



## 4C Security Solutions Limited

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4 February 2009

Ms Suzanna Dabski  
ASX Markets Supervision Pty Ltd  
By Email: [suzanna.dabski@asx.com.au](mailto:suzanna.dabski@asx.com.au)

Dear Suzanna,

I refer to your email in relation to the Company's Quarterly Report (Appendix 4C) for the period ended 31 December 2008 released to ASX on 2 February 2009.

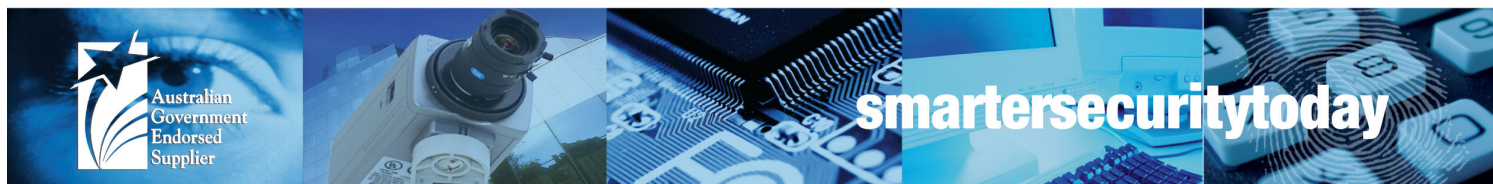
My response to your questions are set out below.

1. The company expects the net negative operating cash flow for the next quarter to be reduced, as sales revenues increase as a result of releasing the new version of SMAX and new biometric readers. Also the company has undertaken internal restructuring and implemented measures to significantly reduce future operating expenses.
2. The expected net negative operating cash flow will be reduced for the March 2009 quarter and further reduced for the June 2009 quarter. The company expects that it will have positive operating cash flows for the September 2009 and subsequent quarters.
3. The company's actual cash revenues and cash expenses in the quarter, as reported in the Appendix 4C were close to expectation, as stated in the company's correspondence lodged with the Appendix 4C.
4. Not applicable.
5. The company confirms that it is in compliance with the listing rules, including listing rule 3.1.
6. In reference to listing rule 12.2, the company considers its financial condition adequate to achieve its business objectives, as stated in previous announcements to the ASX.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S. Danielson', with a long horizontal stroke extending to the right.

Steven J. Danielson - Company Secretary





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2 February 2009

Mr Steven Danielson  
Company Secretary  
4C Security Solutions Limited  
PO Box 1948  
Macquarie Centre  
North Ryde NSW 2113

By email: [sdanielson@mitchellpartners.com.au](mailto:sdanielson@mitchellpartners.com.au)

Dear Steven

**4C Security Solutions Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2008 released to ASX Limited ("ASX") on 2 February 2009 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$1,517,000.
2. Net negative operating cash flows for the quarter of \$1,449,000.
3. Cash at end of quarter of \$192,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

**Australian Securities Exchange**

Australian Stock Exchange  
Sydney Futures Exchange

Australian Clearing House  
SFE Clearing Corporation

ASX Settlement and Transfer Corporation  
Austraclear

6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an 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. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email at **suzanna.dabski@asx.com.au** or on facsimile number **(02) 9241 7620**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. **before 9.30 a.m. A.E.D.T.**) on Thursday, 5 February 2009.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries in relation to the above, please contact me.

Yours sincerely

*[Sent electronically without signature]*

Suzanna Dabski  
**Adviser, Issuers (Sydney)**