

BKM MANAGEMENT LIMITED

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8 September 2011

Ms Fiona Murphy
Adviser, Listings (Perth)
ASX Compliance Pty Limited
GPO Box D187
Perth WA 6840

By e-mail: fiona.murphy@asx.com.au

Dear Fiona,

RESPONSE TO BKM MANAGEMENT LTD QUERY

I refer to your letter dated 6 September 2011, and provide the following responses to your questions, using the same order:

1. *"Is it 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 financial year indicated by the Preliminary Final Report, the Company may not have sufficient cash to fund its activities in the near term? Is this the case, or are there other factors that should be taken into account in assessing the Company's position?"*

Answer: The Company has continued to maintain tight control over cash operating expenses.

The Preliminary Final Report shows a loss attributable to members of \$1,280k and included within this is a non cash write down of \$789k as well as financing costs of \$128k, most of which has been capitalised during the year.

In terms of cashflow, the company has maintained a modest cash "burn" from operations of approximately \$200k, consistent with the previous year. Management expects a further year of modest cashflow while the company continues the quest for growth and expansion opportunities.

2. *"Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Preliminary Final Report for the 2011 financial year and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?"*

Answer: The Company does expect to continue to maintain tight cash control going forward while evaluating growth and expansion opportunities. The Company is evaluating alternative funding and business opportunities to increase its working capital and available cash for operating activities.

3. *"To what extent have the Company's actual revenues and expenses in the financial year, as reported in the Preliminary Final Report, matched the Company's anticipated revenues and expenses for that reporting period?"*

Answer: The Company's actual revenues and expenses in the financial year, as reported in the Preliminary Final Report, are in line with the 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."*

Answer: Not applicable.

5. *"What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?"*

Answer: The business objective of the company is to utilize the skills and resources available to enhance its asset base and increase shareholder wealth. The company has fulfilled this through both direct operations and strategic investments. As previously announced, the Company anticipates benefits to accrue through the application of skills and resources toward the planned listing of OneMet Minerals Pty Ltd (previously known as Ord River Diamonds Pty Ltd). The Company is also assessing a number of other new projects which may have a positive effect on the Net Assets of the Company. Further announcements in relation to these new projects will be made in due course.

6. *"Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?"*

Answer: The Company confirms that it is in compliance with the Listing Rules and in particular its continuous disclosure obligations under Listing Rule 3.1.

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

Answer: The Company considers that it complies with Listing Rule 12.2. The Company's current liabilities include an amount of \$999k which relates to convertible notes. Of this amount, note holders totaling \$877k have indicated that they will convert to equity, subject to any shareholder and regulatory approvals that may be required. This has the benefit of reducing operating costs, liabilities of the company, as well as converting at a premium to recent low prices, and correcting the negative net asset position of the company previously reported.

Yours sincerely,

BKM MANAGEMENT LIMITED



Phillip Hains
Company Secretary



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6 September 2011

Mr Phillip Hains
Company Secretary
BKM Management Limited
Suite 1, 1233 High Street
ARMADALE VIC 3143

By e-mail: phillip@thecfo.com.au

Dear Phillip,

BKM Management Limited (the "Company")

I refer to the Company's appendix 4E and unaudited annual report for the year ended 30 June 2011, released to ASX Limited ("ASX") on 31 August 2011 (the "Preliminary Final Report").

ASX notes that the Company has reported the following as at 30 June 2011:

1. Net profit (loss) for the period attributable to members of (\$1,279,766);
2. Total current assets of \$595,994;
3. Total current liabilities of \$1,874,537; and
4. Net liabilities of \$480,739.

ASX listing rule 12.2 provides, that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

The note to the listing rule states the composition of the balance sheet, relative size of liabilities to assets and access to funds are some of the indicators of an entity's financial condition.

ASX notes the comments in the unaudited annual report regarding continuation of the Company as a going concern.

In light of the information contained in the Preliminary Final Report, please respond to each of the following questions.

1. Is it 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 financial year indicated by the Preliminary Final Report, the Company may not have sufficient cash to fund its activities in the near term? 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 Preliminary Final Report for the 2011 financial year 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 financial year, as reported in the Preliminary Final Report, 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. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. 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 on **facsimile number (08) 9221 2020**. 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 5:00pm WST on Thursday, 8 September 2011**.

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, please contact me on (08) 9224 0054.

Yours sincerely,

[Sent electronically without signature]

Fiona Murphy
Adviser, Listings (Perth)