



ABN 30 096 048 912

Level 8
261 George Street
Sydney NSW 2000
Australia
Tel: 61 2 9247 5087
Fax: 61 2 9247 7273

13 May 2005

The Manager Companies
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

(5 pages by email)

Dear Madam

RE: SHAREHOLDER UPDATE

In accordance with Listing Rule 3.17, I attach a copy of an update on the progress of the Company's operations, as being sent to the Company's shareholders.

Yours sincerely

A handwritten signature in black ink, appearing to read "P. Nightingale", with a stylized, cursive script.

Peter J. Nightingale
Company Secretary

pjn3031



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Dear Shareholder,

On behalf of the Board of Directors of IMD Group Limited ('IMD'), I would like to sincerely thank all shareholders for their support and interest in IMD and to welcome you as a new shareholder.

IMD has had a productive first quarter of 2005 and delivered a number of material outcomes to shareholders.

Since listing in December 2004, IMD has expanded its global footprint with sales and distribution agreements in India and Australia, partnerships in China and regulatory approvals in Canada and Australia.

Milestones achieved include:

- **Sales of needle cutters in India and sharps containers in Australia.**
- **Negotiation of an agreement with The Daniels Group of Australia for sharps containers.**
- **Negotiation of a supply agreement with China's largest medical consumable company, Shandong Weigao Group.**
- **The appointment of new distributors in India and China.**
- **The lodgement of new patent applications and further development of the Company's intellectual property.**
- **The regulatory approval for the BMDi manual retractable syringe in Canada and Australian TGA approval for a range of standard syringes.**

Global awareness of needle stick injury is a serious health problem worldwide and an important health and safety issue. The global syringe market is large and growing and estimated to have an annual expenditure of approximately US \$3.4 billion.

Looking to the future, IMD anticipates a continuation of the growth of the business in 2005 with increased sales, new distributors and the granting of regulatory approvals. Further details are set out on the following pages.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "M. Cadell", is written over a light blue rectangular background.

Keith Cadell
Chairman

UPDATE REPORT TO SHAREHOLDERS

1. EXPANSION OF GLOBAL DISTRIBUTION PLATFORM

IMD's current distribution platform is summarised as:

- India:**
- Three signed distribution agreements, two in North India and one in South India initially for needle cutters.
 - Distribution agreement in negotiation in West India.
 - Branch office established in Mumbai sanctioned by the Reserve Bank of India.
- China:**
- Agreement with Beijing distribution group to distribute sharps containers.
 - Marketing Office established in Changsha, Hunan Province.
- Australia:**
- Sales agreement with The Daniels Group.
 - Continuing sales of sharps containers into the hospital and healthcare markets.
 - Employed an experienced National Sales and Marketing manager in Wollongong.
- The Americas:**
- Agreement with USA distributor.
 - Marketing office based in Ponta Vedra Florida.
 - Targeting additional distributors in Canada, the USA and potentially South America to complement the existing regional distribution structure.
- South East Asia:**
- A distribution sourcing trip was conducted in April 2005 and as a result distributors are being selected in Malaysia, Indonesia, Hong Kong, Taiwan and Vietnam.

In addition to building the Company's distribution platform, the PATH funded roll out of 14,000 Nomoresharps™ needle cutters has commenced into the Indian State of Andhra Pradesh and is to be completed before the end of July 2005. IMD has also received a trial order for PATH's immunisation program in Vietnam.

Discussions continued with other major aid agencies in India and the USA including the World Health Organisation, UNICEF, UNAIDS and the Swiss Red Cross.

2. INTELLECTUAL PROPERTY

IMD has made progress with its intellectual property and design registrations. IMD has filed for multiple Patent Cooperation Treaty (PCT) patents, which allow for the lodgement of international patent applications, as follows:

Vacuum Auto - Retractable Safety Syringe - PCT/IB2003/004784

An automatic retractable syringe technology that uses a vacuum mechanism to retract rather than a spring loaded automatic retraction mechanism.

Retractable Syringe - PCT/AU2004/001743

An automatic retractable syringe device utilising a spring retraction mechanism. Demonstrations of this device have already taken place and is currently in an early prototype stage.

Needle Device - PCT/AU2005/000349

A multipurpose automated retractable medical device for use in intravenous therapy applications and procedures.

Blood Collection Device - PCT/AU2005/00347

An automatic retractable blood collection device utilising a similar technology to the above retractable syringe. It is currently in prototype development stage.

IMD has engaged the services of one of Australia's leading industrial design houses, Design and Industry, to conduct design development and prototyping of its products.

3. REGULATORY APPROVALS

Health Canada's Therapeutic Products Directorate has issued a Medical Device Licence approval for IMD's manual retractable syringe range of products. This Medical Device Licence allows for the distribution of the Company's manual retractable syringe range into the Canadian healthcare market, thereby enabling the Company to expand its marketing efforts in North America.

Australian TGA approval has been received for the following Shandong Weigao products enabling immediate sales and distribution of these products into the Australian healthcare market:

- standard 2cc, 3cc, 5cc, 10cc, 20cc, 30cc and 50cc syringes;
- 1cc insulin syringes;
- TB syringes; and
- scalp vein sets.

Also progressing are the Australia TGA and USA FDA approvals for a range of retractable syringes and medical consumables.

4. MANUFACTURING AND PRODUCT SOURCING

NEW MANUFACTURER FOR SHARPS CONTAINERS - LOWER COST AND HIGHER PRODUCTION CAPACITY

IMD has entered into an arrangement with a new manufacturer for its range of medical sharps containers. This new arrangement has provided IMD with significant savings in the cost of manufacture of the existing range of products and increased the production capacity threefold.

STRATEGIC RELATIONSHIP DEVELOPED WITH CHINA'S LARGEST DISTRIBUTOR OF MEDICAL CONSUMABLES

IMD has acquired the rights to distribute a range of disposable syringes, scalp vein sets and insulin syringes manufactured under the BMDi brand by Shandong Weigao Group Medical Polymer Co; who are currently supplying IMD with 3cc, 5cc and 10cc safety syringes. Shandong Weigao is the largest distributor of medical consumables in the Chinese market and is viewed as a key partner in IMD's global manufacturing and distribution strategy. IMD has also negotiated distribution rights to sell the Shandong Weigao manual retractable syringe into the US market. This enables IMD to further penetrate the world's largest market for safety syringes.

INDIAN PRODUCTION OF NEEDLE CUTTERS COMMENCED

IMD's outsourced factory in India, AVULCO, commenced full scale commercial production of the Nomoresharps™ needle cutters for the PATH contract mentioned above. AVULCO will now be the primary manufacturing source of needle cutters for the Company's global distribution strategy.

IMD Group Limited
Phone: 61 2 9247 5087 Fax: 61 2 9247 7273
Email: info@imdgroup.com.au Web: www.imdgroup.com.au
ASX Code: IML