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Eastland Medical
Systems LTD

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MEDIA RELEASE.
SOUTH AFRICAN ACQUISITION

Eastland's Managing Director, Don O'Sullivan, having returned from South Africa on Monday following a visit to finalise the due diligence of New Promex Corporation (NPC), reported that, due to the extended holiday period in South Africa at this time of the year, it was now likely that the funding approval will not be forthcoming until next month and that the acquisition of NPC will not be completed until shortly thereafter.

As previously reported NPC is one of Africa's largest and most successful needle and syringe manufacturers, based in South Africa, NPC has been in operation for almost 25 years, has created a long established brand presence over its many years of operation. Its products are considered the "gold standard" in the African market in terms of quality and reliability.

Eastland has long targeted the African market as an opportunity for considerable sales growth for the Company's revolutionary safe needle, medical, and surgical products. By way of highlighting the scope of the opportunities in the African market, the following background is provided:

- Sub Saharan Africa represents a total market of approximately 460 million people.
- According to the World Health Organisation (WHO), each member of the population receives an average of 2 – 2.2 injections each year.
- Currently, between 0.9billion and 1.3 billion needle devices are consumed annually, funded largely through international aid programs.
- Sub Saharan Africa has the highest incidence of Hepatitis B & C and HIV/AIDS in the world (WHO statistics) and various African governments have recognised these problems, often caused by needle re-use and unsafe medical procedures, and are actively developing programs which adopt the use of safe devices.
- Eastland will also make a significant social contribution to the African people by helping address these globally recognised health issues.
- Becoming a local manufacturer provides the opportunity to access major aid programs funded through WHO and other international Charitable Organisations.

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In addition to the significant opportunity for Eastland's safe devices, in acquiring this new business, Eastland gains the following significant competitive advantages

- Acquisition of a strong, established brand name highly regarded in local African markets
- The opportunity to rapidly build International product sales from both Eastland's subsidiaries, Medical Industries Australia (MIA) and Portland Surgical Products businesses
- NPC will be an early customer for hypodermic needle cannulae from Eastland for incorporation into finished products, initially estimated in excess of 100 million needles in the first 12 months.
- The opportunity to accelerate the supply of Eastland's patented PAP-ground needles to global markets and the resultant increase in sales revenues through the new channel to market in Sub Saharan Africa
- As a local manufacturer NPC is exempt from government import duties of 20%.
- Supporting the South African Governments Black Empowerment legislation and other initiatives (BEE) provides a further Government tender price advantage of 10% over non BEE competitors
- Together these concessions deliver up to a 30% price advantage over many importing suppliers.
- Leveraging the Eastland Group's existing range of products, infrastructure and established purchasing relationships is expected to deliver reduced raw material, distribution and administration costs.

Eastland intends to rapidly develop and grow NPC not only as a supplier to local African markets but also as a platform for cost effective manufacturing for other major world markets through the scale up in Eastland's manufacturing operations.

The Directors are extremely positive about this significant acquisition and look forward to realising opportunities to increase product sales through this new subsidiary.

This international expansion represents the first of three negotiations nearing conclusion that will result in the Eastland Group's products entering substantial global markets while Eastland retains control of its distribution, sales and pricing.

For further information, please contact Don O'Sullivan or Mr David Whitelaw, Director Sales & Marketing



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