



Eastland Medical
Systems LTD

ACN 090 987 250

11 February 2011

ASX Compliance Pty Ltd
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Attn: Sebastian Bednarczyk

Dear Mr. Bednarczyk

Query in relation to Appendix 4C – 31st January 2011

The Company acknowledges and responds to your letter received by email on 9th February 2011.

In specific response to each question:

1. It would be incorrect to conclude that the Company may not have sufficient cash to fund its activities. Other factors, as outlined below, must be taken into account in assessing the Company's position.
2. The Company does not expect future negative operating cash flows to reach the same extent as reported in the 4C for 31st December 2010. There were a number of significant one off expenses in the quarter that amounted to \$665,000. These relate primarily to the confidential legal settlement and the restructure, repositioning and expansion of our subsidiary Westcoast Medical and Surgical Supplies. We are also expecting the settlement of the sale of an investment property in this coming quarter.
3. The revenue and expenses were within expectations.
4. Not applicable
5. The cash reserves and repositioning of Westcoast Medical and Surgical Supplies will enable the Company to continue to meet its business objectives.
6. The company remains in compliance with Listing Rules, in particular Listing Rule 3.1.
7. On the basis of the information outlined above it is the opinion of the Company that its financial position (as described in Listing Rule 12.2) is adequate to warrant continued quotation and listing of its securities on the ASX.

Yours sincerely,

Dermot Patterson
Company Secretary

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Osborne Park WA 6017

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9 February 2011

Mr Dermot Patterson
Company Secretary
Eastland Medical Systems Limited
Suite 29, 25 Walters Drive
OSORNE PARK WA 6018

By email: dppatterson@eastlandmedical.com.au

Dear Dermot

Eastland Medical Systems Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2010, released to ASX Limited ("ASX") on 31 January 2011 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$694,000.
2. Net negative operating cash flows for the quarter of \$1,195,000.
3. Cash at end of quarter of \$869,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to fund its activities for the next quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5:00 pm WST on Friday, 11 February 2011**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

Yours sincerely,

[document lodged electronically]

Sebastian Bednarczyk
Adviser, Listings (Perth)