Eastland Medical
Systems Ltd

3 February 2005

The Manager
Company Announcement Platform
Australian Stock Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Media Release: Market Update

Following the release of the Second Quarter Report, the Directors of Eastland Medical Systems Ltd, provide the following update on the Business Activities of the Company.

Yours sincerely

DON O'SULLIVAN
MANAGING DIRECTOR.

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Eastland Medical
Systems Ltd

EASTLAND MEDICAL SYSTEMS LIMITED

ACTIVITIES OVERVIEW
QUARTERLY PERIOD
ENDING 31 DECEMBER 2004

During the December quarter, the Company's strategic plans continued to progress at a rapid pace complemented by solid revenue performance from the operating businesses.

Financial

- The second quarter saw the Company experience continued growth and deliver a solid quarter's performance with cash at hand of $2.448 million.
- Revenues compared with the corresponding quarter last year increased by 64% from $1,126k to $1853k
- Half Year revenues compared with the same period last year showed an increase of 146%

International

The Company's International expansion program continued strongly with a number of key developments including:

- **Completion** of the acquisition of 45% of **"Health In Form (pty) Ltd"** (HIF) in South Africa. HIF has a skilled and experienced team and is an established Medical Products Distribution Company with a direct presence in the South African Medical marketplace as well as an established supply chain to many other Sub Saharan markets. After sampling the market initial response to Eastlands extensive range of medical products has been extremely positive. **First orders** of ZAR 223,000 arrived in South Africa in early January. Eastland anticipates ongoing revenue growth and additional profitability to result from significant and rapid penetration of these markets.

- Negotiations continue towards concluding the purchase of **New Promex Corporation**, South Africa's largest and leading hypodermic needle and syringe manufacturer. In order to complete this acquisition and fund the aggressive growth strategy for the Promex business, Eastland is working with three of South Africa's major lending institutions and is in the advanced stages of arranging these facilities.

- Following meetings in Germany and the United Kingdom, Eastland expects to conclude a Joint Venture with German interests, supported by the Central Agency for Business Development and Consultancy Services, ZAB, the Ministry of Economic Affairs, State of Brandenburg and Investitionsbank des Landes Brandenburg, ILB.

  It is the intention of the Joint Venture Company to establish a new high-technology, manufacturing and distribution centre complete with Research and Development facilities in the state of Brandenburg. This facility will have the technical and developmental support of nine Berlin Universities on request.

  Subsequent to the Promex acquisition and concluding the Brandenburg venture, Eastland will be in a position to commission the manufacturing and market entry of the "***ClipOn***" safe needle device.

  In tandem with the plans to introduce its "***ClipOn***" retractable needle device, Eastland is implementing its strategy to introduce its range of "***Retracta***" retractable syringes. These plans are rapidly reaching fruition, with applications submitted to the Therapeutic Goods Administration (TGA) in Australia at the end of December, and also underway in South Africa. CE certification for these devices has already been granted and manufacturing capacity is in place to meet projected demand. Final packaging design is currently underway.

The "***Retracta***" range of 1ml, 3ml, and 5ml retractable syringes will be launched in these markets upon completion of the registration process.

"***Retracta***" compliments the "***ClipOn***" device and meets Eastland's objectives of providing a safer alternative for healthcare workers at a competitive price.

- Negotiations continue with a potential distributor and manufacturer for Eastland's **"Clip On"** safe needle device in the Chinese market. Delays have been experienced due to changes in their senior management and in our proposed partners' strategic focus. It is expected these issues will be resolved shortly.
- European (CE mark) Approval has been granted for the Company's patented **"Safe Thora Chest Drainage System"**, currently marketed nationally in Australia through Tyco Healthcare. The company expects an announcement shortly from the National Purchasing and Supply body (PASA) in the UK and this will enable sales to commence across both the National Health Service and to Private Hospitals in the UK.

Research & Development

Although the PAP needle project has experienced delays the PAP technology has demonstrated it's capability to produce hypodermic needles.

Anca, our Melbourne based contractor and machine supplier, has not yet achieved the performance criteria required under the development and supply contract. Eastland has commissioned Mr Laurie Petrie, a highly experienced consulting engineer, to carry out a review of the project and advise on whether or not the Anca TX7 is the optimal platform for the commercialisation of the PAP technology.

This report is expected imminently and Eastland will then be in a position to determine which of the options will provide the best way to achieve successful commercialisation of the technology.

Distribution and Sales

In order to meet the anticipated growing demand for the MIA product range both in Australia and internationally, Eastland has effectively doubled the current warehousing capacity by securing new premises for its MIA sales and distribution business in Lane Cove in Sydney. The relocation to these premises is expected by the end of February 2005.

The Directors are confident of continuing growth both in Australia and internationally and that many of the strategic initiatives which have been embarked on, come to fruition during the next three months.