Eastland Medical Systems LTD

2nd March, 2009.

The Manager,
Company Announcement Platform,
Australian Securities Exchange Limited,
Level 4, 20 Bridge Street,
Sydney. N.S.W. 2000

By E-Lodgement of 24 pages.

ASX ANNOUNCEMENT

HALF YEARLY REPORT AND HALF YEAR ACCOUNTS APPENDIX 4D FOR THE HALF YEAR ENDED 31 DECEMBER 2008.

In accordance with Listing Rule 4.2A, we attach Appendix 4D (Half Year Report of 23 pages) for the period ended 31 December 2008.

Yours sincerely,

T Strahan

....
Trevor Strahan.
Company Secretary.

54 Lindsay Street,
Perth 6000

PO Box 8027
Perth Business Centre
6849

61 8 9436 9500
08 9436 9505
www.eastlandmedical.com.au
ACN 090 987 250

APPENDIX 4D

HALF YEARLY REPORT
HALF YEAR ENDED 31 DECEMBER 2008.

1. Name of entity

EASTLAND MEDICAL SYSTEMS LTD AND CONTROLLED ENTITIES.

ABN	Half year ended ('current period')
35 090 987 250	31 December 2008.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET.

					$A'000
2.1	Revenues from ordinary activities.	up	17 %	to	$6,475
2.2	Profit (loss) from ordinary activities after tax attributable to members.	down	82 %	to	($979)
2.3	Net profit (loss) for the period attributable to members.	down	82%	to	($979)

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 $6,475 which is up $962 or 17% when compared to the same period last year.
- Current half year loss of ($979) shows a decrease of $4,370 when compared with the same period last year. The resultant decrease includes cost savings due to rationalisation of the Victoria operations and a one off write down of Goodwill of $3,641 due to impairment review of Goodwill in the previous half year to December 2007.

Earnings per Share

	31 December 2008	31 December 2007
Basic earnings per share	($0.00)	($0.03)
Diluted earnings per share	($0.00)	($0.03)
Number of shares	199,271,789	171,572,157
Net Tangible Assets	$18,509	$16,107
Net tangible assets per share	$0.09	$0.09

Details of controlled entities acquired or disposed of:

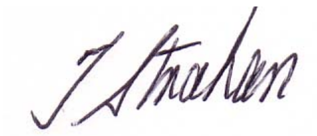
There were no changes to the status of controlled entities held by the company during the period.

Compliance statement

1. An interim report for the half year ended 31 December 2008 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:  Date: 27th February, 2009

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 2008

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DIRECTORS REPORT

Your directors present their report on Eastland Medical Systems Ltd ("Eastland ®") and its controlled entities for the half year ended 31 December 2008.

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)
Mr Dermot Patterson	(Executive director & Chief Executive Officer)
Mr Douglas Sims	(Executive director)
Mr Peter Tiede	(Executive director & Chief Financial Officer)
Mr David Whitelaw	(Non executive director)

Review and results of Operations.

In the 6 months period to 31 December 2008 the Company continued to raise additional capital to progress the development of the sub lingual Anti Malaria treatment "ArTiMist™". Additional funding is currently being arranged to complete the Phase III trial

Total operating revenue for the half year was $6,474,962 (2006: $5,513,326) representing an increase of 17%. Forecasted full year revenue for the 07/08 financial year from operations was $12,000,000, the group achieved $11,797,000. It is expected that the revenues for the 08/09 financial year will again be $12,000,000.

Operating costs decreased during the period by 13% on the previous corresponding half year, which has been reflected by the Board decision to rationalise the Victorian operations and merge with Medical Industries Australia.

Some of the highlights during the period included:

- **July 2008** – Executive Officers of Eastland Medical Systems, ArTiMist™'s exclusive Development Consultant, Mr Calvin Ross and Mr. Rudolf Schottledreier Chairman of HC Berlin Pharma attend Nelson Mandela's 90th Birthday celebrations in the Eastern Cape Province of South Africa.

- **July 2008-** Allotment of 5,872,207 shares to Calvin Ross in terms of the Technical Agreement & to increase Eastland's share holding in Star Medical Botswana Limited.

- **August 2008** – The Company issued $218,540 Convertible Notes with a Face Value of $1.00 per Note maturing 15th August, 2009.

- **August 2008** – The Company announced on 28th August 2008 that it had completed a share placement of 4,662,603 shares at $0.16 cents and 5,315,367 free attaching Options to raise $676,077 before costs, to sophisticated investors for working capital

- **September 2008** – The Company issued $180,000 Convertible Notes with a Face Value of $1.00 per Note maturing 2nd September, 2009. Unlisted Options ASX Code EMSAM of 500,000 exercisable at $0.15 cents and ASX Code EMSAO of 339,600 exercisable at $0.20cents expired on 31 August, 2008

- **September 2008** – Independent Report and results on Phase 1 multi and single dose Clinical studies for ArTiMist™ finalised.

- **October 2008** – The Company announced on 21st October 2008 that it had completed a share placement of 805,000 shares at $0.14 cents and 805,000 free attaching Options at $0.05cents exercisable at $0.20 cents to raise $116,725 before costs, to sophisticated investors for working capital

- **October 2008** – German Associate Company HC Berlin Pharma AG admitted to the Open Market Board of the Frankfurt Stock Exchange on the 23 October, 2008.

- **October 2008** –Conversion of $10,000 of Convertible Notes resulting in 80,000 ordinary shares and 40,000 listed ordinary Options being issued.

- **November 2008** – Conversion of $5,040 of Convertible Notes resulting in 40,320 ordinary shares and 20,160 listed ordinary Options being issued.

- **December 2008** – Allotment of 1,193,498 ordinary shares at a deemed value of $0.30 cents per share in consideration for additional share holding in Star Medical Botswana Limited.

After balance date events

- On the 2 January 2009 Eastland® announced that it was issuing a Non-Renouncable Rights Issue to share holders to subscribe for one new ordinary share together with one free attaching Listed Option exercisable at $0.20cents before 31 May 2011 for every eight shares held.

- On 30th January 2009 the Company announced that it had appointed RM Corporate Finance Pty Ltd to arrange $750,000 in secured Convertible Notes. These Notes had a face value of $1.00 per Note maturing 30th June, 2011

- On the 3rd February 2009 Eastland® announced an Amended timetable for the Non-Renouncable Rights Issue with approval to extend the closing date until 27th February, 2009.

Auditor's Independence Declaration.

An independent declaration from our auditors, Grant Thornton (WA) Partnership, is included on page 16 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

....	....
P.M. Tiede.	D.P. Patterson.
Director.	Director.

Dated at Perth this 27th day of February 2009.

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 2008 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 2009.

CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

	Note	Economic Entity 31.12.2008	Economic Entity 31.12.2007
Revenues		6,474,962	5,513,326
Other Revenues		294,228	64,415
Impairment losses		(11,615)	(3,731,897)
Raw materials and consumables used	2	(4,649,479)	(3,701,049)
Employee benefits expense	2	(1,469,023)	(1,690,757)
Depreciation and amortisation expense	2	(206,165)	(244,873)
Borrowing costs expense	2	(244,389)	(177,832)
Other expenses		(278,361)	(303,523)
Accountancy & Audit Fees		(67,775)	(82,986)
Marketing Expense	2	(168,868)	(130,906)
Communication Expenses		(65,855)	(78,225)
Professional Fees		(23,103)	(69,789)
Occupancy Expenses	2	(248,498)	(243,418)
Patent Costs		(70,203)	(108,608)
Travelling Expense		(83,235)	(106,412)
Legal Fees		(18,562)	(15,000)
Other Fees & Fines		(34,874)	(43,425)
Insurance		(59,423)	(61,674)
Distribution Expense		(52,222)	(81,291)
Share of net profits/(loss) of associates and joint ventures accounted for using the equity method		-	(55,353)
Loss before income tax expense		(982,459)	(5,349,277)
Income tax expense		-	-
Loss after related income tax expense		(982,459)	(5,349,277)
Profit (loss) attributable to minority interest		(2,999)	-
Net profit attributable to members of the parent entity		(979,460)	(5,349,277)
Loss per share		(0.00)	(0.20)
Diluted loss per share		(0.01)	(0.20)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	Economic Entity 31.12.2008	30.06.2008
CURRENT ASSETS			
Cash & cash equivalents		392,844	486,267
Trade & other receivables		1,766,790	2,284,888
Inventories		2,612,250	2,934,601
Financial assets		607,040	116,621
Other current assets		19,280	12,072
		5,398,204	5,834,449
Non current assets classified as held for sale	7	397,612	400,000
TOTAL CURRENT ASSETS		5,795,816	6,234,449
NON-CURRENT ASSETS			
Trade & other receivables		12,125	9,265
Investments accounted for using the equity method		-	-
Financial assets		603,039	1,112,566
Property, plant and equipment		632,261	710,422
Intangible assets	3	4,778,591	4,913,956
Other non current assets	3	4,014,741	3,083,294
TOTAL NON-CURRENT ASSETS		10,040,757	9,829,503
TOTAL ASSETS		15,836,573	16,063,952
CURRENT LIABILITIES			
Trade & other payables		(2,429,530)	(1,642,319)
Financial Liabilities	9	(2,216,969)	(3,233,384)
Short-term provisions		(129,640)	(208,511)
		(4,776,139)	(5,084,214)
Liabilities associated with non current assets classified as held for sale	7	(250,000)	(250,000)
TOTAL CURRENT LIABILITIES		(5,026,139)	(5,334,214)
NON-CURRENT LIABILITIES			
Financial Liabilities	9	(236,010)	(220,051)
Other long-term provisions		-	-
TOTAL NON-CURRENT LIABILITIES		(236,010)	(220,051)
TOTAL LIABILITIES		(5,262,149)	(5,554,265)
NET ASSETS		10,574,424	10,509,687
EQUITY			
Issued capital	5	27,302,202	26,376,681
Reserves		372,505	143,320
Accumulated losses		(17,204,304)	(16,224,844)
Parent interest		10,470,403	10,295,157
Minority equity interest		104,021	214,530
TOTAL EQUITY		10,574,424	10,509,687

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR AS AT 31 DECEMBER 2008

	Note	Share Capital	Retained Profits	Share Redemption Reserve	Option Reserve	Foreign Curreny Translation Reserve	Minority Equity Interests	Total
Balance as at 1.7.2007		20,818,490	(6,591,319)	-	100,000	-	-	14,327,171
Shares Issued during year		2,633,096	-	-	-	-	-	2,633,096
Capital raising costs		(110,636)	-	-	-	-	-	(110,636)
Transfers to/from reserves		-	-	-	-	-	-	-
Loss attributable to members of parent entity		-	(5,349,277)	-	-	-	-	(5,349,277)
Balance as at 31.12.2007		23,340,950	(11,940,596)	-	100,000	-	-	11,500,354
Balance as at 1.7.2008		26,376,681	(16,224,844)	5,310	183,334	(45,324)	214,530	10,509,687
Shares Issued during year		978,856	-	-	-	-	-	978,856
Shares bought back during the year		-	-	(1,070)	-	-	(107,511)	(108,581)
Capital raising costs		(53,333)	-	-	-	-	-	(53,333)
Transfers to/from reserves		-	-	-	26,167	204,087	-	230,254
Loss attributable to members of parent entity		-	(979,460)	-	-	-	-	(979,460)
Profit/(Loss) attributable to minority shareholders		-	-	-	-	-	(2,999)	(2,999)
Balance as at 31.12.2008		27,302,204	(17,204,304)	4,240	209,501	158,763	104,020	10,574,424

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Economic Entity	
	31.12.2008	31.12.2007
CASH FLOWS FROM OPERATIONS		
Receipts from customers	7,061,038	5,291,105
Payments to suppliers	(7,608,877)	(6,693,938)
Interest received	88,870	43,157
Interest paid	(237,017)	(159,851)
Net cash used by operations	(695,986)	(1,519,527)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Acquisition of business/investment	(14,266)	(45,000)
Payment for research and development	(67,954)	(401,532)
Payment for property, plant & equipment	(34,005)	(172,830)
Proceeds for Sale of assets	8,000	-
Net cash provided by / (used in) investing activities	(108,225)	(619,362)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for capital raising costs	(53,333)	(110,636)
Repayment of borrowings	(89,740)	(176,354)
Proceeds from loans	72,462	218,833
Advances to related parties/associates	(2,860)	(335,443)
Proceeds from share issue	801,465	2,390,525
Net cash provided by financing activities	727,994	1,986,925
Net increase / (decrease) in cash held	(76,217)	(151,964)
Cash at the begining of period	417,090	769,864
Cast at the end of period	340,873	617,900

The accompanying notes form part of these financial statements.

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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, Australian Accounting 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 2008 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 accounting policies applied by the entities in the consolidated group are consistent with those in an annual financial report.

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 2008 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 2008 is available on request from the Company's registered office at 54 Lindsay Street, Perth. W.A. 6000, 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 2008.

The consolidated interim financial report was approved by the Board of Directors on 26th February, 2009.

c. Significant accounting policies

These condensed consolidated interim financial statements (the interim financial statements) have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2008. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

The following applicable standards have been issued but have not been early adopted:

- AASB 101: *Presentation of Financial Statements* (Revised 2007)
- AASB 8: *Operating Segments*
- AASB 127: *Consolidated and Separate Financial Statements (March 2008)*
- AASB 3: *Business Combinations*

AASB 101 (Revised 2007) makes certain changes to the format and titles of the primary financial statements and to the presentation of some items within these statements. It also gives rise to additional disclosures. The measurement and recognition of the Group's assets, liabilities, income and expenses is unchanged. AASB 101 affects the presentation of owner changes in equity and introduces a 'Statement of comprehensive income'. Further, a 'Statement of changes in equity' is now presented as a primary statement.

AASB 8 now reports segment results based on internal management reporting information that is regularly reviewed by the chief operating decision maker. In the previous annual and interim financial statements, segments were identified by reference to the dominant source and nature of the Group's risks and returns. This may result in a different set of segments being identified than those previously disclosed under AASB 114.

AASB 127 (March 2008) amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes were made to this standard affecting acquisitions and disposals which do not result in a change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control. As the transitional provision of AASB 127 provides that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations effected prior to the amendments being adopted, this standard is not expected to have any impact on the entity's financial report.

AASB 3 (March 2008) amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling Interest".

This standard can be early adopted, but only for reporting periods that begin on or after 30 June 2007. AASB 3 is applied prospectively. See technical update 2008 xx for more detailed information on the changes arising from AASB 3.

d. Going concern

The consolidated entity has reported a loss of $979,460 and a cash outflow from operating activities of $695,986 for the six month period ended 31 December 2008.

During the period the company did not fulfil the debt/equity and interest cover ratios as required in the contract for the Trade Finance credit line of $2,000,000, of which the company has currently drawn an amount of $1,070,471. This resulted in a breach of the covenant clause within the Trade Finance credit line facility, which has resulted in the bank terminating the facility and issuing a notice of event of default. The Company and the bank have agreed to revised terms in relation to the repayment of the drawn facility and the revised terms include the following:

- Compliance with the agreed revised repayment programme;
- Interest on group borrowings is to be met as and when it falls due and payable, by the group from the group's own resources. That is, payments received are not to be applied to covering interest payments during the term of the agreement;
- An interest margin of 3% will apply to all group accounts; and
- Payments received under the agreement, and any proceeds from asset sales will be applied in permanent reduction of the group debts.

If the Company defaults on the above terms the bank, pursuant to the revised terms, may refer to their solicitors.

In addition to the above, the parent company, as guarantor for facilities currently extended to Eastland Medical (WA) Pty Ltd t/as West Coast Surgical and Medical Supplies, may have triggered an event of default clause within the terms and conditions of these facilities provided by Bank West, as a result of the notice of event of default issued to Medical Industries Australia Pty Ltd mentioned above. The current borrowing as at 31 December 2008 is $935,000. The company is in the process of notifying the bank of this potential event.

The ANZ undrawn facility and Bankwest Commercial Advance Facility has been classified in the balance sheet as a current liability.

To ensure that the consolidated entity can meet these revised repayment requirements and continue to pursue the completion of Phase III field trials of ArTimist, the company together with its advisors, RM Corporate Finance, are formulating appropriate funding arrangements. The company also has in progress the raising of additional funds by private placement of convertible notes to $750,000 through RM Corporate Finance.

Due to the cash requirements and the under performance of various operating businesses with the Group, the company may consider the sale of these businesses to enable the Company to focus on its core project, being ArTimist. In addition, the Company holds investment shares and property that it may sell to generate future cash flows.

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Whilst acknowledging the above material uncertainties, the Directors are confident that the consolidated entity will be able to continue its operations into the foreseeable future.

NOTE: 2. LOSS FROM ORDINARY ACTIVITIES

The following expense items are relevant in explaining the financial performance for the interim period.

	ECONOMIC ENTITY DEC 2008 $	ECONOMIC ENTITY DEC 2007 $
EXPENSES		
Raw materials and consumables used	4,649,479	3,701,049
Impairment losses	11,615	3,731,897
Employee benefit expense	1,469,023	1,690,757
Depreciation and amortisation expense	206,165	244,873
Borrowing cost expense	244,389	177,832
Marketing expense	168,867	130,906
Occupancy expense	248,498	243,418
	6,998,037	9,920,732

NOTE: 3. INTANGIBLE ASSETS

Goodwill	DEC 2008 $	JUNE 2008 $
Cost	7,274,340	7,318,089
Accumulated impairment losses	(4,988,408)	(4,896,796)
Net carrying value	2,285,932	2,421,293
Trademarks and licences		
Cost	2,492,663	2,492,663
Accumulated amortisation and impairment	-	-
Net carrying value	2,492,663	2,492,663
Development Costs		
Cost	4,014,737	3,083,294
Accumulated amortisation and impairment	-	-
Net carrying value	4,014,737	3,083,294
Total intangibles	8,793,332	7,997,250

Consolidated Group Year ended 30 June 2008	Goodwill	Trademarks & Licences	Development Costs
Balance at the beginning of year	2,421,293	2,492,663	3,083,294
Additions	-	-	707,741
Foreign Exchange	(43,749)	-	223,702
Amortisation charge	(91,612)	-	-
Impairment losses attributable to distribution unit	-	-	-
Closing carrying value at 31 December 2008	2,285,932	2,492,663	4,014,737

Intangible assets, other than goodwill have finite useful lives. The current amortisation charges in respect of intangible assets are included under depreciation and amortisation expense per the income statement.

Impairment Disclosures
Goodwill is allocated to cash-generating units which are based on the group's reporting segments

	DEC 2008 $	JUNE 2008 $
Manufacturing segment	-	-
Distribution segment	2,285,932	2,421,293
Total	2,285,932	2,421,293

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period using an estimated growth rate. The cash flows are discounted using the yield of current cash rates at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations.

	Growth Rate	Discount Rate
Manufacturing segment	2.0%	15.75%
Distribution segment	2.0%	15.75%

NOTE: 4. DIVIDENDS
The Eastland Board does not recommend the payment of an interim dividend for the period ended 31 December 2008

NOTE: 5. ISSUED CAPITAL

Ordinary Shares	DEC 2008 $	JUNE 2008 $
Issued and fully paid	27,302,202	26,376,681

	Number	$
Movements in ordinary shares on issue As at 31 December, 2008	191,977,041	26,376,681
Issued on 15/7/2008.- C. Ross	500,000	75,000
Issued on 27/7/2008.- A Tite	13,347	4,004
Issued on 27/8/2008.- Capital Raising	4,662,603	652,764
Issued on 21/10/2008.-Capital Raising	805,000	112,700
Issued on 29/10/2008.- Convertible Note conversion	80,000	10,000
Issued on 17/11/2008.- Convertible Note conversion	40,320	5,040
Issued on 19/12/2008.- D Anderson / D Mji	1,193,478	119,348
Transaction costs	-	(53,335)
	199,271,789	27,302,202

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

2008	Manufacturing 2008$	Distribution 2008 $	Research 2008 $	Eliminations 2008 $	Economic Entity 2008 $
REVENUE					
External Sales	19,354	6,455,609	-	-	6,474,963
Other Revenue	5,586	104,378	-	-	109,964
Other Segments	-	-	-	-	-
Total sales revenue	24,940	6,559,987	-	-	6,584,927
Share of net profit/loss of equity accounted associates	-	-	-	-	-
Impairment losses	1,383,580	25,335	-	(1,408,915)	-
Total segment revenue	1,408,520	6,585,322	-	(1,408,915)	6,584,927
Unallocated revenue					184,264
Total Revenue					6,769,191
RESULT					
Segment result	1,253,965	(39,624)	(29,990)	-	1,184,351
Unallocated expenses net of unallocated revenue					(2,166,810)
Loss before income tax expense					(982,459)
Income Tax Expense					-
Loss after income tax expense					(982,459)
Extraordinary items after income tax expense					-
Net Loss					(982,459)

Primary Reporting - Business Segments

2007	Manufacturing 2007 $	Distribution 2007 $	Research 2007 $	Eliminations 2007 $	Economic Entity 2007 $
REVENUE					
External Sales	159,849	5,353,477	-	-	5,513,326
Other Revenue	5,282	36,553	-	-	41,835
Other Segments	109,310	49,934	-	(159,244)	-
Total sales revenue	274,441	5,439,964	-	(159,244)	5,555,161
Share of net profits / (Loss) of equity accounted associates & joint venture	-	-	-	-	(55,353)
Impairment losses	-	(3,640,590)	-	-	(3,640,590)
Total segment revenue	274,441	1,799,374	-	(159,244)	1,859,218
Unallocated revenue					22,579
Total Revenue					1,881,797
RESULT					
Segment result	(392,233)	(3,844,405)	-	-	(4,236,638)
Unallocated expenses net of unallocated revenue					(1,112,639)
Loss before income tax expense					(5,349,277)
Income Tax Expense					-
Loss after income tax expense					(5,349,277)
Extraordinary items after income tax expense					-
Loss before income tax expense					(5,349,277)

NOTE: 7. ASSETS AND LIABILITIES HELD FOR SALE.

During the period management decided to relocate Portland Surgical Products Pty Ltd to New South Wales. As a result of the relocation, the property at which Portland Surgical Products Pty Ltd operations reside in Portland Victoria is to be sold along with other sundry items not being relocated and the mortgage on the property settled.

CURRENT ASSETS	Note	DEC 2008 $	JUNE 2008 $
Non current assets classified as held for sale		397,612	400,000
		397,612	400,000
CURRENT LIABILITIES			
Liabilities of disposal group classified as held for sale	9	250,000	250,000
		250,000	250,000

NOTE: 8. EVENTS SUBSEQUENT TO REPORTING DATE

- On the 2 January 2009 Eastland® announced that it was issuing a Non-Renouncable Rights Issue to share holders to subscribe for one new ordinary share together with one free attaching Listed Option exercisable at $0.20cents before 31 May 2011 for every eight shares held.
- On 30th January 2009 the Company announced that it had appointed RM Corporate Finance Pty Ltd to arrange $750,000 in secured Convertible Notes. These Notes had a face value of $1.00 per Note maturing 30th June, 2011
- On the 3rd February 2009 Eastland® announced an Amended timetable for the Non-Renouncable Rights Issue with approval to extend the closing date until 27th February, 2009, as at the reporting date $121,748 had been received.

NOTE: 9. FINANCIAL LIABILITIES

CURRENT	Note	Dec 08	June 08
Unsecured liabilities:		$	$
Lease liability		41,788	76,097
Convertible Notes		383,500	357,000
		425,288	433,097
Secured liabilities:			
Bank overdrafts	9 a	51,899	69,179
Bank Loans	9 a	1,989,782	1,761,108
		2,041,681	1,830,287
		2,466,969	2,263,384
NON CURRENT			
Unsecured liabilities			
Lease liability		121,251	171,291
		121,251	171,291
Secured liabilities			
Other loans		114,759	48,760
Bank loans	9 a	-	970,000
		114,759	1,018,760
		236,010	1,190,051
a) Total current & non-current secured liabilities			
Bank overdraft		165,108	69,179
Bank loan		1,991,332	2,779,868
		2,156,440	2,849,047
b) The carrying amounts of non-current assets pledged as security are:			
Freehold land & buildings		397,612	400,000
Floating charge over assets, including listed investments at market value		16,000,875	11,943,726

c) Covenants.
Some of the company's credit contracts are subject to covenant clauses, whereby the company is required to meet certain key performance indicators. The company did not fulfil the debt/equity and interest cover ratios as required in the contract for the Trade Finance credit line of $2,000,000, of which the company has currently drawn an amount of $1,070,471.
Due to the Trade Finance breach of covenant clause, the bank is contractually entitled to request early repayment of the outstanding balance of all facilities currently extended to the group in the amount of $1,410,039. The balances have been classified as a current liability. Management has entered into a repayment arrangement with the bank to be settled prior to 30 June 2009.
Conditions under the arrangement are dependant upon interest cover being met as and when it falls due in conjunction with capital repayments being met in line with the agreed re-payment schedule within the arrangement.
In addition to the above, the parent company, as guarantor for facilities currently extended to Eastland Medical (WA) Pty Ltd t/as West Coast Surgical and Medical Supplies, may have triggered an event of default clause within the terms and conditions of these facilities provided by Bank West. Therefore the total outstanding balances of these facilities have been classified as current liabilities

NOTE: 10. CONTINGENT LIABILITIES

$102,0000

Related Party and Associated Guarantees
Under the deed of arrangement with the ANZ Bank, Eastland has provide a surety to the ANZ for the re-payment of an overdraft facility provided to Ampack Medical Pty Ltd, of which forms part of the settlement arrangement between ANZ Bank and Eastland Medical Systems Ltd.

Grant Thornton

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF EASTLAND MEDICAL SYSTEMS LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Eastland Medical Systems Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P.W.WARR
Partner
Perth
27 February 2009

Grant Thornton

10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

Independent Auditor's Review Report
To the Members of Eastland Medical Systems Limited

We have reviewed the accompanying half-year financial report of Eastland Medical Systems Limited (the Company), which comprises the consolidated interim condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time 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 establishing 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 consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: Review of an Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2008 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 the Company, 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. 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.

Basis for Qualified Auditor's Conclusion

As disclosed in Note 3 to the financial statements, the consolidated entity has, within non-current assets, intangibles and non current assets with carrying values as at 31 December 2008 of $4,788,989 and $4,014,741 respectively.

The Directors have prepared value in use calculations in assessing the recoverable amounts of these assets on the basis of the key estimates as outlined in Note 3 to the financial statements. One of the key estimates is that the company will be able to source additional funding injections in the near future to enable the further development of the intellectual property contained in other non current assets. Without these funds, it will not be possible for the company to continue with the development or commercialise the intellectual property and achieve the projected future cash flows.

As there has been no conclusion to the future funding arrangements referred to in Note 1(d) to the financial report, we are therefore unable to satisfy ourselves as to the carrying value of the intangibles and other non current assets of $4,788,989 and $4,014,741 respectively.

Independence

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

Qualified Conclusion

Based on our review, which is not an audit, except for the matter referred to above, we have not become aware of any matter that makes us believe that the half-year financial report of Eastland Medical Systems Limited 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 2008 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.

Material uncertainty regarding continuation as a going concern

Without qualification to the conclusion expressed above, attention is drawn to Note 1 (d) to the financial report which indicates that the consolidated entity's ability to operate as a going concern is dependent on it obtaining funds through the various funding initiatives that are currently underway, and meeting its current debt facility obligations with its financiers.

As a result of the matters described in Note 1 (d) there exists material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The half-year financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity be unable to continue as a going concern.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

P. Warr.

P W WARR
Partner

Perth
Dated: 27th February 2009