



11 February 2009

Attention James Gerraty

RESPONSE TO ASX QUERY.

In response to your questions received by email on Feb 9, the Company provides the following (using your question numbers):

- 1 The Company was aware in November that there was a possibility that it might not achieve NPAT figures materially the same as at the corresponding 6 month period ended 31 December 2007. However, historical sales figures indicated that one or two good months of sales could have reversed the NPAT situation as had occurred in May/June 2008. Given the forward sales expectations for November and December, it was considered that a downgrade in profit forecast would have been premature and misleading to the market if those sales prospects had materialised.

The magnitude of movement in comparable NPAT was not evident until the management accounts for the period ended 31 December 2008 had been prepared (which was not until late January 2009).

- 2 Whilst not directly advising the market that the NPAT results would be significantly different to the corresponding period, the Company has been aware that profitability would be a challenge and such information was provided to the market in the following announcement.
 - Managing Director Address to the Annual General Meeting of the Company on 21 October 2008 (released to the market on 20 October 2008):

“We have had a positive start to this new year, with revenue for the first quarter being 6.5% above the first quarter of last year. However, due to product mix, steel price and the weaker Australian dollar, profit margins will continue to be under pressure. We are aware of, and are addressing these issues, but we do not expect to see margin improvement until the second half of 2008/09.

We feel comfortable with projected sales growth, but as outlined above, profit growth will be a greater challenge in the current environment.”

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3 As noted above, the Company was aware in November 2008 that it was in danger of not achieving NPAT equivalent to the corresponding period in December 2007. In this regard:

- as the Company had not previously issued profit forecasts; and
- as evidenced in previous financial reports to the market, the Company has historically had significant variances to previous corresponding period NPAT figures. These variations are often the result of the Company receiving large orders for products (some of which have a higher profitability margin than others) and such occurrences materially affect reported NPAT and the ability of the Company to predict future movements in NPAT.

Accordingly, at the time that the Company became aware of the possibility of a profit decrease, the Company did not consider it material to advise the market of a change in NPAT given that the Company had a reasonable expectation that sales would be effected that would have had a significant impact on the ultimate reported NPAT.

The management account figures & audit were signed off on the 27th of January 2009 and the Company announced its results to the market on the following day.

- 4 See response to question 3.
- 5 The Company considers that it is in compliance with the Listing Rules, and, in particular, listing rule 3.1.

A handwritten signature in black ink, appearing to read "Bill Cruickshank".

Bill Cruickshank

Company Secretary

Phone 03 5625 6600

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9 February 2009

Mr Bill Cruickshank
Company Secretary
Saferoads Holdings Limited
Lot 8, 8 Weerong Road
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By email only

Dear Bill

Saferoads Holdings Limited (the "Company") – Half Yearly Report

We refer to the following.

- The Company's announcement titled "Half Yearly Report and Accounts" dated 29 January 2009 (the "Half Yearly Report") given to ASX Limited ("ASX") and which reports a 63% decrease in Profit from Ordinary Activities After Tax Attributable to Members ("Profit") from the previous corresponding period for the half year ending 31 December 2008.
- The change in the price of the Company's securities from \$0.78 at the close of trade on Wednesday, 28 January 2009 to \$0.385 at the close of trading on Thursday, 29 January 2009.
- Paragraph 93 of ASX's Guidance Note 8 "Continuous Disclosure: Listing Rule 3.1" that refers to the disclosure of material information relating to changes in an entity's previously released financial forecasts or expectations.

As you are aware listing rule 3.1 requires an entity, once it becomes aware of 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, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Furthermore, paragraph 18 of Guidance Note 8 states:

"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- “3.1A.1 *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
 - *The information concerns an incomplete proposal or negotiation.*
 - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - *The information is generated for the internal management purposes of the entity.*
 - *The information is a trade secret.”*

Paragraph 93 of ASX’s Guidance Note 8 “Continuous Disclosure: Listing Rule 3.1” states the following:

“Listing Rule 3.1 provides examples of information that, if material, would require disclosure. One of those examples is a change in the entity’s previously released financial forecast or expectation. As a general policy, a variation in excess of 10% to 15% may be considered material, and should be announced by the entity as soon as the entity becomes aware of the variation. If the entity has not made a forecast, a similar variation from the previous corresponding period will need to be disclosed. In certain circumstances a smaller variation will be disclosable.”

Having regard to the above definition, listing rule 3.1 and Paragraph 93 of ASX’s Guidance Note 8 “Continuous Disclosure: Listing Rule 3.1 (“Guidance Note 8”), we ask that you answer the following questions.

1. Please advise when the Company first became aware that the Company’s Profit would be 63% lower than the previous corresponding period for the half year ended 31 December 2008 (“Profit Decrease”).
2. If the Company became aware of the Profit Decrease prior to the release of the Half Yearly Report, please identify any earlier announcement from the Company which disclosed that the result for the half year ended 31 December 2008 would be significantly different from the previous corresponding period.
3. At the time that the Company became aware of the Profit Decrease did the Company consider that the Profit Decrease was material to the Company?
4. If, at the time that the Company became aware of the Profit Decrease the Company did not consider that it was material, please advise the basis on which the Company did not consider the Profit Decrease to be material to the Company.
5. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail. 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, no later than 5.00pm EDST on Wednesday 11 February 2009.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, it would be appreciated if you would prepare your response in a form suitable for release to the market and separately address each of the questions asked.

If you have any queries in relation to the above please let me know.

Yours sincerely

Sent electronically without signature

Darren Collins

Senior Adviser, Issuers and Accounting Policy