


**IMD GROUP**
LIMITED

ABN 30 096 048 912



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Sydney NSW 2000
Australia
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30 October 2006

Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Attention: Stephen Small, Adviser, Issuers (Sydney)

Dear Sir,

I refer to your letter dated 26 October 2006 and respond to your questions, using your numbering, as follows:

1. The Company has sufficient cash to fund its activities for two more quarters of operations.

Factors which should be taken into account include:

The Company's actual versus budget results for the September 2006 quarter were:

	Actual \$'000	Budget \$'000
Sales	170	387
Operating loss	(374)	(234)
Cash outflow	(263)	(280)

Sales and operating loss for the September 2006 quarter were adversely affected by:

- The finalisation and implementation of contracts to supply Inviro Medical Inc. (as announced to the ASX on 27 June 2006) and Terumo Corporation (as announced to the ASX on 11 September 2006) carrying over to the current quarter.
- The issuance of the first supply order under the Long Term Arrangement with UNICEF in India (as announced to the ASX on 27 July 2006) not commencing until after the end of the September 2006 quarter.

The Company's actual net cash outflow for the September 2006 quarter was less than budgeted net cash outflow.

2. Yes, the Company does expect, and has budgeted for, further operating cash outflows. The December 2006 quarter is budgeted to result in a cash outflow similar to that experienced in the September 2006 quarter.

Based on existing orders from the USA, Australia, India and Greece which are currently being filled, together with new generative business from existing and other markets, the March 2007 quarter and thereafter are expected to result in a positive improvement in the Company's operating cash flows.

These matters have been fully disclosed in the Company's Preliminary Final Report and Annual Report released to the ASX on 13 September 2006 and 28 September 2006 respectively.

3. Refer to 1 above.
4. The Company's actual revenues are not substantially different to the anticipated revenues other than the timing of implementation of contracts to supply Inviro and Terumo as discussed in 1. above. The Company's actual expenses are less than the anticipated expenses.
5. The Company confirms that it is in compliance with the ASX Listing Rules and, in particular, ASX Listing Rule 3.1.
6. The Company is of the opinion that it remains in compliance with ASX Listing Rule 12.2. The Company is in the process, as evidenced by the contracts with Inviro, Terumo, UNICEF and others, to implement its business plan as set out in the Company's prospectus dated 11 November 2004 which formed the basis of the Company's official quotation by the ASX on 20 December 2004.

Yours sincerely



Peter J. Nightingale
Company Secretary

pjn3670



26 October 2006

Mr Peter Nightingale
Company Secretary
IMD Group Limited
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Dear Peter,

IMD Group Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 September 2006, released to Australian Stock Exchange Limited ("ASX") on 23 October 2006 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Net negative operating cash flows for the quarter of \$263,000.
3. Cash at end of quarter of \$499,000.

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 two more 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. 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 march 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. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. 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 (02) 9241 7620 or by email at stephen.small@asx.com.au. 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 9.30 a.m. E.D.S.T.) on Tuesday, 31 October 2006.

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,



Stephen Small
Adviser, Issuers (Sydney)