



14 August 2014

Jeremy Newman
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
L 40, Central Park
152-158 St George's Terrace
PERTH WA 6000

Via email: jeremy.newman@asx.com.au

Dear Jeremy,

We refer to your letter dated 11 August 2014 regarding the Company's position as outlined in the Quarterly Cashflow lodged on 31 July 2014 and respond, enumerating, for simplicity and ease of reference, according to your queries as set out therein.

We therefore respond, as follows:

1. In assessing the Company's position we note that, as announced to the market on 8 August 2014, in general meeting of shareholders of the Company held on 8 August 2014 overwhelming approval was granted for a consolidation of the Company's capital on a 1 for 30 basis. This is in line with the strategy publicly promoted by the Company in its announcement to the market dated 28 July 2014 and specifically stated in Slide 3. The same slide also states that the consequent and integral part of that strategy is a \$2 million fundraising. We further advise that since the general meeting, and in line with these stated objectives, the Company has been promoting its strategy and intention to investors and stockbroking firms. Evidencing the continuing successful implementation of its strategy, the Company has reached agreement, with details yet to be finalised and on terms commercial in confidence, with one such firm for capital raising and corporate advisory assistance. We therefore feel that the Company's position is, and will be, secure.
2. No, the Company does not expect that in the future it will have a similar negative operating cash flow to that reported in the Appendix 5B because, as outlined above, the Company is on track with its stated and quite purposeful strategy, which includes a substantial fundraising subsequent to the recently effected consolidation.
3. As outlined in points 1 and 2 above, to ensure the Company is able to continue to meet its business objectives, the Company has undertaken a capital consolidation which is to be followed by a fundraising.
4. The Company confirms that it is in compliance with the listing rules, and in particular, with listing rule 3.1.

5. The Company considers that it is in compliance with listing rule 12.2 for the reasons as stated above. The Company believes, based on the above responses, that it should warrant both the continued quotation of its securities and its continued listing.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'P. McQuillan', written in a cursive style.

Paul McQuillan
Company Secretary