Eastland Medical Systems LTD

30 January, 2004

The Manager,
The Company Announcements Platform,
Australian Stock Exchange Limited,
Level 4,
20 Bridge Street,
Sydney. N.S.W. 2000.

**By E-Lodgement of 5 pages**

Dear Sir,

**Appendix 4C Commitments Test Entity-Second Quarter Report.**

In term of Listing Rules, we enclose the Appendix 4C as at 31 December 2003.

Yours sincerely,

T.P. Strahan.
Company Secretary.

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*Rule 4.7B*

# Appendix 4C

## Quarterly report
## for entities admitted
## on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

EASTLAND MEDICAL SYSTEMS LTD

| ABN | Quarter ended ("current quarter") |
|---|---|
| 35 090 987 250 | 31 December, 2003. |

## Consolidated statement of cash flows

| Cash flows related to operating activities | | | Current quarter $A'000 | Year to date ( 6 months) $A'000 |
|---|---|---|---|---|
| 1.1 | Receipts from customers | | 1,126 | 1,290 |
| 1.2 | Payments for | (a) staff costs | (310) | (413) |
| | | (b) advertising and marketing | (3) | (3) |
| | | (c) research and development | (92) | (128) |
| | | (d) leased assets | (1) | (2) |
| | | (e) other working capital | (1,274) | (1,664) |
| 1.3 | Dividends received | | 0 | 0 |
| 1.4 | Interest and other items of a similar nature received | | 40 | 60 |
| 1.5 | Interest and other costs of finance paid | | (12) | (21) |
| 1.6 | Income taxes paid | | 0 | 0 |
| 1.7 | Other (provide details if material) Taxation refunds of with holdings | | 0 | 0 |
| | **Net operating cash flows** | | (526) | (881) |

+ See chapter 19 for defined terms.

| | | Current quarter<br>$A'000 | Year to date<br>(....6..months)<br>$A'000 |
|---|---|---|---|
| 1.8 | Net operating cash flows (carried forward) | **(526)** | **(881)** |
| | **Cash flows related to investing activities** | | |
| 1.9 | Payment for acquisition of: | | |
| | (a) businesses (item 5) | (4,686) | (4,686) |
| | (b) equity investments | (62) | (62) |
| | (c) intellectual property | 0 | (400) |
| | (d) physical non-current assets | (10) | (39) |
| | (e) other non-current assets | 0 | 0 |
| 1.10 | Proceeds from disposal of: | | |
| | (a) businesses (item 5) | 0 | 0 |
| | (b) equity investments | 0 | 0 |
| | (c) intellectual property | 0 | 0 |
| | (d) physical non-current assets | 2 | 2 |
| | (e) other non-current assets | 0 | 0 |
| 1.11 | Loans to other entities | 0 | 13 |
| 1.12 | Loans repaid by other entities | 0 | 135 |
| 1.13 | Other | 0 | 0 |
| | **Net investing cash flows** | (4,756) | (5,037) |
| **1.14** | **Total operating and investing cash flows** | (5,282) | (5,918) |
| | **Cash flows related to financing activities** | | |
| 1.15 | Proceeds from issues of shares, options, etc. | 2,975 | 10,376 |
| 1.16 | Proceeds from sale of forfeited shares | 0 | 0 |
| 1.17 | Proceeds from borrowings | 0 | 0 |
| 1.18 | Repayment of borrowings | (6) | (6) |
| 1.19 | Dividends paid | 0 | 0 |
| 1.20 | Other (provide details if material) | | |
| | -Capital raising costs | (10) | (442) |
| | **Net financing cash flows** | 2,959 | 9,928 |
| | **Net increase (decrease) in cash held** | (2,323) | 4,010 |
| 1.21 | Cash at beginning of quarter/year to date | 7058 | 725 |
| 1.22 | Exchange rate adjustments to item 1.20 | 0 | 0 |
| 1.23 | **Cash at end of quarter** | 4,735 | 4,735 |

## Payments to directors of the entity and associates of the directors
## Payments to related entities of the entity and associates of the related entities

| | | Current quarter $A'000 |
|---|---|---|
| 1.24 | Aggregate amount of payments to the parties included in item 1.2 | $33 |
| 1.25 | Aggregate amount of loans to the parties included in item 1.11 | Nil |

1.26 Explanation necessary for an understanding of the transactions

Payment of Directors fees for quarter to 31 December, 2003.

## Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/a

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/a

## Financing facilities available

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

| | | Amount available $A'000 | Amount used $A'000 |
|---|---|---|---|
| 3.1 | Loan facilities | $300 | $284 |
| 3.2 | Credit standby arrangements | $1,500 | $1,415 |

+ See chapter 19 for defined terms.

## Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 4.1 | Cash on hand and at bank | 3434 | 7045 |
| 4.2 | Deposits at call | 1350 | 19 |
| 4.3 | Bank overdraft | (49) | (6) |
| 4.4 | Other (provide details) | 0 | 0 |
| | **Total: cash at end of quarter** (item 1.22) | 4735 | 7058 |

## Acquisitions and disposals of business entities

| | | Acquisitions *(Item 1.9(a))* | Disposals *(Item 1.10(a))* |
|---|---|---|---|
| 5.1 | Name of entity | Medical Industries Australia Pty Ltd. ABN 74 100 452 140 | Nil |
| 5.2 | Place of incorporation or registration | Sydney. New South Wales. | |
| 5.3 | Consideration for acquisition or disposal | $4,574 (Medical Industries)<br># $112 (Balance Portland )<br>**$4,686** | |
| 5.4 | Total net assets | $872 | |
| 5.5 | Nature of business | Supplier of medical, therapeutic & allied products. | |

# Adjustment of net tangible assets from settlement of Portland Surgical Products.

**Note:** Eastland Medical Systems Ltd entered into an agreement to purchase MIA in September 2003 with settlement effected on 31 October 2003. (Refer to ASX announcements of 17 September, 28 October & 3 November 2003).

Subsequent to 31 December, 2003 a further $198 has been paid to the vendor being the audited adjustment of Assets from Settlement date (included in the above net Assets figure).

## Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ......T Strahan...................... Date: 30 January 2004.
(Company Secretary)

Print name: Trevor Strahan

+ See chapter 19 for defined terms.