

12 February 2013

Elvis Onyura
Adviser, Listings Compliance (Sydney)
20 Bridge Street
Sydney NSW 2000

By email only: elvis.onyura@asx.com.au

RE: Appendix 4C query

Dear Sir,

I refer to your letter dated 6 February 2013 to Medical Australia Limited (the "Company").

I respond to each of your queries as follows (adopting your numbering):

1. It is not reasonable to conclude from the information provided in the Appendix 4C that the Company may not have sufficient cash to fund its activities.

The negative net operating cash flow for the December quarter of \$371k was above the average quarterly net cash outflow of \$163k as indicated in the cashflow schedule below, due to non-recurring factors. The net operating cash outflow for the September quarter was \$288k.

The increase in the quarterly cash outflow was due to payment for inventory (to fund orders) and certain expenses for consulting services in connection with the expansion of the business. The increased expenditure on inventory has already benefitted the business with January 2013 sales up \$194,000 (27%) over budget, resulting in a monthly EBITDA of \$58,315.

Further, a significant change in the December quarter involved implementation of a \$1m debtor financing facility of which \$703k was utilised. This facility will fund the current working capital requirements of the Company and strategic initiatives implemented by Management.

Cashflow Schedule – March 2011 to December 2012 (Extracts only – in thousands)

	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12	Dec-12	Average
Receipts from Customers	2,021	2,214	2,512	2,270	2,379	2,305	2,197	2,558	2,307
Net operating cash flows	(57)	31	(367)	37	(222)	(66)	(288)	(371)	(163)
Net investing cash flows	(16)	0	(58)	(100)	(10)	(10)	(1)	(2)	(25)

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Medical Australia Limited incorporated | TUTA Healthcare | BMDi TUTA Healthcare Pty Ltd | TUTA Vet | Clements Medical Equipment

Net financing cash flows	(63)	261	877	(73)	(105)	(47)	(148)	429	141
Cash at end of quarter	547	839	1,291	1,155	818	695	258	314	740

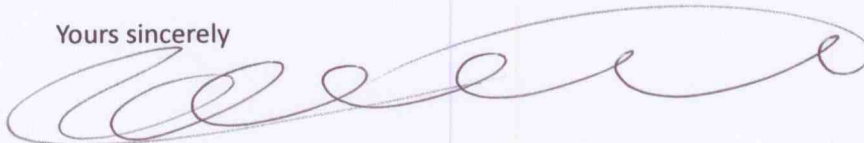
There has been no change to the objectives or operations of the Company through the periods in the schedule and in the most recent quarter.

The Company is also currently considering the raising of equity capital in the short to medium term.

2. The Company expects to have some negative operating cash flows in the future for the reasons referred to above but these will be largely offset by expected R&D Tax refunds and increased sales in future periods.
3. Steps have been taken to reduce the level of discretionary spending immediately to ensure that the Company's business objectives continue to be met.
4. The Board confirms that the Company is in compliance with the Listing Rules, particularly Listing Rule 3.1. The Board further confirms that any determinations made by the Board in relation to further capital raising will be immediately notified to the ASX.
5. The Board confirms that the Company is in compliance with Listing Rule 12.2 with positive Net Assets of \$4.9m as disclosed in its 2012 Annual Report

I trust this information answers your concerns.

Yours sincerely



Ian Mitchell – Director/Secretary



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6 February 2013

Mr Ian Mitchell
Company Secretary
Medical Australia Limited
Level 11
37 Bligh Street
Sydney NSW 2000

Dear Mr Mitchell,

Medical Australia Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2012, released to ASX Limited ("ASX") on 30 January 2013 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$2,558,000.
2. Net negative operating cash flows for the quarter of \$371,000.
3. Cash at end of quarter of \$314,000.

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. 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?
4. Can the Company confirm that it 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 by email to elvis.onyura@asx.com.au. It should not be sent to ASX Market Announcements.

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 close of business **5 p.m. A.E.D.T. on Tuesday, 12 February 2013**.

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,

[Sent electronically without signature]

Elvis Onyura
Adviser, Listings Compliance (Sydney)