S.S.H.medical

5 January 2003

Mr Sean Ward
Companies Advisor
Australian Stock Exchange Limited
Level 6
23 Bridge St
Sydney NSW 2000

BY FAX : (02) 9241-7620

Dear Sir,

RE: Appendix 4C – Request for Clarification

Further to your letter of 3 February 2003 regarding our recent Appendix 4C and your request for further information in clarification of that Appendix 4C, I provide the following detail in response to each of your questions:-

1. It would be incorrect to conclude that the Company may only have sufficient funds for less than two quarters. Yes, there are other factors that should be taken to account in assessing the company's position. These factors are;-

a) The net operating outflows for the quarter of $855,000 included increased investment in working capital, most notably trade receivables and work-in-progress. Trade receivables at the end of the quarter amounted to $1,152,000. This level of receivables reflects a higher level of business activity undertaken by the business coupled with a normal seasonal build-up in receivables during the November to January period. Coupled with the higher level of work-in-progress this has necessitated increased investment in working capital of some $200,000-$250,000. These funds are expected to return to 'cash' during the January/February period.

b) The Company at 31 December had not received but was due funds in relation to the following:-

   a. Grant funds in respect to Research and Development expenditure incurred to 31 December. Grant funds receivable are $164,000
   b. Grant funds in relation to Export Market Development Expenditure incurred during the previous 12 months. Grant funds receivable are $122,000.
   c. Funds receivable in relation to Research and Development Tax Concession for an anticipated amount of $274,000.

Some of these funds have been received during January 2003 and the bulk of the remainder are due to be received during February to April.

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In addition, the Company has recently been advised that it may anticipate to receive a payment in respect of an outstanding insurance claim.

Although not part of the operating cash but relating to the cash balance, the Company during December had committed to certain capital equipment upgrades and expended funds in relation to part of that equipment and amounting to some $70,000. The Company has an arrangement with its bankers for a sale/lease back of this equipment. These funds should be returned to the Company in March, at the completion of the equipment supply.

2. The Company expects that it will have future negative operating cash flows but not similar to that reported in the Appendix 4C for the quarter just ended.

The Group continues to exercise strong cost control within the parent company and its subsidiary's Sydney manufacturing operations are trading profitably. The Melbourne operations of the subsidiary are presently making a net loss while those operations continue to go through restructuring, those operations are anticipated to contribute to profits during the second quarter.

3. The actual revenues and expenses for the quarter closely matched those revenues and expenses that were anticipated for the period.

4. N/A

5. I confirm that the company is in compliance with the listing rules, and in particular, listing rule 3.1.

6. I believe that the company continues to comply with the requirements of listing rule 12.2.-

At 31 December, the Company had the following current assets and liabilities:-

	$000's
Current Assets	
Cash	1,164
Receivables	1,152
Inventories	1,120
Other	469
	$3,906
Current Liabilities	
Accounts payable	833
Borrowings- current portion	182
Provisions	165
Other	166
	$1,346
Working Capital	$2,560

Sales revenue for the quarter ended 31 December was approx. $1.2 million. The Company anticipates further growth in that revenue in the future.

I trust the above information is of assistance, however should you require any further clarification on any matter, please do not hesitate to contact me.

Yours truly

John E Dunn
CHIEF EXECUTIVE OFFICER

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03 February 2003

Mr John Dunn
CEO
SSH Medical Limited
Unit B1
26 Powers Road
Seven Hills NSW 2141

By Facsimile: (02) 9643 7600

Dear John

SSH Medical Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2002, released to Australian Stock Exchange Limited ("ASX") on 31 January 2003 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Revenue for the quarter of $677,000
2. Net negative operating cash flows for the quarter of $855,000.
3. Cash at end of quarter of $1,184,000.

In light of the information contained in the announcements and 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 two quarters? 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. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

6. 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.

ASX reserves the right to publish correspondence. 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 (02) 9241 7620.** 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 **12.30 pm E.D.S.T. on Wednesday, 5 February 2003.**

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

Sean Ward
<u>COMPANIES ADVISOR</u>
Direct Line: (02) 9227 0656