

BKM MANAGEMENT LIMITED

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8 November 2018

Kate Kidson
Principal Adviser, Listings Compliance (Melbourne)
ASX Limited
By email: kate.kidson@asx.com.au

Dear Kate,

BKM Management Limited ('Entity' or 'Company') refers to your letter dated 2 November 2018 in relation Appendix 4C quarterly report for the period ended 30 September 2018. The Company provides the following responses to your queries:

Q1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

A1. The Entity does expect to have negative operating cash flows for the foreseeable future with the operating subsidiary addressing changing market conditions and the parent undertaking due diligence of prospective projects. The Board has implemented cost control measures and is evaluating additional alternative methods.

Q2. Has the Entity taken any steps, or does it propose to take steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

A2. As foreshadowed in the 2018 Notice of Annual General Meeting, the Board has an offer of additional cash for the issue of equity and is in negotiation for alternative sources of cash to fund operations. The negotiations have not progressed to an announcement stage.

Q3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

A3. Yes, the Entity does expect to be able to continue its operations and to meet its business objectives. This will be achieved by sourcing additional cash and progressing with strategic operational changes aimed at increasing revenue and containing costs.

Q4. Please confirm that the Entity is in compliance with Listing Rule 3.12 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

A4. The Entity is in compliance with Listing Rule 3.12 and there is no additional information to be given to the ASX or released to the market.

Q5. Please confirm that the Entity's responses to the above questions have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to the ASX on disclosure matters.

A5. Yes, this response has been approved by the board and is authorised for release.

On behalf of the board,



Phillip Hains
Company Secretary



2 November 2018

Mr Phillip Hains

Company Secretary
BKM Management Limited

By email only

Dear Mr Hains

BKM Management Limited (the “Entity”): Appendix 4C Query

I refer to the Entity’s Appendix 4C quarterly report for the period ended 30 September 2018, lodged with ASX Market Announcements Platform and released on 30 October 2018 (the “Appendix 4C”).

ASX notes that the Entity has reported:

- negative net operating cash flows for the quarter of (\$61,000);
- cash at the end of the quarter of \$107,000; and
- estimated cash outflows for the next quarter of \$290,000.

It is possible to conclude, based on the information in the Appendix 4C, that if the Entity were to continue to expend cash at the rate indicated by the Appendix 4C, the Entity may not have sufficient cash to continue funding its operations. In view of that, ASX asks the Entity to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has the Entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does the Entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that the Entity is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that the Entity’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Entity with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that the Entity considers may be relevant to ASX forming an opinion on whether the Entity is in compliance with Listing Rule 12.2 (a listed entity’s financial condition must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30 am AEDT on 8 November 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltsmelbourne@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that the Entity's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Regards

[Sent electronically without signature]

Kate Kidson

Principal Adviser, Listings Compliance (Melbourne)

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