

BKM MANAGEMENT LIMITED

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6 March 2012

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

By email: fiona.murphy@asx.com.au

Dear Fiona,

RESPONSE TO BKM MANAGEMENT LTD QUERY

I refer to your letter dated 2 March 2012, 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 Half-year 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 is continuously tightly managing its cash resources. The loss attributable to members of \$241,131 shown in the Half-year Report included a non cash amortisation of IGC Asia Pty Ltd of \$215,711 and financing costs of \$59,085. Financing costs related to convertible notes where noteholder converted to equity. Furthermore, the Company is evaluating opportunities to increase its working capital and cash available to fund its operating activities in the near term.

2. *"Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Half-year Report 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: As stated above the Company does expect to continue to maintain tight cash control going forward. From the comparable six month period cash operating deficity has reduced from \$133,133 to \$42,614 as a demonstration of the tight cash control. The Company is evaluating opportunities to increase its working capital and cash available to fund its operating activities in the near term. Further, the Company also has a successful history of financing its activities through the issue of equity and debt securities and is confident it will continue to do so as appropriate.

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

Answer: The Company's actual revenues and expenses as reported in the Half-year 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 Company continues to meet its business objectives through both direct operations and strategic investments. As previously announced, the Company anticipates to be well rewarded with its strategic involvement with 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. As stated in Note 1(c) of the Half-year Report, the Company's current liabilities includes \$416,970 relating to convertibles notes and \$107,060 related to accrued director's fee and \$141,600 of directors fees under accounts payable. An undertaking has been provided to the consolidated entity by the directors that repayments of accrued director's fee, and future director fees, will only be demanded in the event that the consolidated entity has sufficient cash-flow available.

Yours sincerely,
BKM MANAGEMENT LIMITED



Phillip Hains
Company Secretary



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2 March 2012

Mr. Phillip Hains
Company Secretary
BKM Management Limited
Suite 1, 1233 High Street
Armadale, Victoria 3143

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

Dear Phillip,

BKM Management Limited (the "Company")

I refer to the Company's reviewed Appendix 4D and half-year financial report for the half-year ended 31 December 2011, released to ASX Limited ("ASX") on 29 February 2012 (the "Half-year Report").

ASX notes that the Company has reported the following as at 31 December 2011:

1. Net loss for the period attributable to members of \$241,131.
2. Total current assets of \$576,192.
3. Total current liabilities of \$1,119,596.
4. Net assets of \$309,514.

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 Half-year Report regarding continuation of the Company as a going concern (including those from the auditor).

In light of the information contained in the Half-year 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 half-year indicated by the Half-year 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 Half-year Report 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 half-year, as reported in the Half-year 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 may 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** or **by email to fiona.murphy@asx.com.au**. 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 Tuesday, 6 March 2012**.

If you have any queries, please contact me on (08) 9224 0054.

Yours sincerely,

[sent electronically without signature]

Fiona Murphy
Adviser, Listings (Perth)