

5 August 2009

Ms Emma Badhni
Senior Advisor, Issuers (Sydney)
ASX Markets Supervision Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Ms Badhni,

Subject: Listing rules 3.1 & 12.2

We refer to your letter dated 4 August 2009 and advise as follows:

Question 1. Is the net operating cash shortfall indicative of a longer term problem

It is not possible to conclude that the last quarters operating shortfall is indicative or would result in a future funding issue.

The net operating cash flow was negative for three reasons:

- (i) the company broke even for the three months ending 30 June 2009 (did not make any profit or surplus cash)
- (ii) With two books published in the period, there was a reduction in prepaid advertising which increased the working capital requirement for about half the shortfall
- (iii) In my rush to get the document prepared, I made a \$81K reconciliation error. An amended Appendix 4C is enclosed

Question 2. Future Expectations

We expect the company to return to positive cash flows in each quarter over at least the next twelve months.

Question 3. Meeting Obligations

We expect the company to achieve profitability in this quarter which subject to short term working capital requirements, will provide positive cash flows.

The company has the necessary funding facilities to meet any short term working capital requirements.

Question 4. Compliance with Listing Rules

We confirm that to the best of our knowledge, we are in compliance with the ASX listing rules and in particular, listing rule 3.1.

Question 5. Continued Quotation

On a historical profits basis, the company does not justify continued quotation however on a net assets basis, the company easily exceed the assets test (for new listings) in terms of their market value subject to whether you consider Publishing Mastheads and the underlying business they represent to be tangible or intangible.

We do not believe it is in the best interests of shareholders to seek de-listing of the company's shares but understand that we need too:

- (i) establish profitable operations, and
- (ii) improve liquidity in PMX shares

I trust the above adequately addresses your concerns. Please contact the writer if you require further information.

Yours sincerely



Nick Shannon
Director

Palamedia Limited

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4 August 2009

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By Email

Dear Dominique

Palamedia Limited (the "Company")

I refer to the Company's Quarterly Report in the form of an Appendix 4C for the period ended 30 June 2009, released to ASX Limited ("ASX") via a Company Announcement on 3 August 2009 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$999,000.
2. Negative net operating cash flows for the quarter of \$169,000.
3. Positive cash at end of quarter of \$35,000.

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 Company?
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 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 emma.badhni@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 9.30 am A.E.S.T on Friday, 7 August 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 regarding any of the above, please let me know.

Yours sincerely,

(sent electronically without signature)

Emma Badhni

Senior Adviser, Issuers (Sydney)