

7 April 2010

Darren Collins  
Senior Adviser, Issuers and Accounting Policy  
Australian Securities Exchange  
525 Collins Street  
Melbourne 3000

Dear Darren

**Sigma Pharmaceuticals Limited – ASX Aware Letter**

I refer to your letter of 1 April 2010 and respond as follows to your questions. This letter uses the defined terms used in your letter.

- 1. Please advise when the Company first became aware that it was likely that there would be a material reduction in the carrying amount of goodwill on the Company's balance sheet?**

The Company undertook specific impairment testing in conjunction with the preparation of its financial statements for the year ended 31 January 2010. An extensive review was undertaken throughout March 2010 to determine the need for and extent of impairment required.

As a result of the testing and review that was undertaken, which was continuing, the Company believes it became aware that it was likely that there would be a material reduction in the carrying amount of goodwill on the Company's balance sheet around the middle of March 2010, leading to the First Market Update.

- 2. If the response to question 1 is a date earlier than the trading halt applied to the Company's securities on 25 February 2010, and if there was no earlier announcement regarding a material reduction in the carrying amount of goodwill on the Company's balance sheet, why was the information not released to the market at an earlier time. Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.**

Not applicable.

- 3. Please advise when the Company first became aware that the Company was or would be likely to be in breach of certain borrowing covenants ("Breach") as described in the First Market Update and subsequently in the Preliminary Final Report.**

We refer to the extensive review referred to in the response to question 1. Having regard to this and other potential adjustments described in the First Market Update, the Company held discussions with its lenders in March 2010 to resolve the implications of these potential adjustments for its financial covenants. Those

discussions with the lenders were at all times positive and constructive, the lenders remained supportive and discussions were concluded shortly prior to the release of the Preliminary Final Report. The Company believes that it became aware that it would be likely to be in breach of such covenants (as foreshadowed in the First Market Update and subsequently in the Preliminary Final Report) around mid March 2010.

4. **If the date in the response to question 3 is a date earlier than that given in the response to question 1, did the Company consider that the Breach was material?**

Not applicable.

5. **If, at the time that the Company became aware of the Breach the Company did not consider it was material, please advise the basis on which the Company did not consider the Breach to be material.**

See the response to question 3.

6. **If the answer to question 4 is "yes" please identify an announcement from the Company earlier than the time of release of the First Market Update which first disclosed the Breach.**

Not applicable.

7. **If there was no earlier announcement, and the Company became aware of the Breach prior to the release of the First Market Update, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.**

See the responses to questions 3 and 5.

If you have any queries, please do not hesitate to contact the writer.

Yours sincerely



Sue Morgan-Dethick  
**GENERAL COUNSEL AND COMPANY SECRETARY**



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1 April 2010

Sue Morgan-Dethick  
Company Secretary and General Counsel  
Sigma Pharmaceuticals Limited  
96 Merrindale Drive  
Croydon South VIC 3136

Dear Sue

**Sigma Pharmaceuticals Limited – ASX Aware Letter**

I refer to the following matters in relation to Sigma Pharmaceuticals Limited (the “**Company**”).

1. The Company’s announcement titled “Re: Market update on Sigma on-going process to finalise its year end results” released to the market on 18 March 2010 which stated that there was a likely material reduction in the carrying amount of goodwill on the Company’s balance sheet (“**First Market Update**”).
2. The Company’s Preliminary Final Report for the year ended 31 January 2010 (“**Preliminary Final Report**”) released to the market on 31 March which stated that the Company had incurred a net loss of \$389m including an impairment charge against goodwill of \$424m. Further, the Preliminary Final Report also stated that as a result of breaches of borrowing covenants, \$297m of liabilities were reclassified as current liabilities.

As you are aware listing rule 3.1 requires an entity, once it becomes aware of 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, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of “aware” in Chapter 19 of the listing rules. This definition states that:

*“an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity.”*

Furthermore, paragraph 18 of Guidance Note 8 states:

*“Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example.”*

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- “3.1A.1     *A reasonable person would not expect the information to be disclosed.*
- 3.1A.2     *The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3     *One or more of the following applies.*
- *It would be a breach of a law to disclose the information.*
  - *The information concerns an incomplete proposal or negotiation.*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
  - *The information is generated for the internal management purposes of the entity.*
  - *The information is a trade secret.”*

In light of the above, please respond to the following.

1.     Please advise when the Company first became aware that it was likely that there would be a material reduction in the carrying amount of goodwill on the Company's balance sheet.
2.     If the date in the response to question 1 is a date earlier than the trading halt applied to the Company's securities on 25 February 2010, and if there was no earlier announcement regarding a material reduction in the carrying amount of goodwill on the Company's balance sheet, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
3.     Please advise when the Company first became aware that the Company was or would be likely to be in breach of certain borrowing covenants (“**Breach**”) as described in the First Market Update and subsequently in the Preliminary Final Report.
4.     If the date in the response to question 3 is a date earlier than that given in the response to question 1, did the Company consider that the Breach was material?
5.     If, at the time that the Company became aware of the Breach the Company did not consider that it was material, please advise the basis on which the Company did not consider the Breach to be material.
6.     If the answer to question 4 is “yes” please identify an announcement from the Company earlier than the time of release of the First Market Update which first disclosed the Breach.
7.     If there was no earlier announcement, and the Company became aware of the Breach prior to the release of the First Market Update, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A.
8.     Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return email. 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. EST on **Wednesday 7 April 2010**.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

### **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 listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – 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.

Yours sincerely



Darren Collins

**Senior Adviser, Issuers and Accounting Policy**