



**ImpediMed Limited**

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7<sup>th</sup> May 2009

Mr Patrick O'Connor  
Adviser, Issuers Brisbane  
ASX Markets Supervision Pty Ltd.  
Level 5, Riverside Centre,  
123 Eagle Street  
Brisbane QLD 4000

Dear Mr O'Connor,

**RE : YOUR LETTER OF 5<sup>th</sup> MAY 2009 REGARDING APPENDIX 4C**

In response to your letter of 5<sup>th</sup> May 2009 with regard to the Appendix 4C issued by the company for the quarter ended 31<sup>st</sup> March 2009, the company responds to the questions raised as follows:

**Question 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, taking into account future administration costs, the Company may not have sufficient cash to fund its activities for the next two quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

**Q1 Response**

- The company's projections are for its cash at 31<sup>st</sup> March 2009 to last greater than two quarters. The following factors are expected to result in a lower cash outflow from operations for the June and September 2009 quarters:
  - As noted in the company's quarter update, the development project to prototype stage for the next generation product the UB500 has been completed, and the outlays in the March quarter of \$AU 459k will not be repeated, dropping to a negligible spend for the next two quarters.
  - The company did undertake a small work force reduction in early April, which will see a reduction in outlays on salaries and wages relative to the March quarter.
  - The company is minimising its discretionary spend.
  - In the US market where the company is focusing on its L-Dex operating lease business model, clinicians generally sign up with a 3 month trial period during which they can satisfy themselves as to the reimbursement income they will receive for using the L-Dex U400 device to clinically assess their patients. The business model was only launched in the December quarter and the number of agreements moving out of the no billing trial periods into the income generating stage is increasing. The reimbursement experience for most clinicians has been very good, and there has been very little in the way of negative experiences reported by clinicians in their trial periods. Thus the contribution to receipts from customers generated by the US L-Dex business model are expected to build quarter on quarter contributing positively to the cash flow from operations.

**Question 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?

## Q2 Response

- Near term the company has acted to reduce its cash outflows so that its negative cashflow from operations will be significantly lower.
- The company has a compelling business opportunity in Lymphoedema, and one which its institutional investors support further investment to maximise its market opportunity.
- The company will manage its cash flows to fit its available capital.

**Question 3** - What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

## Q3 Response

- The company's foremost business objective is to create the market for its devices addressing the clinical assessment of Lymphoedema in patients diagnosed and in treatment for breast cancer and pelvic region cancers. This is a very large market, and ImpediMed has little competition. Thus ImpediMed generates very strong interest from the institutional investment community around its strategy and opportunities, as highlighted when ImpediMed won the "Innovation Shootout" in San Francisco in January 2009 where it was judged as the best investment opportunity presented by a panel that included leading US Venture Investors.
- The company is very focused on executing the development of the Lymphoedema market appropriately to maximise its opportunities, and has outlined the business case in its presentations to the market released to ASX, and on the company web site.
- The company has taken the actions outlined in the responses to questions 1 and 2 and is committed to the continued execution of the plans that support the achievement of its business objectives.

**Question 4** - Please confirm that the Company is in compliance with the listing rules, and in particular, listing rule 3.1.

## Q4 Response

- The company confirms it is in compliance with the listing rules and in particular, listing rule 3.1.

**Question 5** - Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

## Q5 Response

- The company confirms that with regard to listing rule 12.2 it's access to funds satisfy the requirements of the rule.
- The company has a track record since listing of sourcing operating capital as needed, with placements made as follows:
  - 11<sup>th</sup> July 2008            \$1,200,001        @75 cents
  - 30<sup>th</sup> July 2008            \$3,000,000        @75 cents
  - 30<sup>th</sup> Jan 2009             \$2,000,000        @70 cents
- The company's share price since listing has held up around its IPO price through very difficult times, showing support from existing investors, and with the placements above demonstrating institutional investors are prepared to place fresh capital at these values.

The company trusts that the responses above address the questions addressed to it. The company confirms there are no other matters that should be disclosed in compliance with the listing rules.

Yours faithfully  
ImpediMed Limited



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Phil Auckland – CFO & Company Secretary



5 May 2009

Mr Phillip Auckland  
Company Secretary  
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Dear Mr Auckland

**ImpediMed Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 March 2009, released to ASX Limited ("ASX") on 30 April 2009 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from product sales and related debtors of \$1,032,000.
2. Net negative operating cash flows for the quarter of \$2,660,000.
3. Cash at end of quarter of \$3,968,000.

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, taking into account future administration costs, the Company may not have sufficient cash to fund its activities for the next 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. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

**Australian Securities Exchange**

Australian Stock Exchange  
Sydney Futures Exchange

Australian Clearing House  
SFE Clearing Corporation

ASX Settlement and Transfer Corporation  
Austraclear

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4. Please confirm that the Company is in compliance with the listing rules, and in particular, listing rule 3.1.
5. 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 may 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 via email [patrick.oconnor@asx.com.au](mailto:patrick.oconnor@asx.com.au) or by facsimile on (07) 3832 4114. 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 commencement of trade (i.e. 9.30am EST) on Friday, 8 May 2009.

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, please do not hesitate to contact me.

Yours sincerely,



Patrick O'Connor  
Adviser, Issuers (Brisbane)