

**Photo-Me**

Australia Limited  
ACN 110 184 355

Registered Office:  
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6<sup>th</sup> November 2009

Attn Julia Kagan  
Adviser, Issuers (Melbourne)  
ASX Limited

Dear Julia

**PTO: Response to ASX query**

In response to your query of 5 November in relation to the company's Quarterly Report Appendix 4C for the period ended 30 September, the company advises as follows:

- 1) As referred to in the company's Notice of Meeting in respect of the forthcoming Annual General Meeting, the company intends to undertake a Pro-rata non-renounceable entitlement issue of shares ('entitlements issue') to raise funds for the further roll out of Internet booths to be located at various Westfield Shopping Centres and to provide working capital. Discussions with material non-substantial shareholders and proxies received to date indicate strong support for the capital raising.

The roll out of the additional Internet booths referred to in the Notice of Meeting is expected to generate additional cash flows.

Also, as a result of successful negotiations by the Company's board, the company has agreed to settle the loan amount outstanding to Photo-Me International Plc of \$700,100 plus accrued interest by the payment of \$100,000 in full and final settlement from the proceeds of the entitlements issue.

In the event that the proposed entitlement issue is fully subscribed, this will generate in the order of \$500,000 in additional working capital (after settlement of the loan referred to above).

In addition, as referred to in the Company's Annual Report, a substantial shareholder has provided an undertaking to provide financial support to enable the company to meet its debts as and when they fall due. Such funding, if necessary, is provided in line with a Debenture Deed lodged with ASIC on 31 August 2009. The Deed commits funding of up to \$1 million for a period of 12 months, ending 31 July 2010.

In addition, the directors are in detailed discussions with potential investors and the company is looking to raise further funds from its shareholders; the directors have been in continued discussions with a substantial shareholder to assist in this respect. The company anticipates that it should be in a position to disclose further information in this respect in the coming weeks.

In addition, as announced on 30 October 2009, PTO has also further expanded its service division through an agreement to outsource the servicing of a network of Digital Print Kiosks operated by QFL Photographics Pty Ltd in various Pharmacies and retail locations in Victoria.

The company continues to improve its cash flow through new opportunities and significant ongoing cost savings, the details of which it is not at present able to reveal to the market, as these agreements have not been finalised and are not expected to be finalised until at least the end of this month.

- 2) As a result of the matters referred to in (1) above, the Company expects that its negative operating cash flows will be very substantially reduced in this current quarter (and thereafter) and in any event has access to sufficient funds to cover any such shortfall. In addition, upon successful completion of the entitlement issue referred to in (1) above, this will provide strengthening of the company's capital base.
- 3) Please refer to (1) and (2) above.
- 4) Confirmed. The Company considers that it is in compliance with the listing rules, and, in particular, Listing Rule 3.1.
- 5) The company considers it is in compliance with ASX Listing Rule 12.2 having regard to the composition of its balance sheet, relative size of liabilities to assets and access to funds.

Please do not hesitate to contact the undersigned should you require further information.

Yours faithfully  
**Vince Accardi**



**Managing Director**  
**Photo-Me Australia Limited**



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5 November 2009

T J Spooner  
Company Secretary  
Photo-Me Australia Limited  
Perth

By email only

Dear Mr Spooner

**Photo-Me Australia Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 September 2009, released to ASX Limited ("ASX") on 2 November 2009 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$752,000.
2. Net negative operating cash flows for the quarter of \$205,000.
3. Cash at end of quarter of \$27,000.

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, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. 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. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. 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 by return email. 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 9.30 am (Melbourne time) on Monday 9 November 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, please do not hesitate to contact me.

Yours sincerely

*[Sent electronically without signature]*

Julia Kagan  
**Senior Adviser, Issuers (Melbourne)**