



MEDICAL DEVELOPMENTS INTERNATIONAL LIMITED

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

June 28, 2005

Ms Kate Kidson
 Senior Companies Adviser
 Australian Stock Exchange
 Collins Street,
 Melbourne, 3000
 Victoria.

Dear Ms Kidson,

Re: Price Query

I refer to your letter dated 27 June 2005. Our response to your six questions is outlined below:

1. On 25 May 2005, a presentation given to the Citigroup Biotech Bull Ring in Sydney was lodged with the ASX. Since that date, neither the sales forecast (page 10) nor the status of country registrations has changed.

Last week on Thursday 23 June 2005, our primary product, Pentrox™, was launched into the dentistry market in Australia via a presentation to the Royal Melbourne Dental Hospital. This market launch was signalled in our 25 May 2005 ASX Release (on page 4) and the key findings of the dentistry trial it reported were summarized on page 5 of the release. The Bull Ring presentation indicated that the dentistry market had the potential to be multiples of the size of the ambulance market. It also indicated that 97% of respondents felt more relaxed during the disliked section of their treatment and the same number wanted Pentrox in future dental appointments.

The launch of the trial results on 23 June to dentists was well received and will be followed with a national lecture series and conference presentations.

Whilst the Company remains confident that the dentistry market will be an attractive market for Pentrox™, this has still to be proven by sales to dentists.

There has been no new research on the Company that we are aware of, but there was a large article on the Company in the 29 April edition of Bioshares which may not have received wide distribution.

2. Not applicable

3. The profit from ordinary activities before income tax expense for the year ended 30 June 2004 was \$688k. Trading in that year was for a period from 16 September 2003 to 30 June 2004. The trading period was, in reality, 203 days (from mid December 2003 to 30 June 2004) when Medical Developments International Limited (MDI) acquired the operations of a private company, Medical Developments Australia Pty Limited. A comparison of operating profit between 2004 and 2005 is therefore not appropriate.



JAS-ANZ



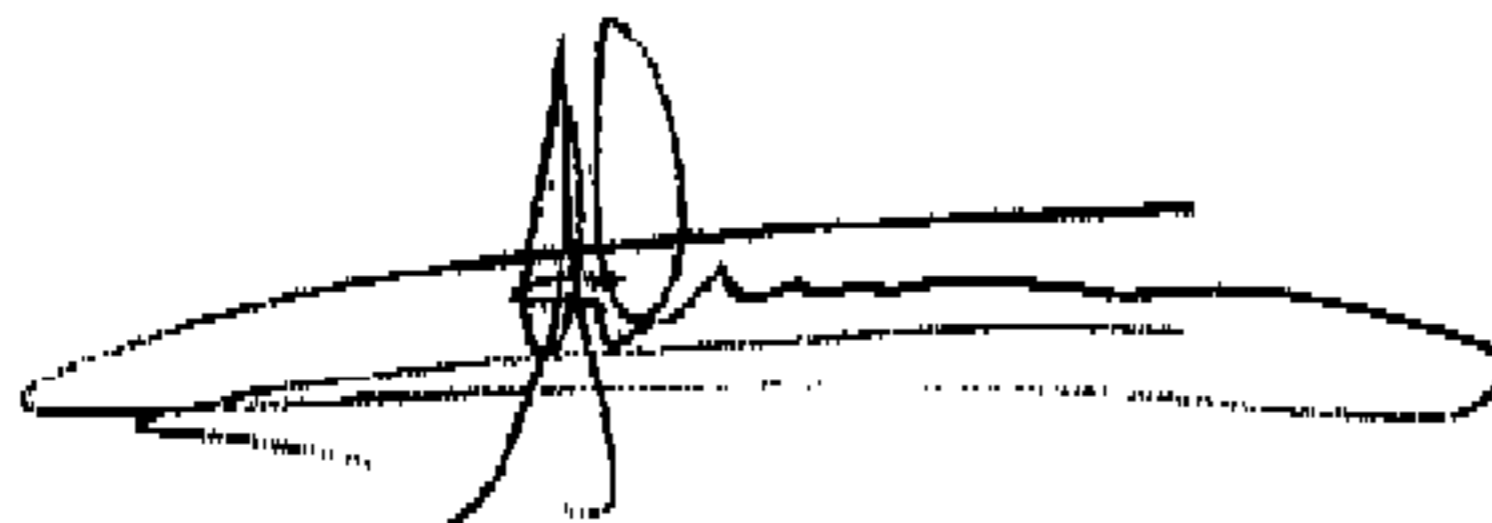
Healthmark



A more appropriate measure would be to compare the operating performance of MVP to the base case contained in the ASX Release on 25 September 2004 (in the form of a presentation). This base case estimated revenue in the order of \$8.18m and EBIT in the order of \$2.26m. The ASX Release on 25 May 2005 signaled this level of performance would not be achieved. On page 10, it was stated that "sales will exceed FY04 sales (annualized) but are unlikely to meet forecast due to lower than forecast sales in Medical Devices".

4. The Company has no reason to think that it will record any material abnormal or extraordinary profit or loss for the financial year ended 30 June 2005.
5. The Company is not aware of any other explanation for the price change in its securities.
6. To the best of our knowledge, the Company is in compliance with the listing rules.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chris Weaver', with a large, sweeping flourish underneath.

Chris Weaver
Managing Director

**ASX**

AUSTRALIAN STOCK EXCHANGE

27 June 2005

Mr Jeremy Payling
Company Secretary
Medical Developments Limited
Suite 701
56 Smith Street
Springvale VIC 3171

By Facsimile: 9547 0262

Dear Jeremy

Medical Developments Limited (the "Company")**RE: PRICE QUERY**

We have noted a change in the price of the Company's securities from 74.5 cents at the close last Friday to 87 cents today.

In light of the price change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating profit before abnormal items and income tax so that the figure for the financial year ended 30 June 2005 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.
4. Is there any reason to think that the Company may record any material abnormal or extraordinary profit or loss for the financial year year ended 30 June 2005? If so, please provide details.
5. Is there any other explanation that the Company may have for the price change in the securities of the Company?

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at kate.kidson@asx.com.au or by facsimile on facsimile number 03 9614 0303. 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 half an hour before the start of trading (ie before 9.30 a.m. E.S.T.) on Tuesday, 28 June 2005).

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

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 listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – 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.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable

to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Kate Kidson
Senior Companies Adviser

Direct Line: (03) 9617 7831