



By Facsimile

5 November 2002

Australian Stock Exchange Limited  
Exchange Centre  
Level 6, 20 Bridge St  
SYDNEY NSW 2000

**ATTENTION : MR ANDREW BLACK  
SENIOR COMPANIES ADVISOR**

I refer to your letter dated 1 November 2002 requiring the Company to respond to eight queries raised in that letter.

The response to each of the queries raised by the ASX in that letter are provided below. IMT notes that the ASX letter as well as this response will be released to the market.

**1. RESPONSE TO ASX QUESTION 1**

The Company's ability to fund its activities in the next two quarters and beyond cannot be evaluated by reference to the Appendix 4C numbers alone.

Expenditure in the quarter included a significant quantum of non-recurring and prior period costs most of which were as detailed in the Company's Prospectus.

- Research and Development expenditure of \$205,000 was incurred in the quarter. Forward quarterly commitments for Research and Development are expected to be less than \$20,000.
- Payments for prior period Creditors of \$243,000 were made in the quarter.

The quarter's operating expenditures therefore included \$428,000 of non recurring costs.

Debtors outstanding at the end of the quarter included an amount of \$158,000 with an ageing of greater than 60 days. Focus on listing activities during this period together with processing delays from one major customer resulted in reduced collections during the quarter. Improved collection procedures have been established which the Company believes will significantly reduce the level of aged debt.

The combined impact of additional expenditures and reduced collections generated abnormal operating cash flows for the quarter of \$586,000. IMT believes that implementation of current business objectives will result in a positive operating cash outcome during the first quarter of 2003.

Investing expenditures of \$84,000 were incurred in the quarter to fund new capital expenditure on plant and equipment and mine development costs. The Company intends to fund future capital expenditure from recently established external finance lines.

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**2. RESPONSE TO ASX QUESTION 2**

The Company does not expect similar negative cash flows to be incurred in the future. Non-recurring cash outflows of \$428,000, increased debtor collections and actions to increase revenue are expected to return the Company to positive cash flow in future quarters.

**3. RESPONSE TO ASX QUESTION 3**

Sales revenues were below expectations in the quarter with a slower than anticipated offtake of new generic Coles / Bi Lo cat litter product and delays in production of new industrial grade bentonite products. This shortfall should be partially recovered in the next quarter with the commencement of industrial grade bentonite sales.

Expenses were in line with expectations.

**4. RESPONSE TO ASX QUESTION 4**

Revenue was recognised to be below expectations in July with steps taken immediately to redress the situation. This resulted in an increase in average sales levels in July and August. The circumstances for the reduction in revenue included:

**(a) Cat Litter**

Runout of existing Coles / Bi Lo generic stocks occurred at a slower than anticipated rate thus reducing the offtake of new Company product.

**(b) New Products**

Industrial product sales are subject to successful completion of product trials. The Company anticipated trial completion and initial orders before the end of the quarter. Delays in the procurement of equipment and the testing of product have delayed sales to the current quarter.

**5. RESPONSE TO ASX QUESTION 5**

During the quarter, new plant including a mill and ancillary equipment were installed to produce products for the foundry and drilling markets. This has already had an effect on sales as orders have been received from new customers for these products. A major sales push has been made for new customers in the cat litter and engineering markets, which has generated new orders. There has been no change to the Company's business objectives or strategies.

**6. RESPONSE TO ASX QUESTION 6**

The Board of the Company confirms that the Company is in compliance with the Listing Rules.

**7. RESPONSE TO ASX QUESTION 7**

There is no change in IMT's strategy as set out in its recent prospectus and as advised in its subsequent disclosures to the ASX.

IMT has substantial sales revenue from the operation of its mining resource. At current operating levels, that division of the Company is cash positive. With additional orders and new customers being obtained over the last month, the mine is expected to provide a very satisfactory return.

IMT have informed the ASX of the development of its Phoslock commercialisation activities. All of those activities continue to be "on track". IMT remains confident that the tests at Lake Dianchi will be successful and that commercial application will commence in the near future, thus resulting in revenues being derived at that time. Given that IMT will receive royalties with relatively little expense to be incurred, the overall operating results of IMT should show a substantial profit.

Achievement of these results will see the Company with a very strong balance sheet. IMT will be in a position where it could pay dividends to shareholders in the current or subsequent years, should the directors so choose.

Apart from lease liabilities in respect of plant utilised at the mine site, the Company will have no interest bearing debt.

Potential investors have met with IMT and have expressed their willingness to subscribe for new shares in IMT at not less than the price in the recent prospectus should the Company decide it requires further capital. Accordingly, IMT believes it has access to further funds if there was a need.

**8. RESPONSE TO ASX QUESTION 8**

Breakdown of Working Capital Payments follows:

<u>CATEGORY of PAYMENT</u>	<u>\$(000's)</u>
Creditors - General	268
Creditors - Transport	271
Creditors Packaging	92
Creditors - Contract processing	100
Creditors - Equipment Hire	40
Rent	57
Other	26
<b>TOTAL</b>	<b>852</b>

Yours faithfully

Nigel Traill  
Company Secretary  
IMT HOLDINGS LTD



**ASX**  
AUSTRALIAN STOCK EXCHANGE

1 November 2002

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Chief Executive Officer  
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Dear Brett

**IMT Holdings Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 September 2002, released to Australian Stock Exchange Limited ("ASX") on Wednesday, 30 October 2002 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$565,000.
2. Net negative operating cash flows for the quarter of \$678,000.
3. Cash at end of quarter of \$493,000.

In light of the information contained in the statement of commitments 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 approximately 2 months. 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 as set out in its statement of commitments? The Company's business objectives and strategies may have changed since the date of the statement of commitments. If so, this should be taken into account in your response.
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.
8. Please provide a breakdown of the \$852,000 of payments for other working capital as reported at paragraph 1.2(e) of the Appendix 4C.

#### **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 (02) 9241 7620. 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 half an hour before the start of trading (ie before 1:00 p.m. E.D.S.T.) on Tuesday, 5 November 2002.

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,

*A. R. A. Black.*

Andrew Black  
Senior Companies Advisor

Direct Line: (02) 9227 0899