



14 November 2005

Ms Eve Roberts,
Adviser, Issuers
Exchange Centre
The Australian Stock Exchange Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Dear Ms Roberts

RE: Profit Query – Volante Group (the “Company”)

We refer to your letter of 14 November 2005 and respond as follows:

1. *Please confirm that the change announced by the Company on 11 November 2005 is in relation to the net profit after tax for the half year ending 31 December 2005 and would involve a variation from the previously corresponding period by more than 15%? Please indicate the percentage variation involved.*

The Company confirms that the announcement of an expected net profit after tax result of between \$2 - \$2.5 million is in relation to the half year ending 31 December 2005. This represents a variation from the previous corresponding period of between 24% to 39%¹.

2. *Please advise when the Company first became aware that its net profit after tax would be significantly different from the previous corresponding period.*

At the Board meeting on 2 November 2005, the Directors noted that the September year to date results were down on both budget and the corresponding period in the prior year. Month to month variation is not uncommon for the Company and the October to December quarter has historically provided a majority of the Company's first half profit. The Board formed the view that the first quarter's results were insufficient on their own to accurately forecast the result for the half year ending 31 December 2005 and resolved to obtain further details of the sales pipeline for the second quarter to confirm whether the second quarter would repeat prior year performance and deliver a majority of the half year result. The Board also requested further

¹ This is on the basis of the 31 December 2004 half-year result including goodwill amortisation - which is required to be excluded in the 2006 financial year under International Accounting Standards.

details to clarify a number of aspects of the first quarter figures that were considered by the Board to be incomplete.

A full re-forecast of the expected result for the half year ending 31 December 2005 was requested by the Board, and a sub-committee comprising the Chairman, chairman of the audit committee, Finance Director and Managing director was appointed to review this as soon as it was available.

The Company's finance department prepared an indicative result for the month of October 2005 as soon as early estimates of the October sales results became available on 7 November 2005.

The reforecast was not completed until the evening of 10 November. Normally this forecast work is not completed until mid month. Upon receipt of the November and December forecast numbers the finance department then prepared an indicative 1st half result during the evening of 10 November which was completed around 11.45pm.

These results were then discussed with the Chief Executive Officer and the Chairman of the Board and it was agreed that an ASX announcement should be made the following morning – being 11 November 2005.

3. *If this was before 11 November 2005, please identify any earlier announcement from the Company which disclosed that the Company's net profit after tax could be significantly different from the previous corresponding period?*

The Company did not make any announcement prior to 11 November 2005 for the reasons noted in 2 above and 4 below.

4. *If there was no earlier announcement, and the Company became aware of the variation in net profit after tax for the half year ending 31 December 2005 prior to 11 November 2005, please advise why the information was not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1.*

Prior to the announcement made by the Company on 11 November 2005, the information that was available to the Company was, in the view of the Board:

- **insufficiently definite to warrant disclosure;**
 - **confidential; and**
 - **was information that a reasonable person would not expect to be disclosed due to its potentially misleading nature and the fact that it did not accurately account for the seasonal nature of the Company's operations for which information prior to that time was not available.**
5. *Please confirm that the Company is in compliance with listing rule 3.1.*

The company can confirm that it has, at all times, and is in compliance with the Listing Rule 3.1.

Yours faithfully

Stewart Shears
Company Secretary
Volante Group Limited



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14 November 2005

Stewart Shears
Company Secretary
Volante Group Limited
Binary Centre, Level 1
3 Richardson Place
Riverside Corporate Park
North Ryde NSW 2113

By email: stewart.shears@volante.com.au

Dear Stewart

Volante Group Limited (the "Company")

RE: PROFIT QUERY

We refer to the following:

1. The Australian Stock Exchange Limited ("ASX") price query letter dated 10 November 2005;
2. The Company's response dated 11 November 2005 to ASX's price query letter and the attached Company Update which included the following extract in relation to the Company's results for the half year ending 31 December 2005:

"The combination of the lower product revenue and the non-recurring costs mentioned above is currently expected to result in a net profit after tax of between \$2 - 2.5 million for the first half of the current year."

Further, we wish to draw your attention to listing rule 3.1 which 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 bullet point to the rule states that a change in the entity's financial forecast or expectation would require disclosure if material. The exceptions to this requirement are set out in listing rule 3.1A.

Having regard to the above definition, listing rule 3.1 and Guidance Note 8 - Continuous Disclosure, we ask that you answer the following questions in a format suitable for release to the market.

1. Please confirm that the change announced by the Company on 11 November 2005 is in relation to the net profit after tax for the half year ending 31 December 2005 and would involve a variation from the previously corresponding period by more than 15%? Please indicate the percentage variation involved.
2. Please advise when the Company first become aware that its net profit after tax would be significantly different from the previous corresponding period.
3. If this was before 11 November 2005, please identify any earlier announcement from the Company which disclosed that the Company's net profit after tax could be significantly different from the previous corresponding period?
4. If there was no earlier announcement, and the Company became aware of the variation in net profit after tax for the half year ending 31 December 2005 prior to 11 November 2005, please advise why the information was not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1
5. Please confirm that the Company is in compliance with listing rule 3.1.

If the above information is required to be disclosed under listing rule 3.1, your obligation is to disclose the information immediately. Otherwise, your co-operation in lodging a response to the abovementioned questions in a format suitable for release to the market would be appreciated before **4.30 p.m. EDST on Monday, 14 November 2005**.

Your response should be sent directly to me on facsimile number 02 9241 7620 or by email at eve.roberts@asx.com.au. Your response should not be sent to the Company Announcements Office.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading on Wednesday, 16 November 2005, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries or concerns, please contact me immediately.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'E Roberts', with a stylized, cursive script.

Eve Roberts

Adviser, Issuers (Sydney)

Direct Line: (02) 9227 0892