



10 March 2011

Wade Baggott  
Senior Adviser, Listings (Perth)  
ASX Limited  
Level 8, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

Dear Wade,

I refer to your letter of 4 March 2011 in relation to the Company's 4D and Half Year Report for the year ended 31 December 2010, which was released to the ASX on 28 February 2011. In response to your questions I advise as follows:

1. No. The Company has at all times advised of its continued reliance on the raising of capital. Although the Company encountered funding difficulties and delays during the Half Year and early this year, as also reported to the market, the Company has successfully finalised a placement that is being advised to the market today. The Company is also advising the market today of further capital raising proceedings in order to ensure that the Company's future capital needs are adequately provided for.
2. The Company does expect continued negative operating cash flow for the rest of the full financial year, although revenues are expected to gradually improve as the Company's funding enables its operations to progressively build. As per Item 1 the Company is announcing the finalisation of a placement today as well as further funding initiatives.
3. Due to the difficulties and delays in expected funding during the Half Year, the Company's operating revenues and expenses did not match anticipated revenues and expenses in that the Company needed to severely curtail operations, delay the purchase of stock and other business activities which in turn impacted expected revenues. With the delays in funding taken into account however, the revenues and expenses, as reported in the Half Year Report, were as expected for the period as also advised to the market in recent releases.
4. With the delays in funding taken into account and also the delay in the licensing of the Company's pharmaceutical facility in Nova Scotia, the Company's actual revenues and expenses were substantially in accordance with the Company's anticipated revenues and expenses. The major situations that impacted the Company's expectations and anticipated revenues and expenses during the Half Year were the delays incurred through and ultimate termination of an announced funding through a proposed placement to Global Trading Strategies Pty Ltd, and the termination of the proposed acquisition of the Halcion pathology business that was reported to the market as having revenues of \$7.5 million per annum. Subsequently





the Company's capital raising initiatives with Novus Capital was delayed due to the industry slow down over the Christmas school holiday period, however the finalisation of this funding is being announced to the market today.

5. Despite the difficulties encountered and advised herein and through the Company's market releases, the Company continues to achieve its key business objectives and expects to further consolidate this through the financing announced today and the further funding arrangements that are advanced and in process. Further, with the Company's pharmaceutical facility now fully licensed and funding in place, this positions this facility over the next six months to commence commercial production and progressively contribute to group revenues.
6. The Company confirms that it is in compliance with the Listing Rules and particularly Listing Rule 3.1.
7. As previously advised to the ASX, the Company is still a developing stage company that has pursued its stated objective to aggressively grow its business. Its ability to continue as a going concern has been dependent upon the Company's ability to raise capital, which the Company, the referenced difficulties and delays has successfully achieved through the Half Year and in the current period. The Company is confident that it can continue to do so for the balance of the current Year. The Company's operational cash flow from sales as also previously reported is still embryonic and is expected to steadily increase in the current period and more materially through the course of the coming financial year. The Company believes that, as it has done over the past 18 months, it will be able to raise such levels of funding that will enable it to continue as a going concern and meet its commitments and objectives during the development stages of its business. The Company confirms that its financial condition is compliant with Listing Rule 12.2.

If you have any further queries, please do not hesitate to contact me.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "John Diasinos", written over a horizontal line.

John Diasinos  
Company Secretary



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4 March 2011

Mr John Diasinos  
 Company Secretary  
 Stirling Products Limited  
 Level 1, 275 George Street  
 SYDNEY NSW 2000

By e-mail: [john.diasinos@zodiaccap.com](mailto:john.diasinos@zodiaccap.com)

Dear John

**Stirling Products Limited (the "Company")**

I refer to the Company's Appendix 4D and Half Year Report for the year ended 31 December 2010, released to ASX Limited ("ASX") on 28 February 2011 (the "Half Year Report").

ASX notes that the Company has reported the following as at 31 December 2010:

1. Total loss attributable to members of Stirling Products Limited for the period of \$8,243,657
2. Total current assets of \$6,958,203.
3. Total current liabilities of \$14,582,208.
4. Net liabilities of \$7,624,005.
5. The announcement lodged to ASX by the Company on 30 June 2010 titled *"Managing Director's Year End Review"* which included the following

*"AUSTRALIA: The overall positioning of the Company's 'Stirling Health' pharmacy business is progressing well with product sales since our first month of operations in April steadily on the increase. Sales during Q3 are expected to pick up to an average gross of approximately \$600,000 per month by September/October as the Company's product lines are expanded with our own products that are currently in production under the 'Stirling Health' brand. These products are further complemented by third party sales and/or marketing arrangements that the Company has in place with partners including Aden+Anais, RoseHip Vital, AstraZeneca, Kidney Health and others that are in process of appointment.*

*The Company is on target to achieve budgeted gross sales of around \$1 million monthly by the end of December 2010 and will be aiming to double this during the course of the following calendar year. Expected gross profit margin on sales is expected to comfortably exceed the 40% level, especially as we start to factor in our own 'Stirling Health' brand products."*

ASX listing rule 12.2 provides, that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

The note to the listing rule states the composition of the balance sheet, relative size of liabilities to assets and access to funds are some of the indicators of an entity's financial condition.

ASX notes the comments in the Half Year Report regarding continuation of the Company as a going concern (including those from the auditor).

In light of the information contained in the Half Year Report, please respond to each of the following questions.

1. Is it 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 financial year indicated by the Half Year Report, the Company may not have sufficient cash to fund its activities in the near term? 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 Half Year Report 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 financial year, as reported in the Half Year Report, 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 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.
5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. 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, **not later than 5:00 pm WST on Tuesday 7 March 2011**.

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 contact me on (08) 9224 0023.

Yours sincerely

*[sent electronically without signature]*

Wade Baggott  
**Senior Adviser, Listings (Perth)**