

4 February 2010

Attn Julia Kagan
Senior adviser, Issuers (Melbourne)
ASX Limited

Dear Julia

PTO: Response to ASX query

In response to your query of 2 February in relation to the company's Quarterly Report Appendix 4C for the period ended 31 December 2009, the company advises as follows:

- 1) As anticipated in the company's announcement of 14 December 2009, the Company has acquired the PATLOC business and assets which are anticipated to have a very positive impact on the company's earnings. Whilst the acquisition is subject to ETT shareholder approval at the EGM to be held in two weeks' time (19th February), the business is being run under a service agreement. As this arrangement occurred late in the quarter, this had little impact on the Appendix 4C to 31 December 2009.

As referred to in our announcement of 24 December, further cash is expected to be raised pursuant to the placement of the shortfall arising from the company's recent entitlements issue.

The company has a loan facility with Oceanside Securities of up to \$1m. In addition, as foreshadowed in the company's 2009 Annual Report, it intends to convert existing non current loans to equity. A notice of meeting and related explanatory statement in this respect is in the process of being prepared.

Six new Escape Internet sites within the Westfield shopping centre portfolio are in the process of being installed which will have the capacity to generate positive earnings this quarter.

The company has now settled the debt to Photo-Me International Plc which not only improves the company's balance sheet as a result of the substantial discount on settlement but also eliminates the accrual of further interest in this respect.

- 2) Please refer to (1) above.
- 3) Please refer to (1) 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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2 February 2010

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 31 December 2009, released to ASX Limited ("ASX") on 28 January 2010 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$658,000.
2. Net negative operating cash flows for the quarter of \$206,000.
3. Cash at end of quarter of \$236,000

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 Friday, 5 February 2010.

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)