ASX RELEASE

28 February 2007

Eastland Medical Systems Ltd
www.eastlandmedical.com.au

31 December 2006 Half Year Report

- **9 % revenue increase**
- **Cash balance AUD$2,684,108**

Eastland® Medical Systems Limited (ASX: EMS) has today released results for the first half of the 2007 financial year (FY07).

Sales revenue for the first half of FY07 was AUD$4,504,432, up 9% from AUD$4,128,572 in the previous corresponding period. This 9% increase in revenue is the result of continued operational improvements that have been implemented within the distribution divisions

The results also reflect Eastland's continued focus on strengthening its management team, assets and product manufacturing and distribution lines.

Full year revenues from operations for the full financial year are forecast to be AUD$11 million.

Key activities in the first half of FY07 included:

- The 50% acquisition of medical manufacturing company Ampack Medical
- The 100% acquisition of medical device distribution group Westcoast Surgical and Medical
- AUD$2 million capital raising
- ClipOn® retractable needle device awarded CE approval
- Eastland's 65% held South African subsidiary Eastland Medical Systems South Africa signed a distribution agreement for a new anti-malaria treatment for Sub-Saharan Africa

Operating costs in the first half of FY07 increased by 14% on the previous half year. This increase resulted from additional compliance and intellectual property costs associated with CE approval of the ClipOn® retractable safe needle device. However, a decrease of 16% in operating costs is forecast for the full financial year as Eastland's cost reduction initiatives take effect.

The Company completed a successful AUD$2 million capital raising in December 2006. The cash balance at 31 December 2006 is AUD$2,684,108 which is in line with expectations.

About Eastland Medical Systems

Eastland® is a publicly listed international medical device company that develops, manufactures and distributes medical treatments and devices in Australia and overseas. Eastland® has four wholly owned Australian subsidiaries:

- **Portland Surgical Products Pty Ltd** is focused on manufacturing and supplying specialty hypodermic needles and medical devices;
- **Westcoast Surgical & Medical Supplies Pty Ltd** is one of Western Australia's largest distributors of surgical & medical products;
- **Eastland Medical Research Pty Ltd** is the research and development arm of the Company;
- **Medical Industries Australia Pty Ltd** is a significant importer, distributor and supplier of medical, therapeutic and allied products with an established client base in hospitals, clinics, and pharmacies across Australia.

Eastland also holds a 50% interest in West Australian sterile barrier and packaging manufacturer Ampack Medical Pty Ltd.

Eastland has established a strong presence in the South African medical product distribution market through its 65% held subsidiary Eastland Medical Systems South Africa (Pty) Ltd and its 45% held associate Health in Form.

Further information:
Dermot Patterson
Chief Executive Officer
Eastland Medical Systems Ltd
(08) 9481 1844
0417 915 511

Media enquiries:
Sarah Allchurch
Allchurch Communications
(08) 9381 6625
0412 346 412

Rule, 4.2A.3

Appendix 4D

Half Yearly Report
Half Year Ended 31 December 2006.

1. Name of entity

EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES.

ABN	Half year ended ('current period')
35 090 987 250	31 December 2006.

2. Results for announcement to the market.

					$A'000
2.1	Revenues from ordinary activities.	up	9 %	to	$4,504
2.2	Profit (loss) from ordinary activities after tax attributable to members.	down	98 %	to	($21)
2.3	Net profit (loss) for the period attributable to members.	down	98%	to	($21)

2.4	**Dividends.**	Amount per security	Franked amount per security
Interim dividend		No interim dividend is proposed	N/a ¢
Dividend previous corresponding period		Nil ¢	Nil ¢

2.5 Record date for determining entitlements to the dividend. N/a

2.6 Brief explanation of any of the figures reported above *(2.1 – 2.4)*: (000's)

- Sales Revenues for the current half year of $4,504 which is up $375 or 9% when compared to the same period last year. Extraordinary income of $954 not included in the above represents the net profit from the sale of Eastland's share investment in International Medical Devices plc. Extraordinary income of $1,429 (Initial valuation of International Medical Devices (IMD) investment) was included in the half year revenues to 31st December 2005 of $5,558.
- Current half year loss of ($21) reflects a reversal from the previous comparative period when a $1,117 profit was declared. This previous half year profit reflected the initial revaluation of the Company's IMD investment to $1,429.

Earnings per Share

	31 December 2006	31 December 2005
Basic earnings per share	($0.0002)	$0.009
Diluted earnings per share	($0.0002)	$0.009
Number of shares	157,885,529	128,427,234
Net Tangible Assets	$10,552	$7,008
Net tangible assets per share	$0.067	$0.055

Details of controlled entities acquired or disposed of:

The following change to the status of controlled entities held by the company during the period:

- Acquired 100% of the net assets of Westcoast Surgical & Medical Supplies on 31 August 2006

Compliance statement

1. An interim report for the half year ended 31 December 2005 is provided with the Appendix 4D information.
2. The interim report and the accounts, upon which this report is based, have been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus.
3. This report, and the accounts upon which the report is based, use the same accounting policies.
4. This report gives a true and fair picture of the matters disclosed.
5. This report is based on +accounts to which one of the following applies.

☐	The +accounts have been audited.	☒	The +accounts have been subject to review.
☐	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

6. If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.
7. The entity does have a formally constituted audit committee.

Sign here: T Strahan Date: 28th February, 2007

T.P. Strahan.
Company Secretary.

EASTLAND MEDICAL SYSTEMS LTD
AND CONTROLLED ENTITIES

(ABN 35 090 987 250)

INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2006

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DIRECTOR'S REPORT

Your directors present their report on Eastland Medical Systems Ltd ("Eastland ®") and its controlled entities for the half year ended 31 December 2006.

Directors

The names & details of the entity's directors in office during the half year and at the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Peter Jooste	(Non executive director & Chairman) Appointed 3rd July 2006
Mr Donald O'Sullivan	(Non executive director)
Mr Dermot Patterson	(Executive director & Chief Executive Officer) Appointed 1st December 2006
Mr John Picton-Warlow	(Non executive director) Retired 11th July 2006
Mr Douglas Sims	(Executive director)
Mr Peter Tiede	(Executive director & Chief Financial Officer) Retired at the Annual General Meeting 22nd November 2006, but remains as The Chief Financial Officer).
Mr David Whitelaw	(Non executive director)

Review and results of Operations.

In the 6 months period to 31 December 2006 the Company continued to expand its supply and distribution infrastructure within Australia through the acquisition in August 2006 of the Perth based Westcoast Surgical and Medical Supplies.

In the same month the Company acquired a 50% holding in the Western Australian based Sterile Barrier and Packaging manufacture Ampack Medical. The expanded national distribution network would provide the increased routes to market for Ampack's products, supporting their developing international sales in currently in Hong Kong, Thailand and Malaysia.

Total operating revenue for the half year was $4,504,432 (2005: $4,128,572) representing an increase of 9%. It is forecasted that the full year revenue from operations to be $11,000,000.

Operating costs increased during the period by 14% on the previous corresponding half year, reflecting additional compliance and intellectual property costs. Operating costs are forecast to decrease by 16% for the full year, due to the continued cost reduction initiatives in place. Some of the highlights during the period included:

- **August 2006** – successfully completed the 50% acquisition of Ampack Medical
- **August 2006** – successfully completed the 100% acquisition of Westcoast Surgical and Medical
- **December 2006** – successfully completed an international placement of 20,000,000 shares at AUD$0.10 each
- **December 2006** – Clip On awarded CE approval
- **December 2006** – The Company's South African subsidiary EMSSA signs a distribution agreement for a new anti-malaria treatment covering the Sub-Saharan countries

After balance date events

- On the 4th January 2007 Eastland® confirmed the conclusion of the sale during December 06 of its shareholding in the U.K. AIM Listed company, International Medical Devices plc for a consideration of $2.5 million.
- On the 30 January 2007 Eastland® announced that it had signed an exclusive seven year distribution contract with Belgian company Tricolast for the distribution of "Scarban", a scar reducing silicone dressing. Scarban will be distributed through Eastland®'s wholly owned subsidiary, Westcoast Surgical & Medical Supplies.
- The Company announce on 12th February 2007 that it had secured an exclusive contract to manufacture and distribute a new anti-malaria treatment to Asia, India and the Pacific region.
- On the 16th February 2007 Eastland® announced that the Company, through its 65% owned subsidiary Eastland Medical Systems South Africa (Pty) Ltd (EMSSA) had signed an exclusive Manufacturing Agreement to produce a new anti-malaria treatment for the 54 countries within Africa.

Auditor's Independence Declaration.

An independent declaration from our auditors, Bentleys MRI, is included on page 13 of our financial report.

The Directors look forward to the coming year to one of continuing growth of the Eastland Group, both in Australia and internationally and that many of the strategic initiatives which have been embarked on come to fruition.

Signed in accordance with a resolution of the Board of Directors

F.D. O'Sullivan.	D.P. Patterson.
Director.	Director.

Dated at Perth this 27th day of February 2007.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Eastland Medical Systems Ltd, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply with the Accounting Standard AASB 134: "Interim Financial Reporting", the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

....
D.P. Patterson.
Director.

Dated at Perth this 27th day of February 2007.

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

		CONSOLIDATED	
	NOTE	DEC 2006 $	DEC 2005 $
Revenue		4,474,772	3,852,632
Other revenues from ordinary activities		29,660	275,940
Distribution Rights		-	1,429,076
Profit on sale of IMD shares		954,182	-
Raw materials and consumables used		(2,941,205)	(2,105,699)
Employee Benefits		(1,290,648)	(1,186,593)
Depreciation and amortisation expense		(168,827)	(62,481)
Borrowing cost expense		(199,848)	(138,468)
Other expenses from ordinary activities		(250,490)	(274,783)
Accountancy & Audit Fees		(53,500)	(7,625)
Marketing Expense		(7,543)	(9,879)
Communication Expense		(46,450)	(25,906)
Professional Fees		(29,883)	(46,770)
Occupancy expenses		(228,769)	(118,925)
Patent Costs		(72,812)	(102,058)
R & D Expense		(601)	
Travelling expense		(63,264)	(61,952)
Legal Fees		(15,298)	(16,845)
Fees and Fines		(22,378)	(9,564)
Insurance		(91,149)	(100,973)
Distribution Expense		(47,561)	(121,915)
Share of profit/losses of associates accounted for using the equity method		49,998	(50,089)
Profit/(Loss)		(21,614)	1,117,123
Income tax expense			-
Net Profit/(Loss) attributable to members of the parent		(21,614)	1,117,123
Basic earnings/(loss) (cents per share)		(0.0002)	$0.009
Diluted earnings/(loss) (cents per share)		(0.0002)	$0.009

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES
(ABN 35 090 987 250)

CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2006

	NOTE	CONSOLIDATED DEC 2006 $	CONSOLIDATED JUNE 2006 $
CURRENT ASSETS			
Cash & cash equivalents		2,698,108	974,826
Trade & other receivables		2,912,266	1,011,749
Inventories		3,454,026	2,697,881
Financial Assets		-	1,512,547
Other current assets		36,967	14,827
TOTAL CURRENT ASSETS		9,101,367	6,211,830
NON-CURRENT ASSETS			
Trade and other receivables		312,481	261,112
Investments accounted for using the equity method		421,012	10
Financial assets		-	231,001
Intangible assets	3	8,625,797	7,137,735
Property, plant & equipment		1,422,587	1,352,812
Other non current assets		1,530,730	1,434,761
TOTAL NON-CURRENT ASSETS		12,312,607	10,417,431
TOTAL ASSETS		21,413,974	16,629,261
CURRENT LIABILITIES			
Trade and other payables		951,056	512,137
Short term borrowings		1,667,363	1,124,171
Short term provisions		146,259	167,824
TOTAL CURRENT LIABILITIES		2,764,678	1,804,132
NON-CURRENT LIABILITIES			
Trade and other payables		197,950	-
Long Term Borrowings		2,303,607	1,460,934
Other long term provisions		44,817	12,791
TOTAL NON-CURRENT LIABILITIES		2,546,374	1,473,725
TOTAL LIABILITIES		5,311,052	3,277,857
NET ASSETS		16,102,922	13,351,404
EQUITY			
Issued capital	11	20,708,492	17,704,365
Reserves			230,995
Accumulated losses		(4,605,570)	(4,583,956)
TOTAL EQUITY		16,102,922	13,351,404

The accompanying notes form part of these financial statements.

EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES
(ABN 35 090 987 250)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR AS AT 31 DECEMBER 2006

	Note	Share Capital	Retained Profit/ Losses	Asset Revaluation Re-Sale	Minority Interests	Total
Balance as at 1 July 2005		16,758,865	(4,576,562)	-	-	12,182,303
Shares issued during the year		945,500	1,117,123	-	-	2,062,623
Profit attributable to members of parent entity		-	-	-	-	-
Profit attributable to minority shareholders		-	-	-	-	-
Sub Total		17,704,365	(3,459,439)	-	-	14,244,926
Dividend paid or provided for		-	-	-	-	-
Balance as at 31 December 2005		17,704,365	(3,459,439)			14,244,926
Balance as at 1 July 2006		17,704,365	(4,583,956)	230,995	-	13,351,404
Shares issued during the year		3,104,127	-	-	-	3,104,127
Transaction costs		(100,000)	-	-		(100,000)
Transfers from Reserves				(230,995)		(230,995)
Profit/ (Loss) attributable to members of parent entity		-	(21,614)	-	-	(21,614)
Profit attributable to minority shareholders		-	-	-	-	-
Sub Total		20,708,492	(4,605,570)	-	-	16,102,922
Dividend paid or provided for		-	-	-	-	-
Balance as at 31 December 2006		20,708,492	(4,605,570)			16,102,922

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED	
	DEC 2006 $	DEC 2005 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,683,394	4,249,898
Payments to suppliers and employees	(4,334,228)	(3,956,158)
Interest received	15,076	76,457
Interest paid / Other	(160,006)	(138,468)
NET CASH PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	204,236	231,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Acquisition of business/investment	(1,428,224)	-
Payment for purchase of plant and equipment	(124,655)	(22,597)
Payment for Research & Development	-	(79,794)
Proceeds Sale of assets	2,217,151	-
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	664,272	(102,391)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	520,327	927,502
Payment for capital raising costs	(100,000)	-
Repayment of borrowings	(1,126,671)	(775,044)
Proceeds from loans	1,668,347	27,899
Advances to related parties/associates	(51,373)	(30,083)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	910,630	150,274
NET INCREASE/(DECREASE) IN CASH HELD	1,779,138	279,612
CASH AT BEGINNING OF THE PERIOD	904,970	1,787,828
CASH AT THE END OF THE PERIOD	2,684,108	2,067,440

The accompanying notes form part of these financial statements.

NOTE: 1. BASIS OF PREPARATION OF THE HALF YEAR FINANCIAL REPORT

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Standard AASB: 134: Interim Financial Reporting, Urgent issues Group Interpretations and other authorative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Eastland Medical Systems Ltd and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis on historical costs modified by the revaluation of selected non-currents assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied

a. Reporting entity

Eastland Medical Systems Ltd is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity') and the consolidated entity's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available on request from the Company's register office at Level 2, 680 Murray Street, West Perth. W.A. 6005, or at www.eastlandmedical.com.au.

b. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

The consolidated interim financial report was approved by the Board of Directors on 27thFebruary, 2007.

c. Significant accounting policies

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

	ECONOMIC ENTITY	
	DEC 2006	DEC 2005
NOTE: 2. PROFIT FROM ORDINARY ACTIVITIES	$	$
The following revenue and expense items are relevant in explaining the financial performance for the interim period.		
REVENUES		
Operating Activities		
Other revenues Rebates and Grants	-	215,049
	-	215,049
EXPENSES		
Raw materials and consumables used	2,941,205	2,105,699
Employee benefit expense	1,290,648	1,186,593
Depreciation and amortisation expense	168,827	62,481
Borrowing cost expense	199,848	138,468
Occupancy expense	228,769	118,926
	4,829,297	3,612,167

NOTE: 3. INTANGIBLE ASSETS

The Board considers that it is probable the future economic benefits associated with the Intangible Assets will flow to Eastland Medical Systems Ltd and has a cost that can be measured with reliability according to the Accounting Standards.

NOTE: 4. DIVIDENDS

The Eastland Board does not recommend the payment of an interim dividend for the period 31 December 2006

DIVIDEND RE-INVESTMENT PLAN

The Company does not have a dividend re-investment plan in operation.

NOTE: 5. ACQUISITION & DISPOSAL OF SUBSIDIARIES & RESTRUCTURING

As reported in the annual financial report, the parent entity acquired a 50% shareholding of Ampack Medical Pty Ltd for $400,000 on the 2nd August 2006. The purchase consideration was satisfied by the issue of shares at market rates.

As reported in the annual financial report, the parent entity acquired a 100% of the net assets of Westcoast Surgical and Medical Supplies, a distributor of medical products, for the purchase consideration of $2,278,724 on the 31st August 2006. The purchase of the net assets in the company was satisfied by $850,500 payable by the issue of shares in the parent company at market rates plus a cash payment of $1,428,224.

The purchase price was allocated as follows:

	Westcoast Surgical & Medical Supplies
Purchase consideration	2,278,724
Cash consideration	1,428,224
Equity issued as consideration	850,500
Total Purchase	**2,278,724**
Fair Value of assets acquired (see below)	729,548
Goodwill	1,549,176
	2,278,724
Assets and liabilities held at acquisition date:	
Cash	-
Receivables	527,558
Inventories	831,975
Property , Plant & Equipment	149,605
Payables	(779,590)
Net assets acquired	729,548
Purchase consideration settled in cash	1,428,224
Cash outflow on acquisition	1,428,224

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's senior management and the existence of a well established client and customer base for the West Australian medical products market, also the synergies expected to be achieved from integrating the company into the consolidated entity's existing medical product business.

Allocation of acquired goodwill:	
Vendor skills acquired- amortised over 3 years	504,000
Unallocated purchase consideration	1,045,176

NOTE: 6. SEGMENT INFORMATION.

The economic entity operates predominantly in one business location and geographic segment being the manufacture of parenteral devices and the distribution of medical products in Australia.

Primary Reporting - Business Segments

2006	Manufacturing 2006	Distribution 2006	Research 2006	Eliminations 2006	Economic Entity 2006
REVENUE					
External Sales	130,587	4,344,186	-	-	4,474,773
Other Revenue	3,203	42,683	-	-	45,886
Other Segments	228,038	128,272	-	(356,310)	-
Total sales revenue	361,827	4,515,141	-	(356,310)	4,520,659
Share of unallocated net loss of equity accounted associates	-	-	-	-	49,998
Share of unallocated net profits of equity accounted associates	-	-	-	-	-
Total segment revenue	361,827	4,515,141	-	(356,310)	4,570,657
Unallocated revenue					887,957
Total Revenue from ordinary activities					5,458,614
RESULT					
Segment result	(230,099)	78,402	-	-	(151,698)
Unallocated expenses net of unallocated revenue					130,084
Profit from ordinary activities before income tax expense					(21,614)
Income Tax Expense					-
Profit from ordinary activities after income tax expense					(21,614)
Extraordinary items after income tax expense					-
Net Profit					(21,614)

Primary Reporting - Business Segments

2005	Manufacturing 2005	Distribution 2005	Research 2005	Eliminations 2005	Economic Entity 2005
REVENUE					
External Sales	273,263	3,579,370	-	-	3,852,633
Other Revenue	1,033	25,238	-	-	26,271
Other Segments	159,896	189,966	-	(349,862)	-
Total sales revenue	434,192	3,794,574	-	(349,862)	3,878,904
Share of unallocated net profits of equity accounted associates & joint venture	-	-	-	-	(50,089)
Share of unallocated net profits of equity accounted associates & joint venture	-	-	-	-	-
Total segment revenue	434,192	3,794,574	-	(349,862)	3,828,815
Unallocated revenue					1,678,744
Total Revenue from ordinary activities					5,507,559
RESULT					
Segment result	(120,768)	306,392	-	-	185,624
Unallocated expenses net of unallocated revenue					931,499
Profit from ordinary activities before income tax expense					1,117,123

NOTE: 7. OTHER FINANCIAL ASSETS.

Following the decision by the consolidated entities management, on the 24 October 2006, to proceed with the sale of its investment in International Medical Devices plc, the full sale of 40,500,000 ordinary shares at GBP£0.025 pence was concluded during December 2006. The net proceeds from the sale of the investment shares was $2,466,729

	DEC 2006	JUNE 2006
CURRENT		
Financial asset at fair value through profit and loss	-	1,512,547
NON-CURRENT		
Available for sale financial assets	-	231,001
		1,743,548

NOTE: 8. BORROWINGS

As part of the acquisition of West Coast Surgical & Medical Supplies (refer Note 5) a commercial advance was sourced from the Bank of Western Australia (Bank West) for $1,250,000 plus a bank overdraft facility of $100,000. The covenants within the additional Bank Borrowings for Westcoast Surgical & Medical Supplies are as follows:

Interest cover not less than 2.5:1 : Debt Ratio not less than 1.20:1

Bank Overdraft not less than 30% of debtors less than 90 days

Minimum EBITDA 1st Quarter $85,000, 2nd Quarter $105,000, 3rd Quarter $125,000 and Full Year $420,000 (post 2007)

NOTE: 9. CONTINGENT LIABILITIES

Pursuant to the Business and Asset Sale Agreement for the acquisition of Westcoast Surgical & Medical Supplies on 31 August 2006, the following additional amounts are payable by the Company to the vendors, contingent upon meeting annual anniversary date EBIT targets:

Year 1: – additional amount payable $168,000
Year 2: – additional amount payable $168,000
Year 3: – additional amount payable $168,000

NOTE: 10. EVENTS SUBSEQUENT TO REPORTING DATE

Other than noted elsewhere in this report, there have not been any matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the company or the state of affairs of the company subsequent to the reporting date.

NOTE: 11. CONTRIBUTED EQUITY

		Dec-06 $	June-06 $
Ordinary Shares			
Issued and fully paid		20,708,492	17,704,365
Movements in ordinary shares on issue		**Shares**	**$**
As at 1 July 2006		128,427,234	17,704,365
Issued on 3 August 06	Acquisition- Ampack Medical	2,000,000	240,000
Issued on 31 August 06	Acquisition- Westcoast Surgical	5,670,000	652,550
Issued on 16 October 06	Capital Raising	220,000	20,327
Issued on 24 October 06	Acquisition- Westcoast costs	234,962	31,250
Issued on 2 November 06	Acquisition- Ampack settlement adjustment	1,333,333	160,000
Issued on 30 November 06	Capital Raising	5,000,000	500,000
Issued on 18 December 06	Capital Raising	8,000,000	800,000
Issued on 20 December 06	Capital Raising	5,000,000	500,000
Issued on 22 December 06	Capital Raising	2,000,000	200,000
	Capital Raising costs		-100,000
At 31 December 2006		**157,885,529**	**20,708,492**

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

Level 1, 10 Kings Park Road
West Perth WA 6005
Australia

PO Box 570 West Perth WA 6872

T 61 8 9480 2000
F 61 8 9322 7787

admin@bmrip.com.au
www.bentleys.com

AUDITORS INDEPENDENCE DECLARATION

Auditors Independence Declaration under section 307C of the Corporation Act 2001 to the Directors of Eastland Medical Systems Ltd.

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2006, there has been:

i) no contraventions of the auditor independence requirements as set out in the Corporation Act 2001 in relation to the review; and

ii) no contraventions of any applicable code of professional conduct in relation to the review.

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr

PATRICK WARR
PARTNER

DATED at PERTH this 28th day of February 2007.

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

Bentleys MRI Perth Partnership
ABN 17 735 344 518

Level 1, 10 Kings Park Road
West Perth WA 6005
Australia

PO Box 570 West Perth WA 6872

T 61 8 9480 2000
F 61 8 9322 7787

admin@bmrip.com.au
www.bentleys.com

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eastland Medical Systems Ltd, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for The Eastland Medical System Ltd Group (the consolidated entity). The consolidated entity comprises both Eastland Medical Systems Ltd (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for *the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eastland Medical Systems Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eastland Medical Systems Ltd is not in accordance with the *Corporations Act 2001* including.

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BENTLEYS MRI PERTH PARTNERSHIP

P. Warr

PATRICK W WARR
PARTNER

DATED at PERTH this 28th day of February 2007.