

18 June 2007

Mr Siegfried Konig
Chairman
King Equipment Limited
7 Oak Street
Hawthorne - QLD Australia 4171

By fax: 07 3899 6755

Dear Mr Konig,

King equipment Limited (the "Company")

Re: Query on Half Yearly Report

I refer to the Half Report lodged by the company on 14 June 2007.

Solvency and Sufficient Assets Rule

Pursuant to NSX Listing Rule Section 2A, 6.54 *"The issuer shall carry out, directly or indirectly, a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient tangible value can be demonstrated to the Exchange to warrant the continued listing on the Exchange of the issuer's securities."*

The Company lodged its Audit Half Year Report for the period ended 31 December 2006 on 14th June 2007. This lodgement was three months after the due date.

It is noted from the announcement that:

- (a) the Company's net equity fell from \$386,675 (31Dec2005) to \$54,287 (31Dec2006);
- (b) the Company also had a cash balance of \$13,634.
- (c) Note 2 to the accounts stated that there is uncertainty whether the consolidated entity will continue as a going concern.

The company must demonstrate by way of announcement that it has sufficient operations to satisfy rule 6.54.

- (1) The Company should demonstrate how it is financing its activities to sustain operations post 31 December 2006 given its current cash burn rate?
- (2) Has there been any change in the status of the points outlined in Note 2 to the accounts which would impact on the company's position since the 31st December 2006, in particular bullet point three *"obtaining additional facilities or capital from financiers, shareholders, Directors and/or related parties in order to achieve a sufficient working cash level"*?

Your response to these questions would be appreciated by 4pm Friday 22nd June 2007. In answering these questions you may also like to consult about the NSX Listing Rules with your Nominated Adviser who has been copied on this correspondence.

Yours Sincerely,

Scott Evans
General Manager

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