 Dec 11 \$
	NSW \$	QLD \$	Unallocated \$	
Revenues from external parties	-	-	-	-
Inter-segment revenues	-	-	-	-
Other revenues	-	-	29,145	29,145
Total revenues	-	-	29,145	29,145

Segment profit / (loss)	-	(8,045)	(249,210)	(257,255)
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Segment assets	3,361,366	122,314	565,563	4,049,243
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31 December 2010

	Exploration			31 Dec 10 \$
	NSW \$	QLD \$	Unallocated \$	
Revenues from external parties	-	-	-	-
Inter-segment revenues	-	-	-	-
Other revenues	-	-	20,187	20,187
Total revenues	-	-	20,187	20,187

Segment profit / (loss)	-	(936)	(280,886)	(281,822)
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Segment assets	2,943,929	116,771	1,446,905	4,507,605
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PARADIGM METALS LIMITED AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**NOTE 4: CONTINGENT LIABILITIES**

Paradigm purchased tenements EL6274 (White Rock) and EL6590 (Frogmore) during the financial year to 30th June 2007, from Copper Strike Limited (“the vendor”). The purchase agreement obliges Paradigm to pay the vendor \$0.5 million on the announcement to the ASX of a defined Indicated mineral Resource, and \$1.5 million after the first of (i) an announcement to the ASX of the completion of a Project Feasibility Study, or (ii) a decision to mine. Neither of the events in (i) or (ii) have occurred at the date of signing this report.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen between balance date and the date of this report any event which requires disclosure.

NOTE 6: COMMITMENTS

Paradigm is required to meet minimum committed expenditure requirements to maintain current rights of tenure to exploration tenements. These obligations may be subject to re-negotiation, may be farmed out or may be relinquished and have not been provided for in the statement of financial position, and are due as follows:

	31 Dec 2011	31 Dec 2010
	\$	\$
Within 1 year	375,055	118,566
1 year or longer, but not longer than 5 years	45,875	74,083
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Total commitments	<hr/> 420,930	<hr/> 192,649

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NOTE 7: ISSUED CAPITAL

	\$	Number
(a) Ordinary Shares		
Ordinary Shares at beginning/end of reporting period	10,732,353	<u>148,881,492</u>

At reporting date the Company had 148,881,492 (June 2011: 148,881,492) authorised Ordinary Shares of no par value. Ordinary Shares entitle the holder to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary Shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

PARADIGM METALS LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001

On behalf of the directors



Stephen Lonergan
Non-executive Director

Dated this 12th day of March, 2012.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Paradigm Metals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Paradigm Metals Limited, which comprises the statements of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Paradigm Metals Limited (the company) and the entities it controlled at 31 December 2011 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paradigm Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Paradigm Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the Half-year financial report, which indicates that during the half-year ended 31 December 2011, the Group incurred a loss for the half-year after tax of \$257,255 and a net cash out flow from operating activities of \$284,870. These conditions along with matters as set forth in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in black ink, appearing to read 'John Bresolin'.

PKF

A handwritten signature in black ink, appearing to read 'John Bresolin'.

John Bresolin
Partner

Sydney, 12th March 2012