



4 February 2005

Ms Marian Tang  
Companies Adviser  
ASX Limited  
Perth WA 6000

By fax: 08 9221 2020

Dear Ms Tang

**Response to ASX Query and MEDICAL MONITORS LIMITED (the "Company")**

The Company responds to the various questions raised in your letter of 2<sup>nd</sup> February 2005.

1. 1.1 The Company's forecast of \$390,000 sales revenue for the December Quarter was based on the commitments made by Primedical International PLC ("Primedical") in its licensing and distribution agreements with the Company. These agreements included a commitment to make an initial order of 5000 ECG units (US\$210,000) and 3000 BPfone monitors (US\$480,000) (See page 3, of 2004 Annual Report). However, as indicated in the 2004 Annual Report, this initial order was subject to the completion of a further capital raising by Primedical.

As at December 31, 2004, Primedical had not placed the required initial order, although orders for approximately AUD\$ 25,000 have been placed by Primedical subsidiaries. Since that time, the Company has been renegotiating the size and timing of the initial order with Primedical. The company now expects that the initial order will be for ECG units valued at US\$175,000. The attached forecast reflects part of this initial order being made in the March quarter.

Because the negotiations with Primedical, as to the size of the initial order, were incomplete and in-progress, the Company was not in a position to announce the revised size of the initial order and thus update its sales forecasts until very recently.

1.2 Please find attached revised updated quarterly cash flow forecast to December 2005, as requested. We have revised the sales projection and the associated costings, which include sales from the recently announced Canadian venture, and a recent Private Placement of funds (as approved at the AGM, 29 November 2004). The Private Placement has been made to sophisticated investors to provide sufficient funds particularly for the Company's international expansion and for inventory manufacture.

2. The line of funding is a contingent source of funds, which has not yet been drawn down and is still available. It was omitted in error in line item 3.2 of the Appendix 4C, dated 31<sup>st</sup> January 2005.

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3. The Company confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.
4. The Company confirms that it is in compliance with the listing rule 12.2 and the matters discussed in the note to the rule.

Yours faithfully

A handwritten signature in black ink, appearing to read 'AS'.

Dr Allan Shell  
Managing Director

Medical Monitors Limited  
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Westfield Eastgardens  
Eastgardens NSW 2036 Australia  
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**MEDICAL MONITORS LIMITED**  
Revised Budget Projection - Jan - Dec 2005

	2005					TOTAL
	Jan - Mar	April - June	July - Sept	Oct - Dec		
<b>Sources:</b>						
Technology Support	0	200,000	200,000	200,000	600,000	
R&D Tax Rebate				240,000	240,000	
Gov't & Export Marketing Grants	80,000	100,000	10,000	10,000	200,000	
Private Placement	1,000,000				1,000,000	
Trade Finance / Line of credit			500,000		500,000	
Sales: <i>BPhone and ECG</i>						
UK, USA, Europe	190,000	470,000	270,000	370,000	1,300,000	
Australia	30,000	230,000	30,000	180,000	470,000	
<b>Applications:</b>						
Total	1,320,000	1,000,000	1,010,000	1,000,000	4,330,000	
Admin. / Overhead costs	355,000	355,000	210,000	210,000	1,130,000	
Manufacturing Expenses	164,000	245,000	145,000	195,000	749,000	
Staff / Consultants	149,000	128,000	128,000	128,000	533,000	
Travel / Marketing	57,000	52,000	57,000	52,000	218,000	
Total	725,000	780,000	540,000	585,000	2,630,000	
<b>Net Cashflow</b>	<b>575,000</b>	<b>220,000</b>	<b>470,000</b>	<b>415,000</b>	<b>1,680,000</b>	

**Sales:** The underlying assumptions for sales revenue are based on the sale of existing and future stock, and agreed min. purchases for the USA and Canada.

**Overhead:** The costs for some of the overseas travel and technology support expenses will be reimbursed by Primedical.

**Capital Raising:** The Company has undertaken a Capital Raising as approved by shareholders at the AGM, Nov. 2004.

The Company's intention to raise funds totalling at least \$1,000,000 will be completed in this quarter. The first tranche of \$500,000 has been announced. (see ASX announcement 17 January, 2005)

**Manufacture:** There is a significant and agreed profit margin for manufactured goods supplied, as part of the Primedical and Canadian agreements.

**Grants and Rebates:** R&D rebates are calculated on eligible expenses that may include salaried staff and other expenditure.

**Export Marketing Development Grants and Government grants** (relevant to our sector) have been successfully applied for in the past.



**ASX**  
AUSTRALIAN STOCK EXCHANGE

**FAXED**  
February 2005

Dr Allan Shell  
Managing Director  
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Dear Dr Shell

**MEDICAL MONITORS LIMITED (the "Company")**

We refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2004, released to Australian Stock Exchange Limited ("ASX") on 31 January 2005, (the "Appendix 4C"), and to the Company's announcements dated 3 November 2004 and 7 October 2004 (the "Announcements").

ASX notes that the Company has reported the following in its Appendix 4C.

1. Receipts from customers of \$34,000.
2. Net negative operating cash flows for the quarter of (272,000)\$.
3. Cash at end of quarter of \$227,000.

In light of the information contained in the Appendix 4C and Announcements, please respond to each of the following questions.

1. In its Announcement dated 7 October 2004, the Company released its quarterly cashflow budget in which its projected sales revenue for "UK, USA and Europe" was \$390,000. It is noted in the Appendix 4C that the "anticipated sales revenue for devices exported to the USA have now been delayed by one quarter" and that the Company "expects these monies to be paid in the March quarter".
  - 1.1 When did the Company become aware that its USA sales revenues would not substantially match the anticipated revenues per the Company's cashflow projections? You may wish to outline any circumstances that may have had an effect on the Company's actual revenues.

- 1.2 ASX requests that the Company provide an updated quarterly cashflow budget to December 2005, based on the timing changes to its projected sales revenue from the USA.
2. We refer to the Company's announcement dated 3 November 2004 regarding the establishment of a \$1 million line of funding for the Company. We note that the details of this line of funding do not appear to have been disclosed in the Company's Appendix 4C (refer to items 3.1 and 3.2 of the Appendix 4C). Please advise on the status of this line of funding.
3. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
4. 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 (08) 9221 2020. 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, before 5pm W.S.T on Friday, 4 February 2005.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

Should you have any queries regarding any of the above, please do not hesitate to contact me.

Yours sincerely

  
Marian Tang  
Senior Companies Adviser