Citrofresh®
International Ltd

Citrofresh®. The only natural choice.

Citrofresh International Ltd
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AUSTRALIA.
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Website: www.citrofresh.com

2 August 2006

Kate Kidson,
Senior Companies Advisor,
Australian Stock Exchange Limited,
Level 45, South Tower, Rialto,
525 Collin Street,
Melbourne VIC 3000

Dear Ms Kidson

Citrofresh International Limited (the "Company")

I refer to your letter dated 2 November 2006 and respond as follows, using your numbering.

1. As advised, the Company had cash at the end of September 2006 of $49,000 and as advised to ASX on 9 October 2006 the Company raised a further $418,000 by way of a placement. The Company has sufficient cash reserves to fund operations into 2007.

2. The Company expects net operating cash outflows for the December 2006 quarter to be similar to that reported for the previous quarter however the final outcome will depend upon a number of significant sales proceeding in the quarter. Sales are expected to increase significantly in 2007 and negative operating cash flows reduced as the year progresses. The Company has previously announced the proposed acquisition of GDM Technologies Pty Ltd ("GDM"). At the forthcoming AGM, planned for 11 December 2006, a number of resolutions will be put to shareholders to approve matters related to the acquisition, including a placement to fund the purchase of stock and provide a buffer of working capital.

3. The Company's actual expenses in the Appendix 4C for the quarter have matched the Company's anticipated expenses for that reporting period however revenues fell below those previously anticipated.

4. The Company's revenues for the quarter were lower than expected as a result of a number of anticipated export and local orders not being finalised in the quarter. This only became evident towards the end of the quarter and the Company now expects sales revenue from these customers to be received in the current quarter or in early 2007.

5. The Company's objective is to further establish distribution partnerships locally and globally and to create a vertically integrated company that develops, manufactures, markets and distributes the proprietary bioflavonoid complex technology (Citrofresh®). This is to be achieved by the proposed acquisition of GDM to realise operational efficiencies, increased gross profit margins and greater flexibility to negotiate licenses and selling prices with third parties. These initiatives are expected enable the Company to expand sales and profit into the future.

6. Yes, the Company confirms it is in compliance with the listing rules and in particular listing rule 3.1.

7. The Company is in compliance with Listing Rule 12.2. The Company had cash and current assets of approximately $0.8 million at the end of September 2006, raised $0.4 million in the first half of October and is debt free. In addition, the Company regularly reviews and amends monthly cash forecasts at both the management and board level and will continue to do so in detail.

I hope this clarifies the issues raised in your letter.

Yours sincerely

John Osborne
Company Secretary
Citrofresh International Limited

ASX
AUSTRALIAN STOCK EXCHANGE

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2 November 2006

Mr Jeff Hanlon
Company Secretary
Citrofresh International Limited
8 Rodney Road
North Geelong VIC 3215

By email:- jeff.hanlon@citrofresh.com

Dear Jeff

Citrofresh International Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 September 2006, released to Australian Stock Exchange Limited ("ASX") on 30 October 2006 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of $174,000.

2. Net negative operating cash flows for the quarter of ($257,000).

3. Cash at end of quarter of $49,000.

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, the Company may only have sufficient cash to fund its activities for less than one quarter. 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. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, 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 will 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 03 9614 0303**. It should <u>not</u> 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 half an hour before the start of trading (ie **before 9.30 a.m. E.D.S.T.) on** Monday, 6 November 2006).

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 regarding any of the above, please let me know.

Yours sincerely,

Sent by electronic means without signature

Kate Kidson
<u>Senior Companies Adviser</u>