NOTES TO SECOND QUARTER REPORT (Appendix 4C) – 31 DECEMBER 2002

The performance of the Company in the second quarter, ending 31 December 2002, as shown in the attached Appendix 4C, was generally in line with expectations.

Anticipated sales revenues from Australian and overseas operations, which were anticipated in the last quarter, will now occur in the March 2003 quarter.

In **Australia**, several major pharmaceutical companies have been evaluating the BPfone Service for use in general practice based blood pressure management programs. **Sales contracts have been negotiated with a number of these companies, with revenue expected to be generated in the March 2003 quarter**. The remaining pharmaceutical companies are currently finalizing their evaluations, with an expectation to commence negotiating sales contracts in the next quarter.

The Company expects to receive funds from Austrade's **EMDG program (Export Market Development Grant)**. This program provides assistance with marketing and promotional expenses for Australian companies seeking to develop export markets. The Company has been actively developing markets in the UK, USA, Europe and Asia. It is anticipated that the Company will receive a payment of **$60,000** in the March 2003 quarter.

As stated in previous notices, the Directors are aware of the need for **additional funding** from other sources. As announced to the ASX, on 20 January, a **private placement** of **$350,000** was undertaken to provide for additional working capital. This will assist the Company in funding domestic and overseas marketing programs and in the development of additional monitoring infrastructure. The placement, detailed in the Notice of Meeting sent to shareholders, was approved at the AGM held on 29 November, 2002.

In addition, to provide for ongoing manufacturing needs the Company is pleased to announce that it has secured a **$600,000 'line of credit'**, specifically for manufactured inventory, through **Provident Capital**. This will allow for more efficient use of working capital and will provide the Company with the necessary funding to build inventory as and when required.

The Company also received **$317,000** from an Australian Government **R&D** grant, in relation to **eligible research and development activities** carried out in the previous financial year. This payment was received in January 2003.

The combination of the funds raised from the private placement, the completed sales of mining assets, the **Shareholders Share Placement Scheme** and the above sales revenue provide a sound financial base for the Company to continue with its current sales and marketing program, in Australia and overseas.

Dr Allan Shell
Managing Director

COMPANY UPDATE - MEDICAL MONITORS LIMITED

* **Bosch + Sohn** have finalized the next phase of manufacture of **BPfone™** blood pressure units in preparation for the fulfillment of sales contracts currently under negotiation

* A BPfone monitoring service has been commissioned **in Kuala Lumpur, Malaysia with HMS Monitoring Service**, the Malaysian provider, and has already been contracted for an evaluation trial with a premier private health care institution, and some major pharmaceutical companies. The Gleneagles Hospital is a premier 330-bed tertiary care hospital providing consultants of various specialties and sub-specialties for outpatient services. The hospital intends to offer cardiac patients blood pressure monitoring outside of office hours.

* Medical Monitors' wholly owned USA subsidiary, **Wellness Monitoring** has been approached by a major US-based pharmaceutical company to provide BPfone units for a planned blood pressure **drug evaluation trial**. The pharmaceutical company believes that the BPfone is especially suited to provide accurate and efficient collection of data to be used in a 'white paper'. This trial is expected to monitor a few thousand patients to evaluate the effects of the drug. Drug evaluation trials provide another significant sales opportunity for the BPfone in the USA market.

* **Wellness Monitoring** has also been active in a number of other market segments, specifically the consumer health segment. Negotiations have been continuing with a major US pharmaceutical company to provide blood pressure monitoring for that company's consumer population. A first phase monitoring program is anticipated to be set up and running in the March 2003 quarter.

* **Care Medical Limited**, the UK joint venture company, has recently contracted with the **Channel Isles** Primary Care Trust in partnership with a major pharmaceutical company, to provide the BPfone blood pressure monitoring system for the medical community. It is anticipated that the pharmaceutical company will expand this program UK-wide in the coming months.

* The UK joint venture, **Care Medical,** continues to attract both private sector healthcare companies and NHS (National Health Services) interest in providing monitoring services as part of the UK Medicines Management Program. The previously announced sale to AstraZeneca Pharmaceuticals was one such trial that resulted in a nation-wide rollout of the BPfone. A number of trial monitoring sites have been established throughout the UK, with other pharmaceutical companies, and it is anticipated that these will proceed to future sales contracts.

Dr Allan Shell
Managing Director