



**ASX**

AUSTRALIAN STOCK EXCHANGE

30 January 2004

Mr Paul Magoffin  
Company Secretary  
VRI Biomedical Limited  
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Australian Technology Park  
Eveleigh NSW 1430

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Level 6, 20 Bridge Street  
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DX 10427 Stock Exchange Sydney

By Facsimile: 61 2 9209 4256

Dear Paul

**VRI BIOMEDICAL LIMITED (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2003, released to Australian Stock Exchange Limited ("ASX") on 28 January 2004 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$107,000.
2. Net negative operating cash flows for the quarter of \$1,399,000.
3. Payments for other working capital of \$761,000.
4. Cash at end of quarter of \$2,401,000.

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 2 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. Please provide a breakdown of the \$761,000 of payments for other working capital as reported at paragraph 1.2(e) of the Appendix 4C.
4. 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?
5. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the 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.
6. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives? The Company's business objectives and strategies may have changed. If so, this should be taken into account in your response.
7. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
8. 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 listing rule 3.1A.

In responding to this letter you should consult listing rules 3.1, 3.1A and Guidance Note 8 - Continuous Disclosure.

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.

Under listing rule 18.7A, a copy of this letter and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, 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 9.30 a.m. on Thursday, 5 February 2004.

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 handwritten signature in black ink, appearing to be 'Sean Ward', with a large, stylized flourish at the end.

Sean Ward  
Senior Companies Advisor  
Direct Line: (02) 9227 0656

# VRI BioMedical

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Mr Sean Ward,  
Senior Companies Advisor,  
Australian Stock Exchange Limited,  
Level 6, 20 Bridge Street,  
SYDNEY NSW 2000


Via fax: 02/9241 7620

Dear Sean,

I acknowledge your facsimile of 2<sup>nd</sup> February 2004 regarding the Company's December quarter Appendix 4C report and advise as follows in respect of your numbered questions:-

1. No. The orders in hand, which will be filled in this quarter will generate sufficient cash flow in conjunction with existing cash reserves, to ensure that the company has sufficient cash for at least the next two quarters.
2. No. The negative operating cash flows for the next two quarters are expected to be lower than the past two quarters due to the increased level of sales activity now being achieved and lower expenses. Therefore the company will have sufficient cash to continue operations.
3. The figure reported in paragraph 1.2(c) is made up as follows:-
  - (i) All operating expenses other than the items shown separately under paragraphs 1.2(a), 1.2(b) and 1.2(c). The main items included are audit fees, annual general meeting expenses, computer costs, consultants' fees, insurances, rent & other outgoings, legal expenses, payroll tax, superannuation etc totalling \$512,000 for the three months, and
  - (ii) Movement in working capital items. Reduction in creditors, increase in debtors, increase in inventories and prepayments and accruals etc totalling \$249,000 for the three months.
4. Both the cash expenditure and operating results are very close to the budgeted and anticipated results for the quarter.
5. Not applicable due to answer above.
6. The company's business objectives have not changed since the last quarter's report.
7. I confirm that the company is in compliance with the listing rules and in particular rule 3.1. There is no material matter that the directors believe needs to be disclosed to the market at present.
8. In respect of rule 12.2 the directors advise that the financial condition of the company, with \$2.4m in cash, no debt and the increase in demand for its products commented on above, does, in their opinion, warrant the continued listing of its securities.

Yours sincerely,

  
Paul B Magoffin  
Company Secretary  
5<sup>th</sup> February 2004