



MEDICAL DEVELOPMENTS INTERNATIONAL LIMITED

ABN 14 106 340 667

FACTORY 7, 56 SMITH ROAD, SPRINGVALE, VICTORIA 3171, AUSTRALIA

Telephone: +61 3 9547 1888 Facsimile: +61 3 9547 0262

Web: www.medicaldev.com Email: mdi@medicaldev.com

February 28th, 2005

HALF-YEAR REPORT

Pursuant to listing rule 4.2A please find following Medical Developments International's Half-Year Report and associated results announcement, which should be read in conjunction with the most recent annual financial report.

Jeremy Payling
Company Secretary



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ASX RELEASE

Half Year Results – 31 December 2004

Post balance date sales to New Zealand and New Guinea: Early signs of International success

MVP today announced its half yearly results for the six months ended 31st December 2004.

Financial Highlights

During the period, MVP invested nearly \$700k in marketing and product registrations. This is consistent with the strategy to aggressively develop international markets, particularly for its pain relief drug, Pentrox™.

While it was hoped that the fruits of these registration and marketing efforts would have been included in the 31 December 2004 results, management expects further international sales of Pentrox™ in the coming months.

Gross revenue was \$2.85m, EBITDA was \$555k, EBIT was \$257k, and NPAT was \$117k.

Pentrox™

Prior to December 2004, MVP was able to market Pentrox™ in Australia, New Zealand, New Guinea and the Pacific Islands. This is a market of 30 million people. Within Australia, the sales focus has been on hospitals and doctors. Interest in Pentrox™ continues to grow. New trials have begun or are due to begin in accident & emergency, oncology, plastic surgery and dentistry. The first sales of Pentrox™ to the New Zealand Defence Force and New Guinea occurred in February 2005.

In December 2004, Marketing Approval was granted in Pakistan opening a market of 160 million people. Since then significant effort has been focussed on generating sales in Pakistan. Management are confident that the first sale to the Military is imminent, and hospitals have also shown significant interest.

Applications for registration have now been filed in 8 countries in the past 6 months and at least another 5 applications will be filed before 30 June 2005. Registrations for Singapore, Saudi Arabia, Kuwait, UAE, Oman, Qatar and Bahrain are expected to be approved in Q1 FY2006. This will open a new market of 40 million people.

MVP's first sale to the Dubai Police was announced in October 2004. Management believe follow up sales are imminent. Trials of Pentrox™ by potential customers are in progress in 9 countries including India, Israel, Iran, Iraq and the UAE.

In addition MVP has applied to the World Health Organisation (WHO) to have added Pentrox™ to its List of Essential Medicines and The International Red Cross for inclusion in its list of Approved Medicines.

Sales to Research Laboratories in the USA have been on hold over this period pending an FDA ruling. MVP is claiming an exemption from registration under the USA guidelines and is confident of a positive outcome.

Medical Equipment

Sales of medical equipment for this half year were ahead of last year but lower than expectations due to transitional issues on contracts in Australia and New Zealand.

The Company's new Australian distributor took longer than expected to clear its old stock. This stock has now been cleared and sales are expected to improve. In New Zealand, MVP was awarded a sole source contract to the Government for its Peak Flow Meters in 2004. Existing suppliers flooded the market with their stock as they exited the market. MVP expects its sales to improve in the second half.

Initiatives to sign additional international distributors for medical equipment are on track.

Dividend

The Directors have determined not to pay a dividend on ordinary shares in respect of the period ended 31 December 2004. Cash will be used to fund additional international registrations.

Further Information: Mr Chris Weaver
Chief Executive Officer
03 9547 1888

Mr David Williams
Chairman
0414 383 593



**MEDICAL DEVELOPMENTS INTERNATIONAL
LIMITED** ACN 106 340 667

Half-Year Report (Appendix 4D)

Financial Half-Year Ended 31 December 2004

(Previous corresponding period: period ended 31 December 2003)

Medical Developments International Ltd.
Half-Year Financial Report

Half-Year Report for the Half-Year Ended 31 December 2004

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Medical Developments International Ltd.
Half-Year Financial Report

Results For Announcement to the Market

For the half-year ended 31 Dec 2004:

	\$'000	
Revenue from ordinary activities	2,850	Up 2,614%
Profit from ordinary activities after tax attributable to members	117	*
Net Profit attributable to members	117	*

Brief explanation of the figures above

When comparing the results from this half-year with the previous period, note that the previous period was 16 September 2003 to 31 December 2003 and during this time the company only traded for 21 days.

* As the company made a small loss in the previous corresponding period and a profit in this period, it is not meaningful to calculate a percentage increase for the profit from ordinary activities and net profit figures.

For further information refer to the review of operations which accompanies this report.

Additional information required by listing rule 4.2A:

- There will not be an interim dividend
- There is no dividend reinvestment plan in operation
- Net tangible assets per ordinary security is 2.1 cents (previous corresponding period: 1.3 cents)

Medical Developments International Ltd.
Half-Year Financial Report

Directors' Report

The directors of Medical Developments International Limited ("MDI") herewith submit the financial report for the half-year ended 31 December 2004.

The names of the directors of the company during or since the end of the half year are:

Mr D J Williams (Chairman)
Mr I M C Kirkwood
Mr A D McCallum
Mr M Van Ryn
Mr C J Weaver (Managing Director & CEO)

Review of Operations

A review of the operations of the company during the half-year and the results of these operations is set out in the accompanying results announcement.

Dividend

On 30 August 2004, the Board of Directors declared a fully franked dividend of 0.25 cents per ordinary share in respect of the financial year ended 30 June 2004. Record date was 19 October 2004 and the dividend was paid on 29 October 2004.

No interim dividend has been declared.

Auditors' Declaration of Independence

A copy of the auditors' declaration under s.307C in relation to the review for the half-year is included at page six.

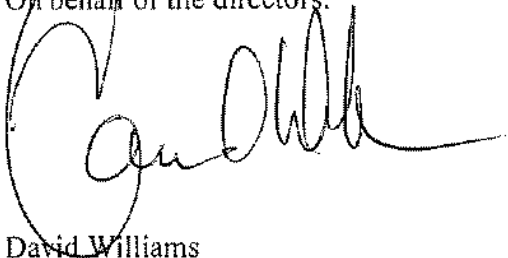
Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

Medical Developments International Ltd.
Half-Year Financial Report

Signed in accordance with a resolution of the directors.

On behalf of the directors.

A large, stylized handwritten signature in black ink, appearing to read 'David Williams'.

David Williams
Chairman

Melbourne, 28 February, 2005

28 February 2005

The Board of Directors
Medical Developments International Limited
Factory 7
56 Smith Road
SPRINGVALE VIC 3171

Dear Board Members

MEDICAL DEVELOPMENTS INTERNATIONAL LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Medical Developments International Limited ("MDI").

As lead audit partner for the review of the financial statements of MDI for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely
DELOITTE TOUCHE TOHMATSU



C Biermann
Partner
Chartered Accountants

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MEDICAL DEVELOPMENTS INTERNATIONAL LIMITED

Scope

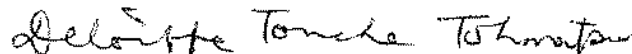
We have reviewed the financial report of Medical Developments International Limited for the half-year ended 31 December 2004 as set out on pages 8 to 14. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

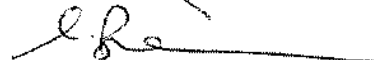
Statement

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 Medical Developments International Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the disclosing entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



DELOITTE TOUCHE TOHMATSU



C Biemann

Partner

Chartered Accountants

Melbourne, 28 February 2005

Liability limited by the Accountants' Scheme,
approved under the Professional Standards Act 1994 (NSW).

Member of
Deloitte Touche Tohmatsu

Medical Developments International Ltd.
Half-Year Financial Report

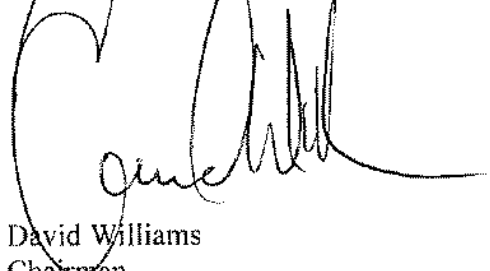
Directors' Declaration

The directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the disclosing entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'David Williams', is written over the printed name and title.

David Williams
Chairman

Melbourne, 28 February, 2005

Medical Developments International Ltd.
Half-Year Financial Report

Statement of Financial Performance for the Half-Year Ended 31 December 2004

	Half-year ended 31 Dec 2004 \$'000	16 Sep 2003 to 31 Dec 2003 \$'000
Revenue from sale of goods	2,814	94
Cost of sales	(968)	(33)
Gross Profit	1,846	61
Other revenue from ordinary activities	36	11
Distribution expenses	(75)	(5)
Marketing expenses	(319)	(10)
Occupancy expenses	(61)	(17)
Administration expenses	(810)	(58)
Regulatory and registration expenses	(195)	(5)
Other expenses from operating activities	(132)	(21)
Borrowing costs	(94)	(14)
Profit/(Loss) from ordinary activities before income tax expense	196	(58)
Income tax expense relating to ordinary activities	(79)	10
Net Profit/(Loss)	117	(48)
Total changes in equity other than those resulting from transactions with owners as owners	117	(48)
 Earnings/(Loss) per Share:		
Basic (cents per share)	0.2	(0.1)
Diluted (cents per share)	0.2	(0.1)

Notes to the financial statements are included on pages 12-14

Medical Developments International Ltd.
Half-Year Financial Report

Statement of Financial Position as at 31 December 2004

	31 Dec 2004 \$'000	30 Jun 2004 \$'000
Current Assets		
Cash assets	367	1,701
Receivables	674	667
Inventories	1,550	1,222
Other	257	155
Total Current Assets	2,848	3,745
Non-Current Assets		
Plant and equipment	1,369	1,309
Intangibles	7,179	7,368
Deferred registration costs	173	-
Deferred tax assets	46	50
Total Non-Current Assets	8,767	8,727
Total Assets	11,615	12,472
Current Liabilities		
Payables	189	239
Provisions	35	38
Interest-bearing liabilities	-	1,000
Current tax liabilities	310	237
Other	708	552
Total Current Liabilities	1,242	2,066
Non-Current Liabilities		
Provisions	20	30
Interest-bearing liabilities	2,000	1,500
Deferred tax liabilities	4	2
Other	-	500
Total Non-Current Liabilities	2,024	2,032
Total Liabilities	3,266	4,098
Net Assets	8,349	8,374
Equity		
Contributed equity	7,893	7,893
Retained profits	456	481
Total Equity	8,349	8,374

Notes to the financial statements are included on pages 12-14

Medical Developments International Ltd.
Half-Year Financial Report

Statement of Cash Flows for the Half-Year Ended 31 December 2004

	Half-year ended 31 Dec 2004 \$'000 Inflows (Outflows)	16 Sep 2003 to 31 Dec 2003 \$'000 Inflows (Outflows)
<i>Cash flows from operating activities</i>		
Receipts from customers	2,924	3
Payments to suppliers and employees	(2,983)	(291)
Interest received	33	6
Interest and other costs of finance paid	(131)	(58)
Net cash provided by/(used in) operating activities	(157)	(340)
<i>Cash flows from investing activities</i>		
Payment for plant and equipment	(169)	(3)
Payment for businesses	-	(9,275)
Net cash provided by/(used in) investing activities	(169)	(9,278)
<i>Cash flows from financing activities</i>		
Proceeds from issues of equity securities	-	8,720
Payment for share issue costs	-	(668)
Proceeds from borrowings	-	3,000
Repayment of borrowings	(1,000)	-
Net cash provided by/(used in) financing activities	(1,000)	11,052
<i>Net increase/(decrease) in cash held</i>	(1,326)	1,434
<i>Cash at the beginning of the half-year</i>	1,701	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(8)	-
<i>Cash at the end of half-year</i>	367	1,434

Notes to the financial statements are included on pages 12-14

Medical Developments International Ltd.
Half-Year Financial Report

Notes to the Financial Statements for the Half-Year Ended 31 December 2004

1. Basis of preparation

This half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 1029 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the 2004 annual financial report.

This financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Significant Accounting Policies

The accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the 2004 annual financial report.

In addition to the policies disclosed in the 2004 annual financial report, the following significant accounting policy has been adopted in the preparation and presentation of this financial report.

Deferred Registration Costs

Items of expenditure on registrations are deferred to the extent that such costs can be measured reliably, future economic benefits are attributable to the expenditure, and it is probable that such future economic benefits will eventuate.

Any deferred registration costs are amortised over a period of 5 years in which the corresponding benefits are expected to arise, commencing with commercial sales to any of the countries for which the registration costs contributed to a successful registration.

The unamortised balance of registration costs deferred in previous periods is reviewed regularly at each reporting date, to ensure the criteria for deferral continue to be met. Where such costs are no longer recoverable, they are written off as an expense in net profit or loss.

2. Subsequent events

There has not been any matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future years.

3. Dividends

	2004		2003	
	cents per share	\$'000	cents per share	\$'000
Recognised amounts				
Fully paid ordinary shares				
Final dividend paid in respect of prior financial year	0.25	142	-	-
		<u>142</u>		<u>-</u>

Medical Developments International Ltd. Half-Year Financial Report

Notes to the Financial Statements (cont.d)

4. Segment information

Products and services within each business segment

For management purposes, the company is organised into three business units – pharmaceuticals, medical devices and veterinary products. These units are the basis on which the company reports its primary segment information. The principal products and services of each of these divisions is as follows:

- **Pharmaceuticals** – the manufacture and sale of Pentrox, primarily within Australia and NZ, but with some sales in Europe, North America and the Middle East
- **Medical Devices** – the manufacture and sale of medical devices, particularly the Space Chamber™ and Breath-Alert™ Peak-Flow meters, primarily within Australia and NZ, but with some sales in Asia, Europe and North America
- **Veterinary Products** – the manufacture and sale of veterinary devices within Australia and Europe

Secondary segment reporting is not applicable as sales are predominantly within Australia/New Zealand.

Segment revenues and results

	Pharmaceuticals		Medical Equipment		Veterinary Equipment		Unallocated		Total	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
Revenues:										
External sales	1,498	30	1,102	27	214	36			2,814	94
Other							35	12	36	11
Total revenue									2,850	105
Results:										
Segment results	505	6	273	11	64	15	(646)	(90)	842	32
Profit from ordinary activities before income tax expense									196	(58)
Income tax expense relating to ordinary activities									(79)	10
Net profit									117	(48)

5. Contingent liabilities

The company was a defendant in a legal action involving a former employee of Medical Developments Australia Pty. Ltd. and an alleged implied employment contract. This matter was settled in December 2004.

6. Impact of adopting Australian equivalents of IFRS

In accordance with the Financial Reporting Council's strategic directive, Medical Developments International Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, MDI's first half-year report prepared under A-IFRS will be for the half-year reporting period ending 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ending 30 June 2006.

The differences between Australian GAAP and Australian Equivalents to IFRS identified to date as potentially having a significant effect on the company's financial performance and financial position are summarised below. This summary should not be taken as an exhaustive list of all the differences between Australian GAAP and Australian Equivalents to IFRS.

Medical Developments International Ltd.
Half-Year Financial Report

Notes to the Financial Statements (cont.d)

The company has not yet quantified the effect of the differences below. Accordingly, there can be no assurances that the company's financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with Australian Equivalents to IFRS.

The implementation of IFRS is in progress, and it is expected that full quantitative disclosures will be provided in the 2005 annual financial report.

Share-based payment

Share-based compensation forms part of the remuneration of employees of the company. The company does not currently recognise an expense for any share-based compensation granted. Under A-IFRS, the company will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met.

The recognition of the expense will decrease the company's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 16 September 2003 but not vested before 1 January 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount.

Under A-IFRS, both current and non-current assets, including property, plant and equipment previously excluded as they were measured on the fair value basis, are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, an impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the company has not yet determined the impact, if any, of any impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Goodwill

Goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. At this stage the directors expect impairment losses on goodwill to be unlikely, but future changes in business conditions may produce impairment losses which will result in increased volatility in the profit and loss.