



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

**ASX Listing Rules Disclosure
Half-Year Report**

Financial Half-Year Ended 31 December 2003

(The company was incorporated on the 16th September 2003, so there is no previous corresponding period)

Half-Year Report for the Period Ended 31 December 2003

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ASX Listing Rules Disclosure

The following information is provided in accordance with ASX Listing Rule 4.2A.3

Results For Announcement To The Market

For the period ended 31 December 2003

	Amount S'000
Revenue from ordinary activities	105
Loss from ordinary activities after tax attributable to members	(48)
Net Loss from ordinary activities after tax attributable to members	(48)

As there is no previous corresponding period, there are no percentage changes given for the results.

No dividends have been declared or are payable

There is no Dividend Reinvestment Plan in operation.

Net tangible asset backing per ordinary share at 31 December 2003 was 1.3 cents.

Refer to the following half year financial report for explanation of the figures reported above.

Directors' Report

The directors of Medical Developments International Limited ("MDI") herewith submit the financial report for the half-year ended 31 December 2003.

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

Mr D J Williams (Chairman), B.Ec(Hons), M.Ec, FAICD,	(appointed 16 th September 2003)
Mr I M C Kirkwood, MA Hons (Oxon) FCPA, FFTP, CA, MAICD,	(appointed 27 th October 2003)
Mr A D McCallum, Dip.Ag Science, MAICD,	(appointed 27 th October 2003)
Mr M Van Ryn, B.Bus,	(appointed 27 th October 2003)
Mr C J Weaver, (Managing Director & CEO), B.Bus, LLB, MBA,	(appointed 27 th October 2003)

Mr N J Brown and Mr P J Powell were appointed directors on 16th September 2003 and resigned as directors on 27th October 2003.

Review of Operations

Medical Developments International Ltd ("MDI") was registered as a company on 16th September 2003 and acquired the business of Medical Developments Australia Pty Ltd ("MDA") on 10th December 2003. The company listed on the Australian Stock Exchange on 15th December 2003 (ASX:MVP).

The main transactions for MDI during the half-year were the capital raising of \$8,720,000 following the issue of a Prospectus and the application of the funds raised along with debt financing to acquire the business of MDA.

The company only traded for 21 days during the half-year and, as this was the final days of the calendar year, revenue amounted to only \$105,000, resulting in a loss on ordinary operations of \$58,000.

There were no unusual transactions during the half year.

Based on the information currently available, the Directors believe that the company will report earnings in line with or above the MDA proforma earnings pro-rata for FY2003 disclosed in the Prospectus.

Business Development

The CEO of MDI, Chris Weaver, is currently undertaking an extended overseas trip to:

- Follow-up with the large number of companies that want to work with MDI;
- Visit existing distributors to discuss new opportunities as well as the potential to increase sales of existing products;
- Meet pharmaceutical industry participants to explore the process for registering the Pentrox Inhaler and methoxyflurane and identify uses that will not require registration.

Countries visited or to be visited include Canada, the United States, the United Kingdom, Denmark, South Africa, Singapore and the United Arab Emirates.

The feedback so far from these meetings has been positive and as a result MDI may look to develop strategic alliances and establish distribution arrangements. In addition, the Board will consider initiatives for the registration of some products in new jurisdictions.

Future Strategy

MDI's strategy over the next 12 months will be to:

1. Employ dedicated business development and marketing staff to implement structured marketing plans
2. Prioritise registration of the Pentrox Inhaler and methoxyflurane in other countries
3. Pursue opportunities for using the Pentrox Inhaler and methoxyflurane that will not require registration
4. Consolidate all data and research into concise and credible marketing material
5. Identify and recruit medical experts who will be advocates of the product
6. Conduct regulatory compliant clinical and pre-clinical trials in Australia for broader applications and global registration of the Pentrox Inhaler and methoxyflurane
7. Expand the distribution of medical and veterinary products by defining distribution strategies for each market and entering arrangements with third party distributors where appropriate

Work on all the above strategies is well underway, and we expect this to begin to bear fruit before the end of this financial year.

Specifically, in the 2 months since the ASX listing was completed, progress has been made on, inter alia:

- Prioritising a country list for the Pentrox Inhaler and methoxyflurane
- Growing the Pentrox Inhaler and methoxyflurane business without registration. Several opportunities have been identified in this area:
 - Animal research – demand from international research institutions is growing, and we expect interest to increase through listing the product on primary supply databases used by these institutions
 - Military – we are progressing discussions with several countries that have expressed interest
 - New Zealand – target customers have been identified and discussions have begun
- Expanding the distribution of medical products
 - The New Zealand Government Pharmaceutical management agency PHARMAC recently accepted a proposal from our NZ agent for our Breath-Alert peak flow meters to be the sole subsidised brand of low range and normal range peak flow meters in NZ. From May 1st 2004 until June 30th 2006, the MDI Breath-Alert peak flow meter will be the only peak flow meter listed on the NZ Pharmaceutical Schedule. Negotiations to broaden access to Australian hospitals and pharmacies for similar products are under way and new distribution agents are being actively pursued internationally.

- The recruitment of medical experts and marketing staff
 - A medical specialist is now assisting with the marketing of the Pentrox Inhaler and methoxyflurane and the publishing of papers to support its use in new applications.

The objectives of MDI are to:

- increase the market share of the pharmaceutical business in Australia by promoting the use of the Pentrox Inhaler and methoxyflurane for pain relief in emergency rooms, for minor surgical procedures, for extreme sports, and generally in pre-hospital pain relief
- register the Pentrox Inhaler and methoxyflurane in other countries and export it for use in overseas ambulance services, defence forces, hospitals, and other first aid pre-hospital pain relief markets; and
- develop and expand the medical and veterinary equipment businesses in Australia and overseas organically and by acquisition.

Corporate Governance

The Board is responsible for the direction and supervision of MDI's business. This includes ensuring that internal controls and reporting procedures are adequate and effective. The Directors recognise the need to maintain the highest standards of behaviour, ethics and accountability.

To assist in the execution of its responsibilities, the Board has established two Board Committees being:

- an Audit and Risk Committee (Mr I Kirkwood & Mr M Van Ryn); and
- a Remuneration Committee (Mr D Williams & Mr A McCallum).

All other functions of the Board will be dealt with by the Board as a whole. However, from time to time, the Board may determine to establish specific purpose sub-committees to deal with specific issues.

Share trading

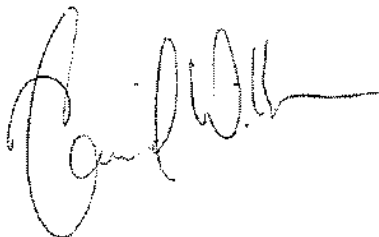
The Board has adopted a share trading policy for directors and officers of the company. The Policy regulates dealings by MDI directors, officers and employees in MDI securities.

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.

Signed in accordance with a resolution of the directors.

On behalf of the directors.

A handwritten signature in black ink, appearing to read 'David Williams', with a long horizontal flourish extending to the right.

David Williams
Chairman

Melbourne, 26th February, 2004

INDEPENDENT REVIEW REPORT TO THE MEMBERS
OF MEDICAL DEVELOPMENTS INTERNATIONAL LIMITED

Scope

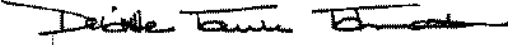
We have reviewed the financial report of Medical Developments International Limited for the half-year ended 31 December 2003 as set out on pages 9 to 14. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order 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 2003 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


J C Brant
Partner
Chartered Accountants

Melbourne, 26 February 2004

Member of
Deloitte Touche Tohmatsu

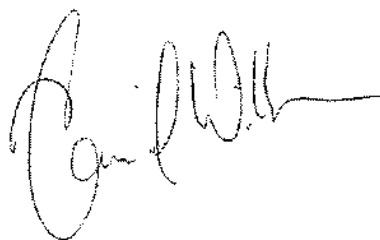
Directors' Declaration

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', with a long horizontal flourish extending to the right.

David Williams
Chairman

Melbourne, 26th February, 2004

Statement of Financial Performance for the Period Ended 31 December 2003

	16 Sep 2003 to 31 Dec 2003 \$'000
Operating revenue from ordinary activities	94
Interest received	11
Total Revenue	105
Depreciation and amortisation expense	(35)
Borrowing costs	(14)
Other expenses from ordinary activities	(114)
Loss From Ordinary Activities Before Income Tax Expense/Benefit	(58)
Income tax benefit relating to ordinary activities	10
Loss From Ordinary Activities After Related Income Tax Benefit	(48)
Loss from extraordinary items after related income tax benefit	-
Net Loss	(48)
Total Revenue, Expense and Valuation Adjustments Recognised Directly In Equity	-
Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners	(48)
 Earnings per Share:	
Basic (cents per share)	(0.14)
Diluted (cents per share)	(0.14)

Notes to the financial statements are included on pages 13-14

Statement of Financial Position as at 31 December 2003

	Note	31 Dec 2003 \$'000
Current Assets		
Cash assets		1,434
Receivables		419
Inventories		1,088
Current tax assets		144
Other		237
Total Current Assets		<u>3,322</u>
Non-Current Assets		
Property, plant and equipment		1,338
Goodwill on acquisition	1	7,553
Total Non-Current Assets		<u>8,891</u>
Total Assets		<u>12,213</u>
Current Liabilities		
Payables		91
Provisions		39
Interest Bearing Liabilities		1,500
Other		57
Total Current Liabilities		<u>1,687</u>
Non-Current Liabilities		
Provisions		22
Interest Bearing Liabilities		2,500
Total Non-Current Liabilities		<u>2,522</u>
Total Liabilities		<u>4,209</u>
Net Assets		<u>8,004</u>
Equity		
Contributed equity	1	8,052
Accumulated Losses		(48)
Total Equity		<u>8,004</u>

Notes to the financial statements are included on pages 13-14

Statement of Cash Flows for the Period Ended 31 December 2003

	16 Sep 2003 to 31 Dec 2003 \$'000 Inflows (Outflows)
<i>Cash Flows from Operating Activities</i>	
Receipts from customers	3
Payments to suppliers and employees	(291)
Interest received	6
Interest and other costs of finance paid	(58)
Net cash provided by/(used in) operating activities	(340)
<i>Cash Flows from Investing Activities</i>	
Payment for property, plant and equipment	(3)
Acquisition related costs paid	(300)
Payment for businesses	(9,458)
Net cash provided by/(used in) investing activities	(9,761)
<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
Cash transferred from purchased business	483
Net cash provided by/(used in) financing activities	11,535
<i>Net Increase/(Decrease) in Cash Held</i>	1,434
<i>Cash At 16 September 2003</i>	0
<i>Cash At End Of The Half-Year</i>	1,434

Notes to the financial statements are included on pages 13-14

Notes to the Financial Statements for the Period Ended 31 December 2003

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.

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

Amortisation of Goodwill

Goodwill on acquisition will be amortised over a period of 20 years from the date of the acquisition of the business of Medical Developments Australia Pty Ltd. Costs directly attributable to the acquisition have been capitalised.

Depreciation

Property, Plant & Equipment are depreciated on a straight line basis over periods varying from 4 to 10 years. The main asset of the company, being the methoxflurane manufacturing plant, has been assessed as having a useful life of 10 years, and will be depreciated over this period.

Changes in Accounting Policies

As this is the first financial report of the company, there have been no changes in accounting policies that impact the results.

IPO Costs Recognised Directly in Equity

In accordance with UIG23(6), transaction costs incurred that related to the issue of equity instruments as part of the Initial Public Offering have been offset against the capital raised and have not been recognised in net profit or loss. The total amount of these transaction costs was \$668,000.

2. Significant Transactions

The company carried out an Initial Public Offering of 34,880,000 shares at \$0.25 per share and raised capital totalling \$8,720,000.

During the half-year the company purchased the business of Medical Developments Australia Pty Ltd. The purchase consideration of \$10,500,000 was financed as follows:

	\$'000
Cash	9,458
Employee Leave Liabilities	42
Vendor Loan	1,000

And purchased the following:

	\$'000
Property, Plant & Equipment	1,347
Working Capital	1,900
Goodwill	7,253

3. Subsequent Events

There were no events subsequent to the reporting date that would have been material in relation to the half-year financial report.

4. Dividends

No dividends were recognised, declared or paid during the half-year.

5. Segment Information

Segment Revenues and Results:

	Pharmaceuticals	Medical Equipment	Veterinary Equipment	Unallocated	Total
	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000	2003 \$'000
Revenues:					
External Sales	30	27	36		93
Other Revenue				12	12
Total Revenue					105
Results:					
Segment Results	6	11	15	(90)	(58)
Income tax benefit relating to ordinary activities					10
Loss from ordinary activities after related income tax benefit					(48)
Extraordinary items					0
Net Loss					(48)

6. Changes in the Composition of the Company

Acquisition of business:

Name of Business Acquired	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Cost of Acquisition \$'000
Medical Developments Australia Pty Ltd	Manufacture and distribution of medical equipment and pharmaceuticals	10 Dec 2003	-	10,500
				10,500

For more information refer note 2.