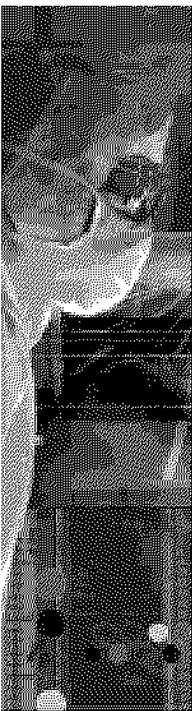




LabTech Systems Ltd



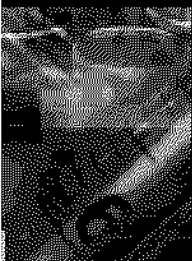
AN UNDERWRITTEN OFFER OF 22,500,000 ORDINARY SHARES AT AN ISSUE PRICE OF 20 CENTS PER SHARE WITH AN ATTACHING OPTION, PAYABLE IN FULL ON APPLICATION, TO RAISE \$4,500,000, WITH THE RIGHT TO ACCEPT OVERSUBSCRIPTIONS TO RAISE AN ADDITIONAL \$1,000,000.

PROSPECTUS

LABTECH SYSTEMS LTD
ACN 107 670 673

UNDERWRITER: MARTIN PLACE SECURITIES PTY LTD

This Prospectus, together with the Application Form, should be read in their entirety. Before deciding to participate in this Offer, you should consider its appropriateness, having regard to the speculative nature of the investment, your objectives, financial situation and needs. If you have any questions about the Shares and Options being offered under this Prospectus you should seek professional investment advice.



CORPORATE DIRECTORY

Directors

Douglas Peter LeMessurier
Paul Andrew Mariani
Catherine Mary Costello
Lusia Halina Guthrie (Managing Director)

Company Secretary

Paul James Mansfield

Registered Office

253 Sturt Street
Adelaide SA 5000

Financial Advisers

Martin Place Securities Pty Ltd
Level 3, 14 Martin Place
Sydney NSW 2000

Accountants

MSI Tilley
253 Sturt Street
Adelaide SA 5000

Lawyers

DMAW Lawyers
Level 3, 80 King William Street
Adelaide SA 5000

Auditors

HLB Mann Judd Stephens (S.A.)
82 Fullarton Rd
Norwood SA 5067

Share Register

Link Market Services Limited
Level 21
300 Queen Street
Brisbane QLD 4001

Investigating Accountant

HLB Mann Judd Stephens (S.A.)
82 Fullarton Rd
Norwood SA 5069

Underwriter

Martin Place Securities Pty Ltd
Level 3, 14 Martin Place
Sydney NSW 2000

IMPORTANT DATES

Prospectus Date	31 October 2005
Offer opens	7 November 2005
Offer closes	5 December 2005
Allotment of Shares	6 December 2005
Expected commencement of trading on ASX	19 December 2005
Shares expected to begin trading on a normal basis	19 December 2005

Note:

This timetable is indicative only. All times are in Australian Central Standard time (CST). The Company in consultation with the Financial Adviser, reserves the right to vary the dates and times of the Offer, including to close the Offer early or to accept late Applications, either generally or in particular cases, without notifying any recipient of this Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible.

ENQUIRIES

All enquiries in relation to this Prospectus should be directed to the Company on 08 8231 5877 or 08 8362 2698 from 9.00am to 5.00pm CST, Monday to Friday during the Offer Period.

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IMPORTANT NOTICES

General

This Prospectus is an invitation to apply for Shares and Options in LabTech Systems Ltd (Company). The Offer does not take into account your investment objectives, financial situation and particular needs. You should seek professional guidance before deciding whether to invest. A number of key risk factors that you should consider are outlined in Section 7 of this Prospectus. An investment in the Shares and Options should be considered to be speculative.

Stock Exchange

Application to ASX or NSX will be made in accordance with Section 1.9 of this Prospectus. The fact that ASX or NSX may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities. Neither ASX nor NSX take any responsibility for the contents of this document or make any representations as to its accuracy or completeness. ASX and NSX expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

Lodgement with ASIC

This Prospectus is dated 31 October 2005 and has been lodged with ASIC. No responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates is taken by ASIC.

Expiry Date

No Shares and Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Representations

No person is authorised to provide any information or to make any representation in connection with the Company or the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offer.

IMPORTANT NOTICES

Not an Offer in Certain Jurisdictions

This Prospectus has been prepared to comply with the requirements of the securities law of Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws applicable to the jurisdiction in which the Prospectus is received. This Prospectus does not constitute an offer of securities in any place, or to any person to whom it would be unlawful to make such an offer.

Electronic Prospectus

This Prospectus is available in electronic form at www.labtechsystems.com. The Offer constituted by this Prospectus in electronic form is available only to residents in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus and Application Form. A hard copy of this Prospectus is available free of charge to any person in Australia by telephoning the Company on 08 8231 5877 or 08 8362 2698 during the Offer Period.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications will not be accepted until after expiry of the Exposure Period. No preference will be conferred on persons who lodge Applications prior to the expiry of the Exposure Period.

Privacy

If you apply for Shares and Options, you will provide personal information to the Company and the Share Registrar. The Company and the Share Registrar collect, hold and use your personal information in order to assess your Application Form, provide facilities and services that you request and carry out appropriate administration. Some of the information is required to be collected under Australian company and taxation law. If you do not provide the information requested, your Application may not be able to be processed efficiently, or at all. For purposes related to your investment the Company and the Share Registrar may disclose your personal information to their agents and service providers including the Share Registrar for on-going administration of the register, the printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail, or as otherwise authorised under the Privacy Act 1988 (C'th).

If you become a Shareholder, information collected about you may also be used or disclosed from time to time to inform you about the Company's products or services. If you do not want your personal information to be used for this purpose, you should contact the Company on (08) 8231 5877.

Under the Privacy Act 1988 (C'th), you may request access to your personal information held by (or on behalf of) the Company or the Share Registrar. You can request access to your personal information by telephoning or writing to the Company through the Share Registrar as follows: Link Market Services Limited, Level 21, 300 Queen Street, Brisbane, or telephoning the Company on 08 8231 5877 or 08 8362 2698. The Company's privacy policy may be inspected at the Company's registered office between 9am and 5pm CST on Business Days.

CHAIRMAN'S LETTER

Dear Prospective Shareholder

On behalf of the Board of Directors, I am pleased to introduce this Prospectus which presents an offer for members of the public to subscribe for Shares with attaching Options at an issue price of \$0.20 per Share. I recommend that you read this Prospectus in full.

This Prospectus will also be used to assist in moving the listing of the Company's Shares and Options from NSX to ASX. Having the Company's securities listed and trading on ASX is expected to be a positive step in the development of the Company. If, however, the Company fails to list on ASX, it will remain on NSX.

The Company's primary focus is to foster further development of the concept technology known as MicroStreak®. The proposed use of this technology is for the automation of microbiology laboratory processing, in particular, for use in diagnostic microbiology laboratories in clinical pathology, food and environmental testing. This technology has the potential to assist diagnostic microbiology laboratories in achieving the benefits of process automation in streamlining work flows and making routine laboratory processes more accurate, timely and cost-effective. The Company hopes that its work in relation to this technology will positively impact on the future use of automation systems in microbiology laboratories.

The Company has access to the MicroStreak® technology through its exclusive worldwide licence with Medvet Science Pty Ltd. The licence allows the Company to further develop, make, use and sell products derived from the technology. Further details of the licence are set out in Section 10, Material Contracts. For more details of the technology, please refer to Section 2, Business and Science Overview, and Section 5, Independent Expert Reports.

The Directors intend to use a significant proportion of the proceeds of this Offer to progress the development of the MicroStreak® technology with the intention of producing commercial prototype products and laboratory systems.

On behalf of the Board of Directors, I commend this Prospectus to you and look forward to welcoming you as a shareholder of LabTech Systems Ltd.

Yours Faithfully



D P LeMessurier
Chairman

INVESTMENT SUMMARY

The Company is seeking to raise equity to provide funds for further development and commercialisation of an innovative technology known as MicroStreak®. This technology has applications in microbiology laboratory automation markets.

MicroStreak® Automation of Microbiology Processing

Diagnostic microbiology laboratories, world wide, test many patient samples daily and rely heavily on Agar Plate based identification of microorganisms isolated from samples. Presently, the mainstay of diagnostic microbiology analysis is the "streaked Agar Plate". Unlike many other processes in laboratory medicine, the preparation, streaking and reading of Agar Plates has remained a time-consuming, labour intensive task. A global market opportunity exists for the automation of routine processes associated with Agar Plate based microbial culture.

The Company entered into a worldwide exclusive Licence Agreement to develop and commercialise the MicroStreak® technology. The proposed products are high-throughput laboratory instrumentation systems, incorporating the core MicroStreak® technology, that automate the processes associated with the preparation, inoculation and streaking of Agar Plates. This system is intended to replace many of the manual processes involved in the set up and streaking of Agar Plates.

The Company, with the assistance of Medvet Science Pty Ltd, has applied for Australian patent application number PCT/AU2005/000079 to protect the MicroStreak® technology. The Company has also been granted Trade Mark No 1024246 for the protection of the trade mark MicroStreak®.

Board and Management

The Board and management of the Company have a mix and balance of skills and experience in business development and management, legal, operations, finance, science and engineering.

Corporate Strategy

The Company's strategy is to become a developer and investor of innovative technologies for laboratory automation, in particular for microbiology processes.

Purpose of the Offer

The purpose of the Offer is to raise funds for:

- Commercial development of Automated microbiology laboratory systems incorporating the MicroStreak® technology and other related research;
- Potential transfer to production and commercialisation activities;
- General and administration expenses and compliance with any government regulations.

1. DETAILS OF THE OFFER

1.1 The Offer

The Company is inviting investors to apply for 22,500,000 Shares, each with one attaching Option, to raise \$4,500,000. The Directors reserve the right to accept oversubscriptions for 5,000,000 Shares and Options raising a further \$1,000,000.

Shares are being offered at the Application Price of \$0.20 each.

All Shares offered under this Prospectus rank equally with one another and with the Company's existing Shares. A summary of the rights and liabilities attaching to Shares is set out in Section 11.2 of this Prospectus. The Option terms are set out in Section 11.3 of this Prospectus.

1.2 Conditions of the Offer

This Offer is conditional on the Company receiving Applications for at least 12,500,000 Shares, including Shares subscribed for pursuant to the Underwriting Agreement.

The condition contained in this Section 1.2 is a condition subsequent and will not prevent a contract arising from acceptance of this Offer, but any non-fulfilment of the condition will rescind the contract resulting from acceptance of the Offer. The Company will use all reasonable endeavours to ensure that the condition in this Section 1.2 is satisfied, as soon as possible after the Prospectus Date.

1.3 Purpose of the Offer

The Company seeks to raise new equity capital to create wealth for its Shareholders through the further development of the MicroStreak® technology.

The intended objectives of the Company are to:

- 1.3.1 further research the capabilities of the MicroStreak® technology and develop prototype MicroStreak® applicator assemblies and automated microbiology laboratory systems;
- 1.3.2 identify other applications of the MicroStreak® technology in the field of laboratory automation;
- 1.3.3 encourage and fund research for development of further products emanating from research;
- 1.3.4 identify, source and secure national and/or international distributors and/or licensees or other commercial agreements;
- 1.3.5 employ appropriate people for any function in the organisation;
- 1.3.6 identify other sciences with prototype products to research, produce and market;
- 1.3.7 re-enforce current patent applications and seek new patents from current or new research groups;
- 1.3.8 address Government regulations and compliance for current and possible new products;
- 1.3.9 establish appropriate markets and negotiate with potential partners;
- 1.3.10 obtain both Australian and any overseas government approval for current or new products.

By way of summary, it is the intention of the Company that in relation to the inventions described in Section 2 of this Prospectus, the Offer will enable the Company to progress those inventions from their current status to the status by the end of the first anniversary of the Prospectus Date as set out below:

Current Status of the Technology	Proof of Concept research has been successfully completed for the core MicroStreak® technology. Specifications are under development for an automated laboratory processing system incorporating the MicroStreak® technology. Further market research and business planning is in progress.
Intended Status of the Technology at the end of Year 1	Continuing development of the proposed automated system incorporating the MicroStreak® technology, progressing towards transfer to production.

DETAILS OF THE OFFER

1.4 Offer Proceeds

The Company is seeking to raise a full subscription of \$4,500,000 pursuant to the Offer. The minimum subscription is \$2,500,000. Oversubscriptions to raise a further \$1,000,000 will be accepted.

The proceeds of the Offer are to be used to fund commercialisation of the technology, the expenditure commitments of the Company under the agreements summarised in Section 10, Material Contracts, the costs associated with the Offer and the corporate overheads of the Company. Based on current information and circumstances, these funds are intended to be used as set out in the table below.

Application of Funds	Minimum Subscription \$2,500,000		Full Subscription \$4,500,000		Over Subscription \$5,500,000	
	Yr 1	Yr 2	Yr 1	Yr 2	Yr 1	Yr 2
Licence Agreement in relation to MicroStreak® technology	60,000	-	60,000	-	60,000	-
Further technology and concept development, product definition, design for manufacture, testing trials	1,417,000	-	2,400,000	417,000	2,400,000	417,000
Transfer to manufacture, manufacture establishment	-	-	-	-	-	919,000
Working capital (administration, salaries, travel, rent, consultants, Intellectual Property, legal and accounting)	500,000	-	500,000	600,000	500,000	600,000
Costs in connection with the Offer (advisory, legal, accounting, tax, listing and administrative fees, printing, advertising underwriting fees and other expenses)	692,000	-	692,000	-	707,000	-
Annual Total	2,669,000	-	3,652,000	1,017,000	3,667,000	1,936,000

The Directors consider that the funds to be raised pursuant to this Prospectus will provide sufficient working capital to achieve the aims and objectives set out in this Prospectus. Refer to Section 1.3 for details of the Company's aims and objectives.

The payment of future dividends (if any) will depend upon the success of the Company's activities and its future profitability and financial position.

1.5 How to apply for Shares under the Offer

1.5.1 Complete the Application Form

Application Forms must be completed and submitted in accordance with the instructions set out on the reverse of the form.

Applications must be for a minimum of 10,000 Shares at \$0.20 (\$2000) and in multiples of 1000 Shares (\$200) thereafter.

The Company reserves the right to reject any Application Form which is not correctly completed or which is submitted by a person who it believes may not be eligible to apply, or to waive or correct any errors made by an Applicant in completing the Application Form.

1.5.2 Attach the Application Money

Application Forms must be accompanied by cheque(s) for the relevant Application Monies.

The Application Monies must be provided by 5.00pm CST on the Closing Date 5 December 2005 at 5pm CST.

Applicants must apply at the Application Price of \$0.20 per Share. Cheque(s) must be in Australian Dollars (\$) and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable to "LabTech Systems Ltd - Share Offer".

You should ensure that sufficient funds are held in the relevant account(s) to cover the cheque(s).

DETAILS OF THE OFFER

If the amount of your cheque(s) for Application Monies (or the amount for which those cheque(s) clear in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for (and to have specified that number of Shares in your Application Form), or your Application may be rejected in full at the Company's discretion.

1.5.3 Return the Application Form

Completed Application Forms and Application Monies should be posted to:

LabTech Systems Ltd - Share Offer
GPO Box 1385
Adelaide SA 5001

Applications and Application Monies must be received by no later than 5.00pm CST on 5 December 2005, unless the Company elects to close the Offer, or any part of it early, or extend the Offer or any part of it, or accept late Applications either generally or in particular cases.

The Offer or any part of it may be closed at any earlier date and time, without further notice. Applicants are therefore encouraged to submit their Applications as early as possible.

1.5.4 Queries

Applicants with queries on how to complete the Application Form or who require additional copies of this Prospectus can contact the Company on (08) 8362 2698 or Martin Place Securities on (02) 9222 9111.

1.6 Brokerage

Where the Application Form of an Applicant bears the code of an AFS Licensee, the Company will pay that AFS Licensee a fee of an amount equal to 5% of the total amount paid by that Applicant for Shares received under that Application.

1.7 Acceptance of Applications

An Application in the Offer is an offer by the Applicant to the Company to subscribe for all or any of the Shares and Options specified in the Application Form at the Application Price on the terms and conditions set out in this Prospectus including any supplementary or replacement Prospectus and the Application Form. To the extent permitted by law, the offer by an Applicant is irrevocable.

An Application may be accepted by the Company, in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant.

Acceptance of an Application by the Company will give rise to a binding contract.

1.8 Disbursement of Application Monies

All Application Monies received under this Prospectus will be banked in a separate account (Offer Application Account). If an Application is rejected, all of the relevant Application Monies will be refunded (without interest) to the relevant Applicant. Application Monies will also be refunded (without interest) if the Offer is cancelled, if Section 1.9 of this Prospectus is not satisfied or if contracts arising on acceptance of Applications are cancelled because the condition referred to in Section 1.2 of this Prospectus is not met. Application Monies will also be refunded in relevant part (without interest) if part of the Offer is cancelled.

If an Application is accepted for some or all of the Shares applied for and the condition referred to in Section 1.2 of this Prospectus is met, the relevant Applicant will receive the number of Shares and Options in respect of which the Application is accepted, at the Application Price and a refund (without interest) of the balance of the relevant Application Monies.

Any refunds made will be without interest (although the Company reserves the right to pay interest in particular cases in its absolute discretion). The Company will receive any interest paid on the Offer Application Account.

Refunds will be paid out of the Offer Application Account. The issue price of Shares allocated in the Offer will be paid out of the Offer Application Account to the Company against the issue of Shares to which the relevant funds related. Any remaining balance in the Offer Application Account after all Shares in the Offer have been allocated will be paid to the Company.

DETAILS OF THE OFFER

1.9 ASX Listing

Application for admission of the Company to the official list of ASX and for quotation of the Shares and Options (including Shares and class B Options on issue as at the Prospectus Date and Shares and Options the subject of this Offer) on ASX will be made to ASX no later than seven days after the Prospectus Date.

If the Company is not admitted to the official list of ASX or official quotation of the Shares and options on ASX is not obtained, within 7 days of the Company being notified of this by ASX, application will be made for official quotation of the Shares and options issued pursuant to this Offer on NSX.

If official quotation of these Shares and Options on NSX is not obtained within three months of the Prospectus date the Application monies will be refunded without interest and the Offer will not proceed.

If the Company is admitted to the official list of ASX, it will apply for delisting of securities on NSX so the result will be that the Shares, class B Options and class C Options will be quoted on ASX and the class A Options will either remain on NSX or be unquoted.

If the Company is admitted to the official list of ASX, a number of current Shareholders and Option holders will be required to enter into restriction agreements in accordance with ASX requirements.

ASX and NSX take no responsibility for this Prospectus or the investment to which it relates. Admission to the official list of ASX and quotation of the Shares and Options on ASX or NSX are not to be taken as an endorsement by ASX or NSX of the Company or the investment.

1.10 Brokerage, Commission and Stamp Duty

No brokerage or commission is payable by Applicants on acquisition of Shares and Options under the Offer.

1.11 Company Discretion

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of Shares and Options to Applicants. If the Offer or any part of it is cancelled, all Application Monies, or the relevant Application Monies, will be refunded (without interest).

The Company also reserves the right to, of its own accord or in conjunction with the Underwriter:

- close the Offer or any part of it early;
- extend the Offer or any part of it;
- accept late Applications either generally or in particular cases;
- reject any Application; or
- allocate to any Applicant fewer Shares and Options than applied for.

2. BUSINESS AND SCIENCE OVERVIEW

The Company relies on the ability to develop the MicroStreak® technology and the potential to commercialise it. The scientific nature of the technology and its applications are complicated. Below is an overview of the nature and applications of the technology.

2.1 MicroStreak® History

In July 2004, the Company entered into an agreement with Medvet Science Pty Ltd under which the Company was granted an exclusive worldwide first option to enter into an exclusive worldwide licence to make, use and sell products derived from the MicroStreak® technology. The Company raised funds for Alpha-prototype development and Proof of Concept research.

In December 2004, the Company exercised its option and entered into a Licence Agreement for the exclusive worldwide licence to the MicroStreak® technology.

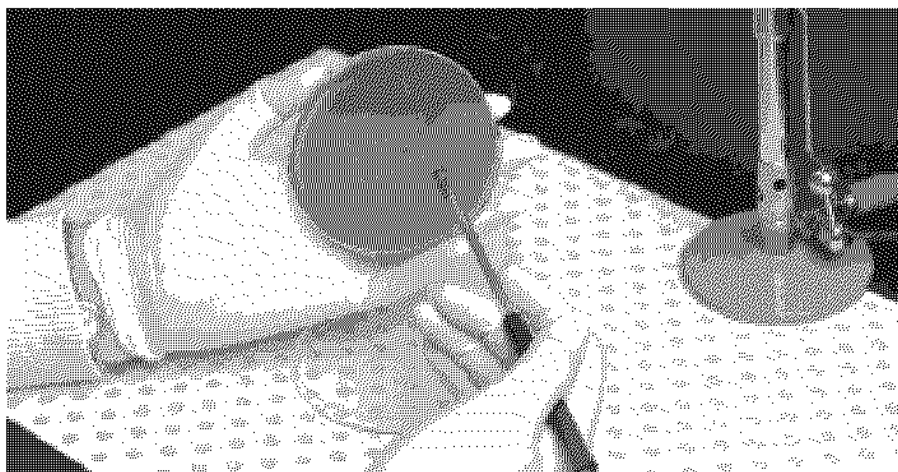
The MicroStreak® technology is subject to a patent application PCT/AU2005/000079 'Microbial Streaking Device' and an Australian trade mark is registered: Australian Trade Mark No.1024246 'MicroStreak'.

The intended products culminating from further technology development are commercial instrumentation systems, incorporating the core MicroStreak® technology, for the automation of microbiology laboratory processing.

2.2 Diagnostic Microbiology

Diagnostic microbiology is a discipline that has traditionally used minimal work process Automation. The isolation and identification of Micro-organisms for medical diagnostic purposes plays an important role in determining which treatments are required by patients with various diseases.

Conventional laboratory diagnostic microbiology, practised in laboratories worldwide, involves specimen collection and registration, followed by the inoculation, isolation, identification and testing of Pathogenic Microbes from clinical specimens. Generally, isolation of single bacterial colonies is performed manually as shown in the diagram below.



The core MicroStreak® technology allows automation of Agar Plate Inoculation and streaking. The Company proposes to incorporate the technology into an instrumentation system to automate manual processes associated with routine Agar Plate preparation.

A global market opportunity exists for the Automation of routine processing in diagnostic microbiology laboratories.

2.3 Laboratory Automation

Laboratories play a pivotal role in patient management and supply up to 80% of the data used by physicians to make important medical decisions. Automation is a tool that enables laboratories to perform this function more reliably, effectively and efficiently.

Advances in the fields of microelectronics, information technology and robotics, along with advances in laboratory medicine, have transformed patient care delivery in the last decade.

There have been dramatic changes in the practice of laboratory medicine in the fields of clinical biochemistry, clinical pathology, haematology, molecular biology, genetics, cell culture and cell biology. Technology is transforming the practice of clinical microbiology and allowing faster and more accurate results within days of receiving specimens.

BUSINESS AND SCIENCE OVERVIEW

The important drivers of the growth in technology and Automation include: ageing populations; age-related illness; emerging new pathogens; the development of antibiotic-resistant bacteria and the fight against bio-terrorism.

Automated instrumentation provides laboratory professionals with the tools they need to automate tasks and help reduce errors during testing. Laboratory automation and process improvement can afford significant benefits to the laboratory, the health care system and the patient. Automation and process improvement help laboratories improve efficiency, cut costs and help the laboratory increase quality and reduce variability. Reduction of manual tasks allows laboratory professionals to focus on work that requires critical analysis, such as interpreting patient results.

The MicroStreak® technology creates the opportunity to automate microbiology processing and achieve the benefits already enjoyed in other disciplines of routine pathology testing. Potential benefits of MicroStreak® instrumentation systems may include: increased throughput; reduced laboratory operating costs; process standardisation; and relieving trained staff of repetitive manual processes.

2.4 MicroStreak® Technology

Researchers at the Institute of Medical and Veterinary Science (IMVS) in Adelaide, South Australia, developed a concept technology viz. MicroStreak® that involves the use of a streaking device to be applied to the surface of an Agar Plate which rotates to various degrees.

MicroStreak® has the possibility of being applicable to Automation in Medical Microbiology laboratories for the diagnosis of infectious diseases and in food and environmental microbiology laboratories for the microbiological analysis of food, water, pharmaceutical and cosmetic products.

The possible outcomes culminating from further research and development of the technology are commercial systems for the automation of microbiology laboratory processing, which may comprise:

- Laboratory automated instrumentation;
- Agar Plate management system;
- Disposable MicroStreak® applicators;
- Associated consumable products.

The intended system may handle a wide range of samples (physiological and biological samples, food and water) with possible high processing speed and scaleable to a variety of workloads.

2.5 MicroStreak® Research and Development

In July 2005, the Company commenced commercial development of the MicroStreak® technology and associated laboratory instrumentation that incorporates the core MicroStreak® technology.

2.6 MicroStreak® Intellectual Property

The technology is subject to patent application PCT/AU2005/000079 'Microbial Streaking Device'; the registered Australian Trade Mark No.1024246 'MicroStreak' and to all other proprietary rights and intellectual property rights related to the invention known as MicroStreak® and formerly known as 'APIS'.

2.7 Technology Licence Arrangements with Medvet Science Pty Ltd

Under the Licence Agreement with Medvet Science Pty Ltd, the Company has been granted an exclusive licence to develop, enhance and improve the intellectual property rights in the MicroStreak® technology to bring this technology to practical application and to exploit, market and sell products derived from the technology. The term of the licence continues for the life of the Patent Application, the Patent or any other patent or patent application based on the Patent Application or the Patent.

2.8 Arrangements with Invetech Pty Ltd

Invetech Pty Ltd has been engaged to develop stage 1 product definition for instrumentation to automate the MicroStreak® technology. It is proposed that the MicroStreak® system will be developed in four stages:

- 2.8.1 Product definition to compile detailed specifications for a preferred instrument concept, develop concept options selecting a preferred implementation, and to commence experimental exploration of key risks as input to the next phase of development;
- 2.8.2 Concept development of a commercial automated system, including concept demonstration prototypes, tooled consumables and MicroStreak® assemblies;
- 2.8.3 Design for manufacture including Beta Prototypes; and
- 2.8.4 Transfer to manufacture.

Invetech Pty Ltd is a wholly owned subsidiary of Vision Systems Ltd, an ASX listed international high technology Company, based in Melbourne, Australia.

3. BOARD AND DEVELOPMENT TEAM

The Board and management of the Company have a mix and balance of skills and experience in business development and management, legal, operations, finance and equity markets, and scientific, engineering and medical experience.

3.1 Directors

Douglas Peter LeMessurier SIA(Aff) ADA1(ASX) MSDIA MBA (Chairman)

Peter is a Sharebroker. Previously, he has held positions as State Manager of D&D Tolhurst Ltd - South Australia, a national share broking firm, and as Director of the South Australian Asset Management Corporation (Chair of Super Fund and a member of its Audit and Insurance Committee). Peter is a former Board member of the Royal Adelaide Hospital Inc.

Peter is currently a Commissioner of the South Australian Lotteries Commission (past Chair of the Audit Committee) and current Member of the Audit Committee. Peter is Chair of the public companies: Vet Biotechnology Ltd; SDP Technology Ltd; Apomab Ltd; Ascend Asset Management Ltd and a director of GTL Energy Ltd.

Catherine Mary Costello LLB

Kate has a law degree from the University of Melbourne and was previously an academic at the University of South Australia. She was in management with a commercial law firm before establishing a management consultancy. Kate has over 20 years experience in corporate governance and strategy through her consulting work with the Boards of client organisations, her directorships and her involvement as a facilitator in the Company Directors' Course offered by the Australian Institute of Company Directors.

Kate's Board experience includes directorships in South Australian Totalizator Agency Board, Australian Central Credit Union Ltd, Festival City Broadcasters Ltd and Chairmanship of Saab Intelligent Transport Systems Ltd and Bassett Consulting Engineers. She is currently a director of Integrated Research Ltd and Saab Systems and a member of the Independent Selection Committee, University of Adelaide and a steering committee member of the OECD's "Creating the Future" project.

Lusia Halina Guthrie BAppSc MScSTC (Managing Director)

Lusia holds a Masters degree in Science and Technology Commercialisation from the University of Adelaide and a Bachelor of Applied Science in Medical Technology from the University of South Australia. She has executive level operations and manufacturing management experience with a major international pharmaceutical Company. Areas of expertise include product development, production and supply chain management, project management, industrial relations and regulatory compliance.

She has completed the Australian Institute of Company Directors programme and has held several non-executive Board appointments. Recently, Lusia worked in intellectual property management and commercialisation for a leading Adelaide research institute. She is a Director of Vet Biotechnology Ltd, SDP Technology Ltd, Apomab Ltd and is currently a member of the Manufacturing Consultative Council for the State Government of South Australia.

Paul Andrew Mariani BSc

Paul has a Bachelor of Science degree from the University of California and was a Commissioned Officer in the US Army from 1968 to 1970. He was Chief Executive Officer and Chairman of dried fruit processor, Angas Park Fruit Company and has vast experience in the US and South Pacific markets in fruit processing, agriculture and dried meat processing. Paul also has experience in community hospitals and various charitable organisations. He is currently a Director of the public companies Vet Biotechnology Ltd, SDP Technology Ltd and Apomab Ltd.

3.2 Scientific and Engineering Team

John Hughes Glasson MAppSc FAIMS

John is the Chief Operating Officer for the Division of Clinical Pathology at the Institute of Medical and Veterinary Science in Adelaide, South Australia. He is a generally trained medical scientist with a Masters Degree and post-graduate Fellowship in microbiology. He also holds a Graduate Certificate in Management from Deakin University.

John spent over 12 years working in a regional pathology laboratory and has managed a 24-hour emergency laboratory service within the Royal Adelaide Hospital. His experiences also include the management of a state-wide regional laboratory and specimen collection network.

BOARD AND DEVELOPMENT TEAM

In his current position, John manages a laboratory that performs over 1 million diagnostic tests each year, a central specimen reception area, a medical specimen vehicle courier service and a customer service centre.

Lachlan James Smith BE(Hons) GradIEAust MIEE

Lachlan is a PhD Research Student and Project Engineer at the Institute of Medical and Veterinary Science in Adelaide, South Australia. He received his degree in Mechatronic Engineering with first class honours from the University of Adelaide in 2001 and took up the position of Project Engineer at the IMVS.

Lachlan has worked on a number of biomedical engineering projects, both technical and policy related. In 2004 he joined the Bone and Joint Research group at the IMVS and commenced PhD studies through the Department of Pathology at the University of Adelaide. He is a Graduate Member of the Institution of Engineers Australia and a Member of the Institution of Electrical Engineers.

Invetech Pty Ltd

Invetech is a wholly owned subsidiary of Vision Systems Ltd, an ASX listed international high technology company, based in Melbourne, Australia. Invetech has more than 200 in-house engineers, designers and scientists at the Melbourne facility.

With a track record of over 40 projects since 1988, Invetech specialises in contract instrument development, instrument manufacturing and custom Automation for life sciences and biotechnology. Projects have been completed for the in-vitro diagnostics, life sciences & biotechnology, molecular biology, drug discovery and pharmaceutical manufacturing markets. Invetech serves a global client base of start-ups through to multinationals, including four of the top 10 diagnostics companies. More details about Invetech can be found at <http://www.invetech.us>.

3.3 Corporate Governance

Company policies regarding the terms and conditions of remuneration of Board members will be approved by the Board on the basis of independent professional advice, as required.

The remuneration and terms and conditions of employment for the Managing Director and any other senior executives will be reviewed and approved by the Board of Directors after seeking independent professional advice, as required.

Non-executive Directors will have the right to seek independent professional advice to further their duties as Directors at the Company's expense. The Chairman's prior approval of any expenditure will be required.

If the Company is listed on ASX, the Board will move in a timely way to adopt the ASX Principles of Good Corporate Governance and Best Practice Recommendations. The Board accepts its responsibilities in directing and controlling the Company's actions, affairs and policies and has adopted the following policies and procedures:

- 3.3.1 Continuous Disclosure Policy
- 3.3.2 Remuneration Policy
- 3.3.3 Audit Committee Charter
- 3.3.4 Director and Executive Option Plan
- 3.3.5 Managing Director Position Description
- 3.3.6 Privacy Policy

The Board has in draft form the following policies and procedures:

- 3.3.7 Charter of Board Responsibilities
- 3.3.8 Code of Conduct
- 3.3.9 Duties of Directors
- 3.3.10 Individual Employment Agreement
- 3.3.11 Trading Policy
- 3.3.12 Key Result Areas and Key Performance Indicators
- 3.3.13 Statement of Delegations to Management
- 3.3.14 Statement of Election of Directors
- 3.3.15 Nominations and Remuneration Committee Charter
- 3.3.16 Role of Chairman

4. INDEPENDENT ACCOUNTANT'S REPORT



Mann Judd Stephens (S.A.)

Chartered Accountants

27th October 2005

The Directors
LabTech Systems Limited
253 Stuart St
ADELAIDE SA 5000

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT

General

We have prepared this Independent Accountant's Report on historical financial information of LabTech Systems Limited ('LabTech Systems') for inclusion in a Prospectus dated on or about 31st October 2005 relating to the proposed issue by LabTech Systems of 22,500,000 shares at an issue price of \$0.20 per share to raise \$4,500,000.

Historical Financial Information – LabTech Systems Limited

We have been appointed auditors of the company since 30 April 2004. We have audited the financial reports of the company for the following reporting periods:

- 19 January 2004 to 30 June 2004; and
- 1 July 2004 to 30 June 2005.

Pro Forma Historical Statement of Financial Position as at 30 June 2005 and Notes to Pro Forma Historical Statement of Financial Position for Year Ended 30 June 2005

Scope

You have requested us to prepare a report covering the Pro Forma Historical Statement of Financial Position as at 30 June 2005 and Notes to Pro Forma Historical Statement of Financial Position for the year ended 30 June 2005 ('Pro Forma Financial Report'), which assumes completion of the contemplated transactions disclosed in Note 1 of the Pro Forma Financial Report. The contemplated transactions in Note 1 are described collectively as 'the proforma transactions'.

Review of Pro Forma Historical Financial Information

The historical financial information set out in the Proforma Financial Report has been extracted from the audited Financial Report of LabTech Systems for the year ended 30 June 2005. Our audit report issued in respect of this Financial Report was unqualified. The Directors of LabTech Systems Limited are responsible for the preparation of the Pro Forma Financial Report including determination of the adjustments required to bring to account the proforma transactions referred to in Note 1.

We have conducted our review of the Pro Forma Financial Report in accordance with the Australian Auditing and Assurance Standard AUS 902 'Review of Financial Reports'. We made such enquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- Analytical procedures on the Pro Forma Financial Report for the relevant historical period;
- A review of work papers, accounting records, and other documents;

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- * A review of the assumptions used to compile the Pro Forma Financial Report;
- * A review of the adjustments made to the Pro Forma Financial Report referred to in Note 1;
- * A comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 9 of the Prospectus; and
- * Enquiry of Directors and others.

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.

Conclusion:

Review Statement on Pro Forma Historical Statement of Financial Position as at 30 June 2005 and Notes to Pro Forma Historical Statement of Financial Position for Year Ended 30 June 2005

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- * the Pro Forma Historical Statement of Financial Position as at 30 June 2005 and Notes to Pro Forma Historical Statement of Financial Position for the year ended 30 June 2005 have not been properly prepared on the basis of the Pro Forma transactions as set out in Note 1;
- * the historical financial information, as set out in Section 9 of the Prospectus does not present fairly:
 - (a) the historical financial performance of the Company for the year ended 30th June 2005; and
 - (b) the historical statement of financial position of the Company as at 30th June 2005.

In accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by the company disclosed in Section 9 of the Prospectus.

Subsequent Events

Apart from the matters dealt with in this report, and having regard to the scope of our report to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

HLB Mann Judd Stephens (S.A.) does not have any interest in the outcome of this issue other than for the preparation of this report and acting as auditors of the company for which normal professional fees will be received.

Consent

We have given consent to our Independent Accountant's Report being included in the Prospectus in the form and context in which it appears, and had not withdrawn that consent as at the date of signing of the Prospectus.

HLB Mann Judd Stephens (S.A.) takes no responsibility for any other material in the Prospectus.

Yours faithfully



HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS



PHIL PLUMMER
PARTNER

5. INDEPENDENT EXPERT REPORTS

5.1 Report by Dr Ross F Vining, Sydney West Area Health Service

DR ROSS F VINING
BSc(HonsI), PhD, MBA, FRACI, FAIM

BIOGRAPHICAL NOTE

Dr Vining is Director Laboratory services for Sydney West Area Health Service which includes the Institute of Clinical Pathology and Medical Research (ICPMR) at Westmead Hospital Sydney.

The ICPMR is the hub of a network of 22 pathology laboratories, which serve more than 50 hospitals of various sizes from a 1,000 bed teaching hospital to a 20 bed remote area health clinic. The network stretches more than 1,000 kilometres from metropolitan Sydney to Broken Hill in Far Western NSW.

The ICPMR also provides Forensic Science and Public Health support for NSW and includes the Centre for Infectious Diseases and Microbiology Laboratory Services.

Dr Vining has been working in, managing and directing, research laboratories, diagnostic laboratories and forensic laboratories for more than 30 years.

Dr Vining has acted as consultant to hospitals, schools and health organisations throughout Australia. He has advised both state and federal governments of Australia on the restructuring of scientific services.

INDEPENDENT EXPERT REPORTS



Institute of Clinical Pathology and Medical Research
SERVICE



SYDNEY WEST AREA HEALTH SERVICE

Director
PROFESSOR C J Eastman AM
MDSc, FRACP, FRCPA

Deputy Director
Dr R F Vining
MD, MBA, FRACP, FRCR

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rsavin@icpmr.wests.nsw.gov.au

MicroStreak & Microbiology

A report prepared by Ross F Vining, BSc (Hons) PhD, MBA, FAIM, FRACP

Director of Laboratory Services - Sydney West Area Health Service

Acting Director – Institute of Clinical Pathology & Medical Research (ICPMR), Westmead
Hospital Sydney

22 September 2005

1 - The History and purpose of routine diagnostic microbiology

Microbiological analysis has been an essential tool for health care for more than 100 years. It plays a vital role in the diagnosis of infectious disease, in the treatment of patients in hospitals, infection control in hospitals and in the monitoring of public health.

Increasing population densities, rapid movement of people all around the world and the emergence of infectious diseases such as MRSA (Methicillin Resistant *Staphylococcus Aureus*) VRE (Vancomycin Resistant *Enterococcus*) which are resistant to most antibiotics will drive an increasing demand for medical microbiological testing.

In addition to the direct diagnosis of human disease, microbiological analysis is also used to monitor the quality of our drinking water, our food supplies, environmental contamination and in various industrial processes.

Microbiological tests are carried out in hospital laboratories, private pathology laboratories and food and environmental testing laboratories around world.

2 - The current role of the agar plate in laboratory processing

One of the mainstays of microbiological analysis is the "streaked agar plate".

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This technique which uses agar based growth media in Petri dishes for growing and isolating microbiological colonies was developed by Robert Koch in the late 1800's. It has become an essential tool in microbiology since it provides a method of culturing micro-organisms in which all of the individuals in a culture have descended from a single individual. This facilitates the identification of individual micro-organisms without the confounding presence of other, different types of micro-organisms.

The technique involves :

1. The preparation of an agar plate.
2. The streaking of a test sample onto the plate.
3. The incubation of the plate.
4. The examination/identification of any colonies that grow on the plate.

Many other processes in laboratory medicine have been automated but the streaking and reading of micro plates has remained a labour intensive task.

The streaking of micro plates in particular is labour intensive and repetitive. It is a manual task that must be performed by trained staff. In the Australian diagnostic pathology industry, at least 12 million agar plates are manually streaked each year.

There is enormous interest in developing techniques to eliminate the use of agar plates. We need techniques that are faster, more amenable to automation and that don't require so many skilled staff. New techniques based on molecular technologies together with growth based testing methods and immunoassay methods are starting to be used in microbiology laboratories. However, at present they are largely adding to the tests available from the laboratory rather than eliminating the need for streaked agar plates. In fact, the broad applicability of the agar plate technique will almost certainly ensure that it remains an essential tool of the microbiology laboratory for the next 10-20 years.

3 - MicroStreak Technology

LabTech Systems have designed a system to automate the preparation and streaking of microbiological plates. This system is intended to replace many of the manual processes involved in the set up and streaking of an agar plate. This system has the potential to:

- Increase microbiology laboratory productivity by reducing laboratory operating costs.
- Enable faster microbiology sample processing, by reducing set up time without increasing staff numbers.
- Improve the quality of results by standardising techniques and reducing the potential for human error.

INDEPENDENT EXPERT REPORTS

- Improve occupational health and safety by reducing the opportunity for operator exposure to infectious disease and repetitive strain injury.

I have not physically evaluated the MicroStreak technology but an examination of its specifications suggests that it has the potential to achieve these goals.

4 – The market opportunity for automation of micro processing

With more and more demands on the health system there is huge drive to reduce diagnostic costs. Other areas of diagnostic pathology such as haematology, clinical chemistry and immunopathology have been extensively automated but microbiology has remained a largely manual process. There is a huge potential to reduce microbiology laboratory costs by eliminating manual processes.

LabTech systems supplied data demonstrating that the process of assessing a request form, selecting an agar plate, labelling the plate, streaking the plate and stacking the plates for transport to the incubators typically takes 1 to 5 minutes depending on the type of sample being set up. My personal observation of staff carrying out these processes in my own laboratory confirms these times. It is these processes that the MicroStreak technology seeks to automate.

Based on my knowledge of the number of plates my laboratory uses and our size relative to the Australian diagnostic pathology industry, I estimate that at least 12 million agar plates are used every year by Australian diagnostic pathology laboratories alone. Assuming 2 minutes set up time per plate, this equates to at least 300 person years of effort just streaking agar plates. From this we may conclude that laboratories across the world involved in diagnostic pathology and environmental, food and water quality testing must employ tens of thousands of person years of staff time every year just streaking agar plates.

A technology that can economically automate this step has a considerable market to access.

Authors note

In preparing this report I have made all inquiries which I believe are desirable and appropriate to its preparation. This has included inquiries of the inventors of MicroStreak and discussions regarding microbiology laboratory processing with microbiology scientists and with experts in laboratory operations. I have used this information together with my own more than 30 years experience in laboratory management to prepare this report. No matters of significance, which I regard as relevant have, to my knowledge, been withheld from the report.


Ross F Vining

INDEPENDENT EXPERT REPORTS

5.2 Report by Mr Mike Norriss, Mayne Pathology

Report for LabTech Systems on MicroStreak® Technology.

The isolation and identification of bacteria from clinical specimens is a fundamental investigation in the treatment of disease in both human and animal species. Following the isolation of pathogenic bacteria, susceptibility of the organism to antimicrobial substances such as antibiotics can be determined and advice provided to clinicians as to appropriate treatment. Diagnostic microbiology laboratories have been established to service the needs of hospitalised patients and community patients as well as the requirements of animal health. In addition to providing information for the health of individuals, diagnostic microbiology laboratories provide essential services in public health, alerting authorities of outbreaks of serious infections affecting the population. Microbiology also works for the prevention of disease through monitoring environment and food production.

Since the discovery of the significance of bacteria to human health over a hundred years ago, microbiologists have relied on the isolation of the organism on enriched agar media. The traditional petri dish containing selective and enriched media is still the cornerstone of diagnostic microbiology. Clinical material is placed onto the agar surface either by swab or as a liquid and streaked out to allow the growth of single colonies of organisms. Often pathogenic bacteria are present in small numbers and the material is placed into enrichment culture broths to allow the pathogen to multiply for further plating out for isolation. Many clinical specimens contain multiple bacterial species, many of these species will be commensal organisms and not usually pathogenic, the art in microbiology is the separation and identification of the non pathogenic from the pathogenic.

The technique used in spreading out the inoculum is referred to as streaking, a relatively simple process whereby a sterile wire loop or disposable plastic loop is drawn through the inoculum across a third of the agar surface three to four or more times. The loop is sterilised or replaced and the process is repeated through the first streaks and then again through the second streaks. Usually this is sufficient to spread any organisms out so that they can multiply during incubation to produce single strain colonies. A microbiology scientist or technician becomes adept at the streaking method in time so that the resulting isolation rates

INDEPENDENT EXPERT REPORTS

of pathogenic bacteria from clinical are consistent with their technique however there is variation between individuals as with any manual method. A pathogenic organism can be missed if it is not sufficiently spread out from the original inoculum where its characteristic growth appearances or reaction with an indicator within a selective medium cannot be observed.

A large busy diagnostic microbiology laboratory will receive hundreds of specimens on any day, and, according to the type and source of specimen will process each specimen by manual methods. By far the most common specimen referred to a diagnostic microbiology laboratory is the urine specimen. The urine specimen is cultured using usually one or two media types with usually only 20% of specimens requiring more than a simple screening culture technique. Urine cultures require quantitative cultures, usually using a calibrated inoculum loop. Most specimens other than the urine cultures require multiple types of media both solid and liquid to detect likely pathogens, for example a faecal specimen may require four different selective agar plates and an enrichment broth, the latter will be streaked out onto solid media after overnight incubation. Each specimen processed takes a set amount of time according to the complexity of the required set up. Whereas the other disciplines in pathology, haematology, biochemistry and immunology have been able to automate many of their traditional processes, automation in microbiology has been limited to only a few areas such as blood cultures and antimicrobial susceptibility testing. Even these two areas still require the use of culture plates and the streaking process at some stage. There are recent developments in technology that do not rely on the isolation of organism to identify the cause of diseases, such developments include the use of molecular methods that rely on the detection of bacterial DNA in clinical material. However, despite huge investments in research the techniques remain expensive and very disease specific. The role of the simple agar plate seems destined to continue for many years yet.

The cost of labour is always increasing while the funding by governments and other sources is constantly under downwards pressure. To remain viable, both private and public pathology laboratories have sought to reduce their operating costs through utilising automation and less skilled (cheaper) labour where possible. The latter option has been exhausted in most instances where certain levels of skill are still required to perform many of the tasks in a laboratory. Many organisations have sought to rationalise and centralise their operations where the economies of scale can be achieved.. Microbiology is a discipline that can be relatively easily brought into a centralised facility although it is more with the

INDEPENDENT EXPERT REPORTS

concentration of skilled staff that achieves the savings. Consequently the smaller pathology laboratories have seen their microbiology departments reduced to only that which is required for acute care. It is in the large centralised laboratory that the mass processing of specimens is seen and automation would have its biggest impact.

The MicroStreak® technology.

From what I have read in the description of the MicroStreak® technology the system has been designed to provide an alternative to the traditional streaking of the agar plate. This technology takes a liquid medium and places a measured amount as an inoculum then uses a sterile disposable plastic device that passes through the inoculum and by rotating the agar plate allows for the micro-organisms present to be sufficiently separated from each other to allow their characteristic growth into single colonies to be observed. From the photographic evidence provided to me the bacterial colonies obtained from the MicroStreak® technology when used on the same media and using the same bacterial suspension appears to show adequate and consistent colony separation with that obtained using the traditional streaking technique.

With what I have said above concerning traditional microbiological techniques then the technology would appear to work.

As evidenced to me the time taken for the streaking process is significantly reduced from that of a reasonable adept scientist or technician and there is reasonable grounds to suggest there is a consistency in the technology to provide a more standardised method of organism separation from inoculum.

At the stage of development that has been described to me, the MicroStreak technology would have limited application to a busy clinical microbiology laboratory that I am familiar with.

To provide a system that could be useful in a clinical laboratory the following development would be needed.

1. A means by which a swab of clinical material can be converted to suitable inoculation method, either through suspension in a liquid or inoculated directly onto plates.
2. That the system is automated sufficiently to allow the programmed selection of the various agar plates to allow the operator to provide the clinical material inoculum and thence the system inoculates and streaks those plates.

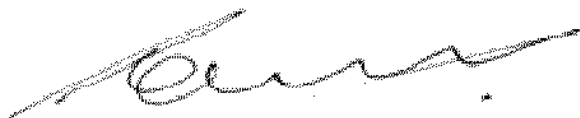
INDEPENDENT EXPERT REPORTS

3. From the point above, that the plates are labelled with human readable labels during the process providing the identification of the specimen.
4. The total process from presenting the clinical material to the completed processing of the agar plate(s) is significantly faster and more standardised than the manual method.
5. The operation and servicing (as far as consumables) requires significantly less labour input than is required for manual processing of the same number of specimens.

If the above criteria could be achieved then such a device would be attractive to larger diagnostic services. As stated earlier, both private and public institutions are seeking cost reduction opportunities. Provided the device meets investment rules of the institution which in most cases are based on

- Reduction in labour and/or overall costs
- Improvement in Occupational Health and Safety
- Improved outcome for patient care through better technique
- Reduction in waste and lessened environmental impact.

The company that I am employed by, Mayne, has at least four large diagnostic microbiology laboratories within Australia that would have the capacity to employ automated inoculation and streaking technology. Mayne has about 30% of the market in Medicare funded pathology expenditure in Australia. There are at least two others companies with similar capacity nationally.



Mike Norriss, MASM
National Operations Manager, Mayne Pathology.
460 Lower Heidelberg Rd.,
Heidelberg, Vic 3084
Australia
6th September 2005

Phillips
Ormonde
Fitzpatrick



29 August 2005

6. INTELLECTUAL PROPERTY REPORT

Australian and
New Zealand
Patent &
Trade Mark
Attorneys

Dear Sirs

INTELLECTUAL PROPERTY REPORT - LABTECH SYSTEMS LIMITED

1. INTRODUCTION

We have been asked by the Directors of LabTech Systems Limited ('LabTech') to prepare an intellectual property report for inclusion in a Prospectus to be issued by LabTech. This intellectual property report ('this Report') is to address the patent position of Medvet Science Pty Ltd ('Medvet'), the owner of technology ('the Technology') related to a device for streaking a microbial sample (together with apparatus embodying that device and a method for using that device) that is licensed to LabTech. This Report is also to address the trademark position of LabTech in relation to the MICROSTREAK mark it has adopted for use with the Technology.

Phillips Ormonde & Fitzpatrick is a firm of Australian patent and trademark attorneys. We do not act as patent or trademark attorneys for LabTech, nor do we act as patent or trademark attorneys for Medvet in relation to the technology licensed by them to LabTech. In terms of Practice Note 42 (Independence of Expert's Reports) issued by the Australian Securities and Investment Commission, we consider ourselves as *independent* for the purpose of preparing this Report.

The undersigned is a registered Australian patent attorney and a registered Australian trademarks attorney, and has the appropriate technical qualifications to provide advice on patent matters relevant to the technologies licensed by LabTech.

This Report is provided in sections, as follows:

General Information Regarding Patents

- > What is a Patent?
- > Requirements of Patentability
- > The Examination and Acceptance of Patent Applications
- > Procedures for Obtaining Patent Protection in a Range of Countries
- > Potential Limitation of Patent Protection

International Patent Application Licensed to LabTech

- > General
- > The International Patent Application
- > The International Search Report
- > The Written Opinion

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- Our Opinion Regarding the International Search Report and the Written Opinion
- Other Prior Art Considered During Our Review
- Matters Not Considered By Our Review

Freedom to Operate - Patent Infringement Searching

- Introduction
- General
- The LabTech Infringement Search Strategy
- The LabTech Infringement Search Results
- Our Conclusions on Infringement Search Results
- Infringement Search Results as Prior Art

General Information Regarding Trademarks

- What is a Trademark?
- Requirements for Registrability
- Procedure for Obtaining Trademark Registration in a Range of Countries

Trademarks Owned by LabTech

- General Listing of Trademarks
- Conflicting Trademarks

This Report is complex and long. In an attempt to ensure that important issues addressed by this Report are not overlooked by a reader, we have highlighted some areas by bolding the introductory comment "It is important to note that ...". However, we strongly recommend that this Report nonetheless be read and understood as a whole.

2. GENERAL INFORMATION REGARDING PATENTS

2.1 What is a Patent?

A patent is a monopoly right granted by the relevant national Patent Office on behalf of the government of a country in return for publication and full disclosure of an invention. The monopoly right enables a patent owner to prevent third parties from exploiting the invention without its consent. The owner of a patent has exclusive rights to manufacture, import, use, keep, sell, offer for sale or otherwise exploit the products or processes protected by the patent in the countries where patent protection has been granted. A third party infringes the patent if it exploits the invention without consent of the owner.

Patents can be licensed by the owner of a patent to third parties, so that the licensee has the same right to exploit an invention. In the case of an exclusive license, the patent owner itself cannot exploit the licensed patent in a particular country where the patent owner has granted an exclusive license to another party in that country.

Patents have a limited term, usually 20 years, subject to the payment of maintenance or renewal fees, after which the patented invention is available for others to use without restriction.



2.2 Requirements for Patentability

The main requirements for patentability are that an invention must be *novel* and *inventive* at the priority date of the patent application, the priority date normally being the date of the first filing of a patent application for the invention. These requirements are similar in most countries.

In order for an invention to be “novel”, the invention must merely be different to what was known in the art at the priority date - the invention cannot previously have been made available to the public. For an invention to be “inventive”, the invention needs to be an advance over what was known in the art at the priority date, and the advance must not be one that was obvious to a skilled addressee at the priority date.

2.3 The Examination and Acceptance of Patent Applications

It is important to note that virtually every country examines patent applications, conducting its own search of the prior art to determine if the invention is indeed novel and inventive. This sometimes results in patent applications being refused by a Patent Office, or being narrowed in their scope of protection, sometimes in a different fashion in different countries.

Until a national Patent Office examines a patent application, accepts the application, and grants a patent, there will be uncertainty regarding the scope of protection (if any) that might be available to a patent applicant for its invention. A patent applicant can conduct its own searches in an effort to reduce this uncertainty, and in an effort to predict what the results of a Patent Office examination might be. However, even if these searches are conducted early in the life of a patent application, there will still remain unavoidable uncertainty until patents are actually granted.

2.4 Procedure for Obtaining Patent Protection in a Range of Countries

In most cases, patents are granted on a country-by-country basis. There is an international convention that enables foreign patent applications to be filed within twelve months of the priority date, enabling a foreign patent application to also claim that priority date as the date that it will be assessed for novelty and inventiveness.

These foreign patent applications can be filed directly in a country or region of interest, or through an international system referred to as the Patent Co-operation Treaty (PCT). Approximately 127 countries have adopted the PCT system. The effect of filing an international patent application under the PCT is generally the same as filing individual patent applications in all of the countries designated in the international patent application. Within prescribed time limits, it is necessary to then file national phase applications (from the international patent application) in all of the countries in which patent protection is to be sought. This may include some or all of the countries designated in the international patent application.



2.5 Potential Limitation of Patent Protection

Even after a patent is examined by a Patent Office and granted, it is possible in most countries for third parties to challenge the validity of the patent. A successful challenge to the validity of the patent can result in the patent being revoked or further narrowed in scope. Such action may take place in opposition proceedings before a Patent Office, or before a court such as the Federal Court of Australia.

3. INTERNATIONAL PATENT APPLICATION LICENSED TO LABTECH

3.1 General

LabTech has advised us that it is the licensee of the invention described and defined in the following international patent application. Medvet has confirmed this to us in writing. However, **it is important to note that** we have not been provided with a copy of the license nor been advised of the conditions of the license.

An international patent application aimed at a device for streaking a microbial sample, an apparatus embodying that device, and a method for using that device.

Title:	"Microbial Streaking Device"
Current applicant:	Medvet Science Pty Ltd
International patent application:	PCT/AU2005/000079
Filing date:	21 January 2005
Earliest priority date:	21 January 2004 (via Australian provisional patent application 2004900276)

3.2 The International Patent Application

International patent application PCT/AU2005/000079 (**'the Medvet PCT application'**) presently encompasses a device for streaking a microbial sample, and more particularly relates to a streaking brush for streaking samples on the surface of a solid growth medium for obtaining single microbial colonies, for example from clinical specimens taken for medical diagnostic purposes.

The invention described also relates to an apparatus for the automated streaking of samples to obtain single colonies, the apparatus including as a part thereof the device mentioned above. The invention described also relates to a method of streaking a liquid sample using the device mentioned above.

It is the claims of a patent application that seek to define the scope of protection being sought, and it is the claims that are substantively examined by a Patent Office to determine if they define an invention that is both novel and inventive.



The Medvet PCT application presently includes claims directed to *a streaker device per se* (namely, claims 1 to 35), claims directed to *an automated streaking apparatus that uses the streaker device* (namely, claims 36 to 58), and claims directed to *a method of streaking single colonies using the streaker device* (namely, claims 59 to 69).

The Medvet PCT application was officially published on 4 August 2005 under international publication number WO2005/071055, and is due for national phase entry by 21 July 2006 in most countries (and by 21 August 2006 in some). A full listing of the countries that are presently members of the Patent Cooperation Treaty is available at www.wipo.int/patentscope/en.

It is important to note that the progress of Medvet towards the grant of a patent in any country of interest is thus in its early stages. Due to this, any assessment of whether valid and broad patent rights could eventually be granted for the invention (in any country) will be somewhat speculative.

3.3 The International Search Report

Shortly after filing an international patent application, the International Receiving Office (in this case the Australian Patent Office) conduct a search to provide a patent applicant with an indication of the type of prior art that might later be encountered during examination before any national Patent Office. The results of this search are provided to the patent applicant by way of an International Search Report (ISR).

It is important to note that the International Search Report published with the Medvet PCT application identified two pieces of prior art as being relevant, for both novelty and inventiveness purposes, but only to the patentability of present claims 1 to 9. The two prior art documents were international patent applications published under numbers WO2001/090296 (Digene) and WO2001/066686 (Micro Med).

3.4 The Written Opinion

Shortly after issuing an International Search Report, the International Searching Authority (in this case, again, the Australian Patent Office) review the prior art identified in the International Search Report and provide an opinion on its relevance. Given that the Patent Cooperation Treaty does *not* provide a patent granting process, this is a non-binding opinion that is prepared for the benefit of the patent applicant – it provides an early indication of the type of prior art that might be located by national Patent Offices during subsequent national examination procedures. Indeed, in some countries, no further searching will be conducted and the International Search Report, and the Written Opinion, effectively forms the basis for examination.

Therefore, if a negative Written Opinion is received, it is sometimes in the interest of a patent applicant to respond with argument in an attempt to obtain a clear Written Opinion. At this stage, a patent applicant is also able to make amendments to the patent specification, such as to narrow the claims to distinguish the invention from that disclosed in a prior art document.



If a patent applicant chooses to respond to the Written Opinion, the international patent application enters a phase of the Patent Cooperation Treaty called International Preliminary Examination. At the end of this phase, and after whatever arguments or amendments are submitted have been considered (possibly after several such submissions), an International Preliminary Examination Report (IPER) is prepared and published by the International Searching Authority.

It is important to note that the Written Opinion prepared by the Australian Patent Office for the Medvet PCT application, prepared after an Australian patent examiner reviewed the prior art identified in the International Search Report, stated that the two prior art documents mentioned above were *not* as relevant as first thought. The Written Opinion stated that all claims were *novel* in the face of these two prior art documents. The Written Opinion however confirmed that the invention defined in claims 1 to 9 could not be considered *inventive* in the face of those two prior art documents.

As at the date of this report, we believe that the patent applicant has not entered the International Preliminary Examination phase, and thus has not yet submitted either argument or amendments in response to the Written Opinion.

3.5 Our Opinion Regarding the International Search Report and the Written Opinion

In our experience, the searches conducted by the Australian Patent Office are sometimes quite narrow and not particularly useful as an aid in determining what prior art may be encountered during later national Patent Office examinations. The databases consulted to perform the search, and the catchwords used by the searcher, are sometimes quite narrow. Also, the actual relevance, or not, of the documents located by a search, is sometimes not properly appreciated by the searcher.

Most Australian patent attorneys will thus regard the results in an International Search Report with some suspicion. It is possible that there will be more relevant prior art that will be located at later stages during further searches conducted by national Patent Offices (if national phase entries are later made by the patent applicant), and it is also possible that the prior art identified in the International Search Report is not as relevant as is stated.

We have reviewed the search strategy used by the searcher in preparing the International Search Report for the Medvet PCT application. That search strategy seems unduly narrow. It is our opinion that this will have resulted in a search that is not likely to have located a majority of relevant prior art documents. **It is thus important to note that we believe it is *not* reasonable to regard this International Search Report as an adequate search for the purposes of determining the likelihood of the patent applicant gaining grant of valid and broad patents in any country.**

We have also reviewed the two prior art documents that were identified in the International Search Report as being relevant, and were subsequently raised in the Written Opinion as being relevant to the inventiveness of the invention defined in claims 1 to 9. Our conclusions from that review are as follows:

1. In our opinion, WO2001/090296 (Digene) is *not* likely to be regarded as relevant for either novelty or inventiveness purposes, contrary to the view expressed in the Written Opinion.



2. In our opinion, WO2001/066686 (MicroMed) is likely to be regarded as relevant for both novelty and inventiveness purposes. Indeed, and although we have only reviewed a German language version of this document (with an abstract and drawings in English), this prior art document is likely to prevent broad and valid claims being granted to the *streaker device per se*. In particular, it is likely that at least claims 1 to 9 will be rejected in most countries.

It is thus important to note that any assessment of whether broad and valid claims might be granted for the invention in the Medvet PCT application, must carefully review the relevance of at least WO2001/066686.

3.6 Other Prior Art Considered During Our Review

For the purposes of conducting our review for the preparation of this report, the patent applicant provided us with another group of prior art documents. We were not informed of the type of search that lead to the location of these prior art documents, nor were we advised who conducted that search. **It is important to note that** we are thus unable to quantify whether the location of these prior art documents is as a result of a search that we would regard as adequate.

Nonetheless, we have briefly reviewed each of the 24 prior art documents provided and have the following comments:

1. In general, none of the prior art documents appear to be any more damaging than the prior art identified in the International Search Report, particularly due to none of them disclosing anything more damaging than WO2001/066686 in relation to the claimed *streaker device per se*.
2. However, several of the prior art documents disclose an *automated streaking apparatus* utilising similar structures and functions to those apparatus features claimed in claims 36 to 58 of the Medvet PCT application. Therefore, **it is important to note that** those apparatus features may thus not significantly contribute to the patent applicant's ability to obtain broad and valid patent protection.
3. Further, several of the prior art documents disclose *methods of streaking single colonies* that utilise similar method steps to those method steps claimed in claims 59 to 69 of the Medvet PCT application. Therefore, **it is important to note that** those method features may thus not significantly contribute to the patent applicant's ability to obtain broad and valid patent protection.

It is however also important to note that we believe it reasonable for us to conclude that the patent applicant should be able to obtain grant of patents in most countries, albeit limited to a narrower claim scope than presently being pursued.



3.7 Other Matters Identified During Our Review

For the purposes of conducting our review for the preparation of this report, the patent applicant provided us with a copy of Australian provisional patent application 2004900276 titled "Microbial Streaking Brush". This provisional patent application was filed on 22 January 2004 and is the document from which the Medvet PCT application claims priority.

The claims presently in the Medvet PCT application are entitled to a priority date of 21 January 2005. For them to be entitled to a priority date of 22 January 2004, the subject matter of each claim must be found in the provisional patent application. Our comparison of the claims with the content of the provisional application has revealed that many claims will *not* be entitled to claim priority of 22 January 2004.

Therefore, **it is important to note** that the relevant date for assessing the novelty and inventiveness of the claimed invention will be 21 January 2005 and not 22 January 2004 for many of the presently worded claims. We do not know if any searching has been conducted for disclosures made (by third parties, by the patent applicant, or by the inventors) between the filing of the provisional patent application (22 January 2004) and the international patent application (21 January 2005). In many countries, such disclosures will be damaging.

Finally, much of the material added to the Medvet PCT application on 21 January 2005 relates to the automated apparatus illustrated in Figures 11 and 12 and claimed in apparatus and method claims 36 to 69. It is possible that collaboration by Medvet (via the nominated inventors) and/or LabTech with Advanced Rapid Robotics Manufacturing (ARRM) to develop this automated apparatus has led to there being individuals other than the nominated inventors who might additionally be regarded as inventors. This often occurs in situations of this type. **It is important to note** that the omission of inventors can give rise to significant difficulties in most countries – it is thus important to ensure that all actual inventors are included in any patent applications filed.

3.8 Matters Not Considered By Our Review

It must be understood that there are a large number of grounds upon which a third party is able to challenge granted patents (and in some countries, recently accepted patent applications). The grounds available are numerous and legally complex, and can vary in substance and practice from country to country. It would be inappropriate for this Report to endeavour to identify any and all such potential problems. Such a detailed review might more appropriately be conducted during a due diligence being conducted by a potential investor.

It is thus important to note that we have endeavoured to identify and consider the major patent validity areas of novelty and inventiveness, whilst identifying any other issues that have become apparent to us during our review. It is on this basis that this Report has been prepared.



4. FREEDOM TO OPERATE - PATENT INFRINGEMENT SEARCHING

4.1 Introduction

The Australian patent attorneys for Medvet, namely *APT Patent & Trade Mark Attorneys* of Adelaide, Australia, have conducted a search in order to form a general view on the likelihood of the commercialisation of the Technology infringing any third party patent rights.

4.2 General

A patent infringement search is a very specific type of search. It is a search of only patents and patent applications (not other types of published documents), and only patents and patent applications that are currently alive. Expired (old) patents and lapsed patents or patent applications can be ignored. Patent infringement searches must be conducted using data derived directly from a particular country's official Patent Office database. Some of these databases are available on-line; many though only provide an abbreviated version on-line (that is not easily or completely searchable), while some are not accessible on-line and must be searched manually.

There are also various commercial databases that purport to offer complete or abbreviated versions of the data on national Patent Office databases, sometimes combined so that multiple countries' databases can be covered in a single search. There are sometimes limitations and restrictions in using these commercial databases.

Importantly, patent infringement searches are conducted using the International Patent Classification (IPC) system. The majority of countries categorise the subject matter of every patent application lodged in their country into one or more classes in the IPC. Thus, to conduct a patent infringement search, a searcher must first identify all IPC classes in which the subject matter *might* be classified, from which a finite number of relevant patents and patent applications can be identified. To conduct the search thoroughly, the searcher must then review *every* patent or patent application in the relevant IPC classes. If the wrong IPC classes are selected, or too few are selected (or not every patent and patent application in a relevant IPC class is available), there is a danger that a relevant patent or patent application will not be reviewed.

Conducting patent infringement searches is expensive, more so if there are multiple countries of concern, and particularly in areas of technology where there is much patent activity. Although computer databases can generally be used, much of the searching is still conducted manually and is extremely time intensive.

Any effort to reduce costs usually requires the searcher to *select only some* of the patents and patent applications in the relevant IPC classes to be reviewed. For example, costs are sometimes reduced by looking at less IPC classes, by only looking at patents and patent applications containing certain catchwords or in the name of certain companies or individuals, or by using one of the abbreviated commercial patent databases (and avoiding the use of local agents and local databases). **It is important to note that a reduced cost patent infringement search is a risky patent infringement search, in that the chances of locating every potentially problematic patent and patent application in a country are reduced.**



Finally, it is important to note that patent applications are generally not made publicly available (for searching purposes) until 18 months after their earliest filing date. Therefore, any patent infringement search cannot have considered the relevance of patent applications filed in the preceding 18 months. For rapidly developing technologies, this is a severe limitation on the search.

4.3 The LabTech Infringement Search Strategy

We understand that LabTech required patent infringement searching to be conducted in Australia, the United States, Europe, Japan, Canada and New Zealand. We understand that the subject of the searching was the Technology as generally described in the Medvet PCT application. Due to the prohibitive costs of such searching (amplified by the broad and varied nature of the subject matter generally described in the Medvet PCT application), LabTech instructed reduced cost infringement searching to be conducted.

We have reviewed the results of the infringement searches conducted by *APT Patent & Trade Mark Attorneys*. It is important to note that all of the cost reduction steps exemplified above appear to have been adopted by APT to reduce costs. In our opinion, it is thus not possible to conclude that the patents and patent applications located by the APT searches represent the only infringement risks.

4.4 The LabTech Infringement Search Results

In the time we have been given to review the search results, we have not been able to independently verify the status of all patents and patent applications identified in the search results for each country. Nor have we had enough time to carefully review each patent and patent application to form our own view (or seek the view of a foreign patent attorney) on whether any would be infringed by LabTech's commercialisation of the Technology in a particular country.

Clearly, we are also unable to comment on whether any of the identified patents are likely to be valid, or whether any of the identified patent applications are likely to lead to grant of valid patents.

4.4.1 Australia

The APT search identified two Australian patents as being possible infringement risks, namely Australian patents 747115 and 599094. APT formed a view that at least Australian patent 599094 was not relevant due to its claims containing limitations not present in the Technology.

4.4.2 New Zealand

The APT search did not identify any New Zealand patents or patent applications that might be possible infringement risks.



4.4.3 Europe

The APT search identified three patents in European countries as being possible infringement risks, namely British patent 2337589, German patent 19882221 and European patent 242114. APT formed a view that at least European patent 242114 was not relevant due to its claims containing limitations not present in the Technology. It should be noted that we do not know (and are unable to determine) what country coverage there was for the search in Europe.

4.4.4 United States

The APT search identified fourteen patents in the United States as being possible infringement risks, namely US patents 4,613,573, 4,687,746, 4,956,297, 4,981,802, 5,146,928, 5,206,171, 5,279,964, 5,756,304, 5,952,191, 6,096,272, 6,617,146, 6,660,519, 6,723,528, and 6,843,962. APT formed a view that at least US patents 4,981,802 and 6,617,146 were not relevant due to their claims containing limitations not present in the Technology. It should particularly be noted that we have not ourselves reviewed these US patents and we are **not**, in this Report, providing any opinion on the likelihood of the commercialisation of the Technology in the United States being an infringement of any US patents.

4.4.5 Canada

The APT search identified six patents in Canada as being possible infringement risks, namely Canadian patents 1,011,631, 1,286,621, 1,302,932, 2,136,302, 2,284,091 and 2,291,122. APT formed a view that at least Canadian patents 1,302,932 and 2,284,091 were not relevant due to their claims containing limitations not present in the Technology.

4.4.6 Japan

The APT search identified ten properties (either patents or patent applications) in Japan as being possible infringement risks, namely JP63-017580, JP01-185662, JP01-314529, JP05-052670, JP05-191892, JP05-344535, JP08-166201, JP09-122687, JP09-276277 and JP10-197946. APT formed a view that at least Japanese properties JP01-185662, JP05-191892, JP05-344535, and JP10-197946 should not be relevant due to their claims containing (or likely to contain) limitations not present in the Technology.

4.5 Our Conclusions on Infringement Search Results

When new technologies are developed and commercialised, there is always uncertainty regarding the possibility of the commercialised product infringing the patent rights of others. The uncertainty is magnified when the commercialisation is to be undertaken in numerous countries. The uncertainty is normal and unavoidable. LabTech has attempted to determine the magnitude of the infringement risk in various countries, in an effort to minimise the uncertainty, and the infringement searches conducted by APT have gone some way towards doing that. However, there remains uncertainty in most countries.



As LabTech move closer to developing the precise form of the apparatus and device that will ultimately be commercialised, and prior to making commitments to commercialisation activities in particular countries, it would be prudent for LabTech to re-visit the APT infringement searches. At that time, LabTech will need to determine if the searches were thorough enough for their purposes, whether the searches need updating, whether more specific advice needs to be taken in relation to the patents identified (including advice on the likelihood of a problematic patent being valid), and whether alterations to the Technology might need to be made to further minimise any infringement risk.

However, as at the date of this Report, **it is important to note that** there remains uncertainty regarding the likelihood of the commercialisation of the Technology by LabTech infringing any third party patent rights.

4.6 Infringement Search Results as Prior Art

Any patent or patent application that is located during a patent infringement search may be relevant as prior art for the purposes of determining whether the invention defined in the claims of the Medvet PCT application is novel and inventive. Therefore, we have briefly considered the patents and patent applications identified in section 4.4 above to determine if any may be more relevant than the two prior art documents discussed in sections 3.5 and 3.6 above. In this respect, it appears that at least the Japanese properties JP01-314529, JP05-052670, JP08-166201 and JP10-004952 may be as relevant as the two prior art documents discussed in sections 3.5 and 3.6 above.

5. GENERAL INFORMATION REGARDING TRADEMARKS

5.1 What is a Trademark?

A trademark is any "sign" which is used to distinguish the goods of one business from the goods of any other business. Most trademarks are words or logos, but sounds, shapes, colours and scents are examples of other things that can be trademarks.

It is possible for a trader to use and acquire rights to a trademark without applying for registration of the trademark ('common law' or unregistered trademarks). However, by applying to register a trademark the following benefits may be obtained:

- (a) The registered owner can be reasonably confident that use of the registered trademark does not infringe any other trademark registration;
- (b) A trademark registration puts other traders on notice that the registered owner claims ownership of that trademark;
- (c) It is easier to prevent other traders from using a registered trademark than it is to prevent them using an unregistered trademark;
- (d) Any rights acquired by use (which is the basis of common law or unregistered trademarks) are usually limited to the area where use can be shown, whilst registered rights are normally Australia-wide



5.2 Requirements for Registrability

A trademark application will be rejected if the trademark, amongst other things, is not capable of distinguishing the specified goods from the goods of other persons (namely, is not 'distinctive' but is merely descriptive of a characteristic or quality of the goods), contains or consists of scandalous matter or its use would be contrary to law, would be likely to deceive or cause confusion if used in relation to the specified goods, or is substantially identical with (or deceptively similar to) a trademark registered or pending in the name of another person in respect of the same or similar goods (unless particular exceptional circumstances can be shown).

5.3 Procedure for Obtaining Trademark Registration in a Range of Countries

Trademark laws throughout the world are not harmonised, and a separate trademark registration is often required for each country in which trademark protection is desired. Regional trademark registrations are available in some areas, such as Europe (via the European Community trade mark system). It is now possible to obtain a single international trademark registration covering more than 50 countries that are members of the Madrid Protocol, but some of Australia's major trading partners are not yet members of the Madrid Protocol. Additionally, even with an international registration under the Madrid Protocol, separate national examination requirements are still required to be met for most member countries.

6. TRADEMARKS OWNED BY LABTECH

6.1 General Listing of Trademarks

We have been provided with evidence, and have ourselves independently verified, the existence of the following trademark applications and registrations.

Trademark:	MicroStreak		
Current Owner:	LabTech Systems Ltd		
Goods:	(International Class 9) - Apparatus and instruments for scientific use; apparatus and instruments for use in testing and processing of microbiological samples; apparatus and instruments for agar plate inoculation; and parts and accessories related thereto.		
Applications:	Canada	1258570	(filed on 24 May 2005)
Registrations:	Australia	1024246	(in force to 11 October 2014)
	International	854109	(in force to 23 May 2015)

The International trademark application was filed under the Madrid Protocol and designated *China, Germany, France, United Kingdom, Italy, Japan, South Korea, and the United States*.

Status of Country Designations: Unknown.



6.2 Conflicting Trademarks

We have not done any independent searching to determine whether any third party may have common law (unregistered) trademark rights to a trademark the same or similar to LabTech's MICROSTREAK trademark.

We also have not done any searching to determine if there are any pending trademark applications or registrations in any of the above designated countries for trademarks that are either substantially identical, or deceptively similar, to LabTech's MICROSTREAK trademark. If there are any such conflicting applications or registrations, LabTech will be alerted to those in the next 6 to 12 months as each of the designated countries conducts their own search and examination.

In general terms, we have formed the view that Medvet and LabTech have considered and adopted appropriate strategies for protecting the intellectual property in the Technology. The steps being taken are still in their infancy and there is thus still a high level of uncertainty, which is normal.

We have given our consent to the issue of this prospectus with this report appearing in the prospectus. We have been involved only in the preparation of this report and have not been involved in the preparation of any other part of this prospectus, and specifically disclaim liability to any person in respect of statements included elsewhere in this prospectus. We have not, other than set out above, been involved in the preparation of, or authorised or caused, the issue of this prospectus.

We will receive a fee based on time spent in respect of the preparation of this Report. We will not receive any fee that is contingent upon the outcome of the Prospectus.

One advance draft of this Report was provided to LabTech. We made certain minor changes to this Report following circulation of that draft, but not as a result of any comment received from LabTech or anyone else. No changes were made to the stated opinions, warnings and conclusions made as a result of issuing the advance draft.

Yours faithfully
PHILLIPS ORMONDE & FITZPATRICK

A handwritten signature in dark ink, appearing to read 'Greg J. Bartlett'.

Greg J. Bartlett
Partner

7. RISK FACTORS

As with any investment in the stock market, an investment in the Company is subject to a number of risks. The price of the Shares and Options may fall as well as rise.

Any investment in the Company is considered speculative because of the inherent risks associated with the appraisal, research and development of biotechnology, including its suitability for markets throughout the world including the process, production, distribution and marketing of any Company Products. In addition, there are risks inherent in investing in Shares and Options in general.

The Directors have considered and identified in this section of the Prospectus what they believe to be the critical areas of risk associated with investing in the Company. The risks identified by the Directors are not exhaustive and potential investors should read this Prospectus in full and seek professional advice if they require further information on material risks in deciding whether to subscribe.

Some of these risks are general risks, while others are risks specific to an investment in the Company. All of these may impact the Company's future performance and many are outside the control of the Company and the Directors and cannot be mitigated.

7.1 Legal Risks

The introduction of new legislation or amendments to existing legislation by governments, developments in existing common law, or the interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its securities. In addition there is a commercial risk that legal action may be taken against the Company.

The Company may be affected by any changes in the Corporation Act, taxation laws, accounting standards and other legislation.

7.2 Government Policy Changes

Government policies are subject to review and changes from time to time. Such changes are likely to be beyond the control of the Company and may affect profitability.

Changes in government attitudes on matters such as taxation, competition policy and environmental issues may bring pressures to review possible changes in government policies. There is a risk that such changes may affect the Company's research and development plans or its rights and obligations in respect of its patents. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by the Company.

7.3 Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

7.4 Uninsured Loss and Liability

Research for and development of intellectual property involves hazards and risks that could result in the Company incurring losses and liabilities to third parties. There is a risk that the Company may not be insured against all losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities which are not covered by its insurance policies, the funds available for research and development will be reduced and the value and/or tenure of the Company's assets may be at risk.

7.5 General Economic Climate

The Company may be adversely affected by a protracted slow down of the Australian economy or other international economies in which it may operate.

Factors, such as inflation, currency fluctuation, interest rates, changes to legislation, political decisions and industrial disruption may impact on operating costs and prices. The Company's future income and asset values can be affected by these factors and, in particular, by the market price for any product that the Company may produce and sell.

RISK FACTORS

7.6 Funding

The Company believes that its available cash, additional capital sought as disclosed in this Prospectus and the net proceeds of this Offer should be adequate to fund the continued development of the projects and other Company objectives as stated in this Prospectus. In the event that the funds are insufficient, further capital may need to be raised.

Unless and until the Company develops or acquires income-producing assets it will be dependent upon its ability to obtain future equity or debt funding to support research, evaluation and development of the research or products in which it has an interest. The Company's ability to raise further equity or debt, or to divest part of its interest in a project, and the terms of such transactions will vary according to a number of factors, including the success of research and evaluation results and the future development of projects, and prices for Products in the Australian or international market.

7.7 Additional Capital Requirements

There is no assurance that additional funding will be available to the Company in the future or be secured on acceptable terms. If adequate additional funding is not available, the Company may be required to curtail significantly its research and development programmes. If adequate funds are not available, the Company's business will be materially and adversely affected.

7.8 Lack of Operating History

The Company was established on 19 January 2004 and to date has no significant operating history. The Company's strategy requires significant expenditure, particularly capital expenditure in its establishment phase. Expense levels are related to management's decisions on pursuing targets that have been delineated during the Company's project research phase. Revenues, other than interest on unused funds, are unlikely to occur for some time. The timing and extent of these variables is uncertain and, accordingly, the Company is unable to predict when profitability will be achieved.

7.9 Managing Growth

To achieve the objectives set out in this Prospectus, the Company will be required to implement operational and financial systems, procedures and controls and develop, expand, retain, manage and where appropriate, train its staff. No assurance can be given of the Company's ability to manage future growth.

7.10 Concentration of Share Ownership

The Directors of the Company have significant Share and Option holdings in the Company as set out in Section 11.7 of this Prospectus. Some investors may consider that this increases the risk of participating in the Offer.

7.11 Dependence on Key Personnel

The Company relies on the technical and management abilities of certain key staff members and outsourced people. The departure of any of these personnel would be likely to have an adverse effect on the financial performance of the Company.

7.12 Dependence on Key Agreements

The Company relies on key agreements. Investors should consider the information regarding material contracts set out in Section 10. External factors beyond the Company's control may impact on the Company's ability to perform its obligations under key agreements. In addition, the Company is unable to control the actions of the other parties to the agreement which may adversely affect the Company.

7.13 Product Substitution

The Company results may be adversely affected through loss of sales and gross margins due to product substitution. The Directors can give no assurances on the impact on future earnings of further product substitution.

7.14 General Research and Development Risks

Research and development of new technology involves long lead-times. Risks inherent in these activities include:

- 7.14.1 Uncertainty as to the outcome of the Company's research and development work;
- 7.14.2 Difficulties or delays in development of any of the Company's potential Products;
- 7.14.3 Inability to secure key collaborative agreements and licences.

RISK FACTORS

No assurance can be given that Product research and development efforts will be successful, that the Products will be approved by appropriate regulatory authorities or be capable of being licensed or sold in commercial quantities or at acceptable prices, or that any Products, if introduced, will achieve market acceptance, or that appropriate global distribution networks will be established.

7.15 Security of Intellectual Property

To this point in time, appropriate action has been taken to protect the Intellectual Property. The Company's success will to a large degree depend on its ability to protect its Intellectual Property. It may be possible for a third party to copy or otherwise obtain and to use its Intellectual Property without authorisation, or develop similar intellectual property independently. There can be no assurance that any protective measures taken by the Company have been or will be, adequate to protect its proprietary technology. The sharing and publication of the Company's operations as a publicly listed Company may increase the risk of unauthorised disclosure of the Company's confidential information.

7.16 Competition

There may be third parties with greater resources or superior technologies that may result in more effective products or earlier commercialisation thereby reducing or eliminating market opportunities for the Company. There is no assurance that the Company will be competitive.

7.17 Absence of dividends

The initial objective of the Company is to obtain sufficient working capital to enable it to fund further development.

The ability of the Company to pay any dividend in the future is dependent upon many factors including the outcome of its ability to commercialise the resultant research. At that time, the amount, timing and payment of any future dividend will depend on a range of factors including future capital and research and development requirements and the financial position of the Company generally at the time.

There will also be factors that affect the ability of the Company to pay dividends and the timing of those dividends that will be outside the control of the Company and its Directors. The Directors are therefore unable to give any assurance regarding the payment of dividends in the future, if at all. Therefore, the Shares to be issued pursuant to this Prospectus or on exercise of Options carry no guarantee with respect to the payment of dividends, return of capital or the value of those Shares.

7.18 ARRM Liquidation

In 2004, the Company engaged Campbell Corporation Pty Ltd previously trading as Advanced Rapid Robotic Manufacturing ("ARRM") to assist with the development of the technology. The Company had entered into a Heads of Agreement with ARRM in contemplation of a formal agreement. The Heads of Agreement expired and a formal agreement was not entered into. ARRM was placed in voluntary administration in early 2005 and is currently in liquidation.

There has been various correspondence between the liquidators of ARRM, their solicitors, the Company and its solicitors concerning the status of intellectual property relating to the technology and held by ARRM. The Company is seeking to have its intellectual property returned by the liquidators of ARRM who have indicated their agreement to returning the Company's intellectual property, which includes drawings, plans, specifications and prototypes.

A number of risks arise from this situation. These risks include but are not limited to the following:

- 7.18.1 The Company may be unsuccessful in obtaining its intellectual property from the liquidators of ARRM and the Company may have to take further action, perhaps by issuing court proceedings;
- 7.18.2 Whilst not in the possession of the Company, the intellectual property may be disclosed;
- 7.18.3 If ARRM or any third party use any of the Company's Intellectual Property, the Company may take action against ARRM or the third party; and
- 7.18.4 If any third party sought to allege any right in relation to the Company's Intellectual Property, the Company would defend any such action.

7.19 Other Business Risks

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares and Options offered under this Prospectus.

This investment should be considered speculative and neither the Company nor any of its Directors or any other party associated with the preparation of the Prospectus guarantee that any specific objectives of the Company will be achieved or that any particular performance of the Company or of its Shares or Options, including those offered by the Prospectus, will be achieved.

8. STATEMENT OF FINANCIAL POSITION

LabTech Systems Ltd

ACN 157 676 673

**PROFORMA HISTORICAL STATEMENT OF FINANCIAL POSITION ASSUMING FULL SUBSCRIPTION
UNDER THE OFFER AND OTHER SUBSCRIPTIONS OCCUR ON 30 JUNE 2005**

	Note	Proforma Historical Statement of Financial Position \$	Audited Statement of Financial Position 30 June 2005 \$
CURRENT ASSETS			
Cash at Bank	3	4,177,401	331,679
Receivables		<u>112,400</u>	<u>27,496</u>
TOTAL CURRENT ASSETS		<u>4,289,801</u>	<u>359,175</u>
NON-CURRENT ASSETS			
Intangible Assets		603,666	548,747
Other		<u>760</u>	<u>760</u>
TOTAL NON-CURRENT ASSETS		<u>604,326</u>	<u>549,507</u>
TOTAL ASSETS		<u>4,894,127</u>	<u>908,682</u>
CURRENT LIABILITIES			
Payables		<u>215,693</u>	<u>172,243</u>
TOTAL CURRENT LIABILITIES		<u>215,693</u>	<u>172,243</u>
TOTAL LIABILITIES		<u>215,693</u>	<u>172,243</u>
NET ASSETS		<u>4,678,434</u>	<u>736,439</u>
EQUITY			
Contributed Equity	4	4,097,717	1,055,722
Retained Profits/(Accumulated Losses)		<u>(319,283)</u>	<u>(319,283)</u>
TOTAL EQUITY		<u>4,678,434</u>	<u>736,439</u>

The accompanying notes form part of these financial statements

LabTech Systems Ltd

ACN 107 676 673

NOTES TO THE PROFORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

NOTE 1: BASIS OF PREPARATION

The Proforma Historical Statement of Financial Position as at 30 June 2005 has been based on the historical financial information for the year ended 30 June 2005 by incorporating the following transactions (proforma transactions) as though the transactions had occurred prior to and including 30 June 2005.

- (a) the exercise of 520,000 10 cent options raising \$52,000 between 1 July 2005 to 30 September 2005;
- (b) the exercise of 826,800 15 cent options raising \$124,020 between 1 July 2005 to 30 September 2005;
- (c) the issue of 410,000 shares at \$0.20 on 23 September 2005 raising \$82,000;
- (d) payment for the further development of the MicroStreak technology costing \$220,000;
- (e) accrual of trade creditor for the further development of the MicroStreak technology costing \$106,700;
- (f) the demerger of Apomab Ltd approved by shareholders on 22 September 2005 resulting in the sale by LabTech Systems Ltd of its interest in the APOMAB technology to Apomab Ltd, in consideration for one share in Apomab Ltd (Apomab Shares) for every share in LabTech held on the Approval Date. Consequently the Intangible Asset known as APOMAB Option Fee at Cost and Accumulated Amortisation and the payable amounts of the final two instalments of the option fee were transferred to Apomab Ltd;
- (g) the issue of 22,500,000 shares at \$0.20 each pursuant to this prospectus to raise \$4,500,000;
- (h) the settlement of costs incurred by the Company in relation to the capital raising.

NOTE 2: AUDITED FINANCIAL REPORT - 1 JULY 2004 TO 30 JUNE 2005

The unaudited Proforma Historical Statement of Financial Position as at 30 June 2005 should be read in conjunction with the historical financial information for the year ended 30 June 2005. Reference should be made to the notes of the historical financial information wherever appropriate in particular the following:

Note 1 - Statement of Significant Accounting Policies
 Note 7 - Intangible Assets
 Note 9 - Payables
 Note 10 - Contributed Equity
 Note 15 - Related Party Transactions
 Note 19 - Events Occurring After Balance Date
 Note 20 - Capital, Royalty and Other Fees Commitments

\$

NOTE 3: RECONCILIATION OF CASH BALANCES

Cash on hand at 30 June 2005 per historical	331,676
Plus: Exercise of 10 cent options (Note 1)	52,000
Plus: Exercise of 15 cent options (Note 1)	124,020
Plus: Capital raised 23 September 2005 (Note 1)	82,000
Plus: Capital raised pursuant to this prospectus (Note 1)	4,500,000
Less: Payment for further development of MicroStreak (Note 1)	(220,000)
Less: Capital raising costs paid in cash	(692,298)
Cash on hand at 30 June 2005 per Proforma Historical Statement of Financial Position	4,177,401

LabTech Systems Ltd

ACN 107 570 673

NOTES TO THE PROFORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	No of Shares	\$
NOTE 4: RECONCILIATION OF CONTRIBUTED EQUITY		
Contributed equity at 30 June 2005 per historical financial information	24,322,600	1,353,642
Plus: Exercise of 10 cent options (Note 1)	520,000	52,000
Plus: Exercise of 15 cent options (Note 1)	826,800	124,020
Plus: Capital raised 23 September 2005 (Note 1)	410,000	82,000
Plus: Bonus Issue on 30 September 2005 of 2 shares for every 3 shares held	17,386,306	
	<u>43,465,708</u>	<u>1,611,662</u>
Consideration for sale of interest in APOMAB satisfied by issue of one share in Apomab Ltd for every share in LabTech Systems Ltd held at approval date (Notes 1 & 5)	43,465,708	-
- Distribution in specie and on a pro-rata basis to LabTech System Ltd's shareholders, the Apomab Ltd Shares; and		
- reduction of issued capital of LabTech Systems Ltd in accordance with the terms approved at the general meeting of shareholders on 22 September 2005	(43,465,708)	(184,681)
Plus: Capital raised pursuant to this prospectus (Note 1)	22,500,000	4,500,000
Less: Historical capital raising costs	-	(297,920)
Less: Capital raising costs paid in cash (Note 1)	-	(631,344)
	<u>65,965,708</u>	
Total shares issued after capital raising		
		<u>4,997,717</u>

NOTE 5: SALE BY LABTECH SYSTEMS LTD OF ITS INTEREST IN THE APOMAB TECHNOLOGY

	No of Shares	\$
Carrying values of option fee, research and product development costs less amounts payable in respect of the APOMAB technology sold to APOMAB Ltd.		184,681
Shares issued by Apomab Ltd in consideration of sale (Notes 1 & 4)	43,465,708	184,681
Shares distributed in specie to LabTech Systems Ltd shareholders and reduction of capital (Notes 1 & 4)	(43,465,708)	(184,681)
	<u>-</u>	<u>\$ -</u>

NOTE 6: SUBSEQUENT EVENTS IN ADDITION TO THE 2005 FINANCIAL REPORT

In addition to the events occurring after balance date that are listed at note 19 of the historical financial information, the following events have occurred:

- Underwriting agreement was entered into with Martin Place Securities Pty Ltd on 28 September 2005;
- An agreement to the sale of the APOMAB technology to Apomab Ltd was entered into on 5 October 2005.
- The issue of 750,000 options to Kate Costello expiring on 30 June 2013 with an exercise price of \$0.20 per share.

9. ANNUAL REPORT

LABTECH SYSTEMS LTD
ACN 107 670 673
ANNUAL REPORT
30 JUNE 2005

LABTECH SYSTEMS LTD
ACN 107 670 673
CORPORATE GOVERNANCE STATEMENT

The Board of Directors of LabTech Systems Ltd is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of LabTech Systems Ltd on behalf of the members to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established corporate governance guidelines for the operation of the Board.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board shall constitute not less than three (3) nor more than ten (10) Directors, all being natural persons.
- one third of directors shall be elected by the members at an annual general meeting; such term expiring at the conclusion of the second annual general meeting of the company after the annual general meeting at which the directors were elected. Retiring directors are eligible for re-election.
- the Board may after each annual general meeting appoint as directors up to three (3) other persons, the first two (2) of whom shall not be members of the company. Such appointed directors shall hold office until the conclusion of the next annual general meeting of the company and shall be eligible for reappointment.
- the Board has the power to appoint any other qualified person as a director to fill a casual vacancy or as an addition to the Board but so that the total number of directors shall not at any time exceed the maximum number. Any director so appointed shall hold office only until the conclusion of the next annual general meeting of the company and shall be eligible for re-election.
- the chairman should be an appointed non executive director.

The directors in office at the date of this report are:

Mr Douglas Peter LeMessurier
 Mrs Lusia Halina Guthrie
 Mr Paul Andrew Mariani

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other interested parties. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the group is delegated by the board to the managing director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive team.

LABTECH SYSTEMS LTD
ACN 107 670 673
CORPORATE GOVERNANCE STATEMENT

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board.

This is achieved by:

- development and adoption of strategic aims;
- constantly reviewing the future direction of the company;
- implementation of operating plans and budgets by management and monitoring by the board of progress against budget;
- supervision and direction of management;
- monitoring of performance indicators against plans and prior year performance;
- procedures to allow the directors, whilst performing their duties, to seek independent professional advice;
- establishment of the remuneration package of the managing director and review of executive remuneration packages with the help of the remuneration committee;
- the review and approval of business acquisitions and disposals, mergers, joint ventures and the acquisition and disposal of strategic assets.

Audit Committee

The board is responsible for the company's accounting policies and practices, internal controls and financial reporting requirements. However the board has established an audit committee to assist in fulfilling these obligations. The audit committee reports to and operates in accordance with guidelines established by the board. The audit committee's responsibilities include:

- evaluating the adequacy and effectiveness of the company's administrative and accounting policies through active communication with management and the external auditors;
- reviewing the financial statements to ensure accuracy and adequacy of disclosure and compliance with statutory requirements prior to their release to the members and the public;
- reviewing and monitoring the effectiveness, efficiency and compliance with internal controls;
- evaluating the adequacy of the company's accounting control system by reviewing written reports from external auditors and monitor management's responses and actions to correct any deficiencies;
- review and approve all significant accounting policy changes;
- the safeguarding of company assets;
- the reliability of non financial information;

LABTECH SYSTEMS LTD
ACN 107 670 673
CORPORATE GOVERNANCE STATEMENT

- nomination of the external auditor and review the scope and adequacy of the annual statutory external audit;
- evaluate the overall effectiveness of the external statutory audit through regular meetings with the external auditors;
- evaluation of insurance cover by discussion with or review of broker's reports.

The members of the audit committee are:

Mrs Lusia Halina Guthrie
 Mr Paul Andrew Mariani

Remuneration Committee

The board is responsible for the company's remuneration policy and compliance with environmental and health welfare and safety issues. However the board has established a remuneration committee to assist in fulfilling these obligations. The remuneration committee reports to and operates in accordance with guidelines established by the board. The remuneration committee's responsibilities include:

- to determine and monitor the application of the remuneration policy that best suits the achievement of the objectives of the company;
- evaluate the adequacy of the company's levels of remuneration by monitoring the remuneration packages that are available both nationally and in the local area;
- annually review the management recommendations for the remuneration packages of all employees;
- review management proposals for individual employee remuneration packages where changes in responsibilities are to be made;
- evaluate the company's exposure to risk through lack of compliance to statutory regulations relating to environmental issues;
- evaluate the company's exposure to risk through lack of compliance to statutory regulations relating to occupational health, safety and welfare;
- monitor management's responses and actions to correct any deficiencies in relation to environmental and occupational health, safety and welfare issues.

The members of the remuneration committee are:

Mrs Lusia Halina Guthrie
 Mr Paul Andrew Mariani

LABTECH SYSTEMS LTD
ACN 107 670 673
CORPORATE GOVERNANCE STATEMENT

Monitoring of the Board's Performance and Communications to Shareholders

The board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated through:

- the annual report which is distributed to all members
- the annual general meeting of the company
- regular newsletters.

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2005.

Directors

The names of directors in office at any time during or since the end of the year are:

Douglas Peter LeMessurier
Lusia Halina Guthrie
Paul Andrew Mariani

Directors have been in office since the start of the financial year to the date of this report.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Douglas Peter LeMessurier - Sharebroker. Mr LeMessurier was appointed company secretary on 19 January 2004.

Principal Activities

The principal activities of the company during the financial year were those of researching and further developing innovative technologies for the healthcare and laboratory supply markets.

There were no significant changes in the nature of the entity's principal activities during the financial year.

Operating Results

The loss of the company for the period ended 30 June 2005 was \$304,072.

Dividends Paid or Recommended

There were no dividends paid or recommended to be paid.

Review of Operations

Background

LabTech Systems Ltd is a research company with objectives to further research novel technologies with applications in the areas of microbiology laboratory automation and cancer management.

The company holds a worldwide exclusive licence to a patented new technology developed at the IMVS in Adelaide, called MicroStreak[®], the technology allows automated inoculation and streaking of specimens on to standard agar culture plates as an alternative to the labour-intensive methods traditionally used in diagnostic microbiology laboratories. A global market opportunity exists for the automation of routine processing in diagnostic microbiology laboratories.

LABTECH SYSTEMS LTD
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DIRECTORS' REPORT

Review of Operations (cont)

The company holds a worldwide exclusive option over a patented platform anti-cancer technology developed by researchers at the Hanson Institute in Adelaide. Called APOMAB[®], the technology provides a highly specific and reliable means of detecting the presence of apoptotic cells both *in vivo* and *in vitro*. APOMAB[®] has potential for application to cancer diagnostic and therapeutic products.

The focus of activities from July 2004 to July 2005 was to progress proof of concept research for both technologies, against the research plans and milestone targets.

MicroStreak[®] Research

The isolation and identification of micro-organisms for medical diagnostic purposes plays an important role in determining which treatments are required by patients with various diseases. Currently, conventional diagnostic microbiology involves labour-intensive, manual processing of laboratory specimens to isolate single bacterial colonies. Traditionally, inoculation and streaking of specimens is performed manually using a wire loop.

A prototype MicroStreak[®] applicator was developed as a disposable plastic applicator, ultimately to be incorporated into an automated robotic system. An alpha-prototype robotic instrument was also developed incorporating the MicroStreak[®] applicator.

Clinical testing of the MicroStreak[®] applicator and the alpha-prototype robotic instrument has been completed and proof of principle of the invention was established. Preliminary testing of the MicroStreak[®] applicator confirmed its ability to inoculate high concentration bacterial suspensions on to standard agar plates such that large numbers of isolated colonies form after incubation.

The quality of results exceeds traditional techniques for microbial colony isolation. The fast sample time achieved for inoculation and spreading confirmed the commercial potential of the MicroStreak[®] technology.

With the successful performance outcomes for the MicroStreak[®] applicator and alpha-prototype robotic instrumentation, investigation progressed into the development of commercial MicroStreak[®] systems for the diagnostic microbiology market:

- targeted market research;
- identification of commercial partners to develop and manufacture laboratory instrumentation systems incorporating the MicroStreak[®] technology; and
- investigation of potential distributors.

Invetech Pty Ltd of Mt Waverley, Victoria, was appointed as the technology development contractor. The objective of the first stage of commercial development will be to compile detailed specifications for a preferred instrument concept, develop concept options selecting preferred implementation and commence experimental exploration of key risks as input to the next phase of beta-prototype development and testing.

LABTECH SYSTEMS LTD
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DIRECTORS' REPORT

Review of Operations (cont)

APOMAB® Research

APOMAB® detects a highly specific and exclusive marker of dead cells, in particular dead cancer cells, both in the body and in the laboratory. Recognition of dead cancer cells can be applied to:

- the development of new cancer diagnostic products;
- localisation of cancer and targeting of treatments;
- non-invasive monitoring of cancer treatments;
- the development of new therapeutic anti-cancer products; and
- other apoptosis-based diseases e.g. stroke, heart attack, organ transplant rejection.

APOMAB® technology represents a particularly significant development because the specific detection of apoptotic cancer cells remains a technically challenging task that is not readily solved using alternative technologies.

The main current problem with cancer treatment is lack of specificity. It is possible to administer doses of radiation or chemotherapy capable of killing all cancer cells, but normal cancer cells are also killed. Using APOMAB® to diagnose chemotherapy-induced apoptosis of cancer cells may spare some patients unnecessary and potentially toxic cancer treatment and may indicate improved survival for those patients who have chemotherapy-responsive cancer.

There is also a great need for new techniques that would allow specific targeting of the anti-cancer therapy just to the cancer cells. Cancers have a high content of macrophages which overall tend to promote the growth of cancer. APOMAB® preferentially associates in the body with macrophages that engulf apoptotic cells and contribute to the healing of tissue damage. Hence an opportunity exists to develop APOMAB® as a vehicle for cancer therapeutics.

The APOMAB® Research Plan spans approximately two years for Proof of Concept research, with anticipated completion by the end of 2005.

Research objectives for the period aimed to evaluate the potential for APOMAB® in:

- Therapeutic Product Applications: Laboratory and animal studies to finalise the rationale for development of APOMAB® as a tumour targeting agent; and
- Diagnostic Product Applications: Laboratory and animal studies to develop a marker for chemotherapy responsiveness (lung carcinoma).

During the period July 2004 to July 2005, research progressed against milestones.

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' REPORT

Financial Position

The net assets of the company have increased by \$700,127 from 30 June 2004 to \$700,127 in 2005. The increase has resulted from the following factors:

- Share and option issues after the costs associated with those raising \$1,004,199.
- Ongoing operating expenditure by the company as it proceeds to the commercialisation of its MicroStreak[®] technology.
- The company continued to outlay expenditure on the securing and ongoing development of its MicroStreak[®] technology as well as progressing research on its APOMAB[®] technology, the further cost of which was \$352,775

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the company occurred during the year ended 30 June 2005:

- On 19 July 2004 the company issued 100,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 9 August 2004 the company issued 560,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 12 August 2004, the company issued a letter of intent to ARRM to engage to develop and prove the concept of automated plate and inoculating streaking and to develop and alpha prototype robotic by 30 November 2004. This was duly completed. Legal and physical possession of the prototype was duly taken by the company.

The cost of the prototype appears on the statement of financial position at a cost of \$147,455. The directors have assessed the carrying value and are satisfied that it is not higher than recoverable value.

- On 17 August 2004 the company issued 980,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 30 August 2004 the company issued 100,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 31 August 2004 the company issued 1,000,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 13 September 2004 the company issued 40,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 29 September 2004 the company issued 100,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.

LABTECH SYSTEMS LTD
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DIRECTORS' REPORT

Significant Changes in State of Affairs (cont)

- On 21 October 2004 the company issued 380,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents.
- On 21 October 2004 the company issued 301,000 ordinary shares at 7.5 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents.
- On 3 November 2004 the company issued 348,000 ordinary shares at 7.5 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents.
- On 9 November 2004 the company issued 120,000 ordinary shares at 7.5 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents.
- On 10 November 2004 the company issued 2,000,000 ordinary shares at 5 cents each with a free attaching option expiring 30 June 2012 with an exercise price of 10 cents to directors of the company.
- On 17 November 2004 the company issued 539,800 ordinary shares at 7.5 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents.
- A heads of agreement subject to contract between the company and Advanced Rapid Robotics Manufacturing (ARRM) as the basis for further agreements under which ARRM Technology, ARRM Software and its commercialisation experience in Relevant Technology are used to develop, manufacture, commercialise and distribute MicroStreak[®] products was signed on 17 November 2004. This agreement expired on 30 November 2004 and no contract was entered.
- On 19 November 2004 the company issued 427,800 ordinary shares at 7.5 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents.
- The company having signed an option agreement for the right to secure a worldwide exclusive licence agreement to a new technology called MicroStreak[®] and paying \$51,000 subsequently on 1 December 2004 signed a Technology Licence Agreement to exercise that option for this technology a sum of \$120,000 was paid for this.
- On 20 December 2004 the company entered into an agreement with Martin Place Securities Pty Ltd to underwrite a proposed issue of shares by the company by way of Initial Public Offering with a prospectus for 4,400,000 new shares with a free attaching option at an issue price of 15 cents each. Provision was made to allot a further 1,300,000 shares in the event of oversubscriptions.
- On 8 April 2005 the company issued 4,736,000 ordinary shares each at 15 cents with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents pursuant to the capital raising under the initial public offering.
- On 8 April 2005 the company issued 1,240,000 shares at 15 cents each with a free attaching option expiring 30 June 2013 with an exercise price of 15 cents to Martin Place Securities Pty Ltd and or their nominee as payment for underwriting commission.

LABTECH SYSTEMS LTD
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DIRECTORS' REPORT

Significant Changes in State of Affairs (cont)

- The company listed on the Newcastle Stock Exchange on 12 April 2005.
- ARRM was placed into voluntary administration on 19 April 2005. The company has ceased any negotiation for further dealings with ARRM.

After Balance Date Events

On 5 July 2005, the company contracted with Invetech Pty Ltd to undertake the process for designing, developing and transferring the MicroStreak[®] instrument to manufacturing. The instrument concept and program planning document outputs, assuming commencement on 6 July 2005, it is expected that completion of stage 1 of a recommended four stage process will be completed on 28 September 2005.

The total development budget for stage 1 is \$297,400 and is due to be paid by 28 September 2005.

An announcement was made to the Newcastle Stock Exchange on 1 June 2005 that there would be a bonus issue of 2 shares for every 3 held as at 30 September 2005.

On 12 August 2005, the company approved a new consulting agreement with L.H. Guthrie of Lusid Pty Ltd for consulting services amounting to \$150,000 per annum exclusive of GST together with a bonus payment of \$40,000 upon attainment of ASX listing.

On 22 August 2005 the company gave notice of a general meeting of shareholders to be held on 22 September 2005. The purpose of the meeting is to obtain all the necessary shareholder approvals to restructure the company. Legal fees in relation to the restructure are estimated to be \$40,000.

Future Developments, Prospects and Business Strategies

LabTech Systems Ltd (LTS) was formed as a research company to raise equity to provide funds to further research two innovative technologies in: cancer management (APOMAB[®]); and laboratory automation (MicroStreak[®]). Both research projects are progressing and the core technologies are meeting performance hurdles.

It is anticipated that The APOMAB[®] research project will reach completion of proof of concept research towards the end of 2005. It will then move into a new phase comprising preclinical research for therapeutic applications of the technology and development activities for potential diagnostic applications of APOMAB[®].

MicroStreak[®] is progressing towards full commercialisation. The company proposes to enter into a Technology Development Agreement with Invetech to complete the commercial development and transfer to production of laboratory instrumentation incorporating the MicroStreak[®] applicator for automation of microbiology processing.

The Directors are considering appropriate strategies for funding and full commercialisation of both technologies, which are now at different stages of development and address different markets. It is proposed that a new company be set up, to be known as Apomab Ltd, and that APOMAB[®] technology be transferred into that company. This will allow LabTech Systems Ltd to focus on automation for microbiology processing. Apomab Ltd will have cancer management as its focus. A general meeting of shareholders will be held on 22 September 2005 to consider and if thought fit pass the special resolution that allows for the restructure of the company. Legal fees in relation to the restructure are estimated to be \$40,000.

A successful listing of Apomab Ltd on NSX would raise \$660,000 for further preclinical research and development studies and intellectual property management. Apomab Ltd intends to exercise its option over the APOMAB[®] technology, entering into a Licence Agreement with Medvet Science Pty Ltd, in late 2005.

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DIRECTORS' REPORT

Future Developments, Prospects and Business Strategies (cont)

A successful listing of LabTech Systems on ASX would raise approximately \$4.5 million to enable full commercial development of the MicroStreak[®] system by the end of 2006, including intellectual property management, sales and marketing, and distribution strategy. It is anticipated that distributors will be identified and appointed early in 2006.

Environmental Issues

The company's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

Information on Directors

Douglas Peter LeMessurier

Qualifications	-	Sharebroker		
Experience	-	Various company directorships		
Interest in Shares	-		1,250,000	Ordinary Shares
Interest in Options	-		1,250,000	Options
Third Party Holdings	-	Palpat Pty Ltd	1,000,000	Ordinary Shares
			1,000,000	Options
	-	First Avenue Investments Pty	1,000,000	Ordinary Shares
			1,000,000	Options
	-	College Park Investments Pty	1,000,000	Ordinary Shares
			1,000,000	Options
	-	Kytron Pty Ltd	1,230,000	Ordinary Shares
			1,230,000	Options
	-	Jane Mary LeMessurier	500,000	Ordinary Shares
			500,000	Options
Directorships held in other listed entities	-	Current director of Vet Biotechnology Limited (since 23 July 2005)		

Lucia Halina Guthrie

Qualifications	-	Consultant		
Experience	-	Various company directorships		
Interest in Shares	-		2,750,000	Ordinary Shares
Interest in Options	-		2,750,000	Options
Directorships held in other listed entities	-	Current director of Vet Biotechnology Limited (since 12 November 2003)		

Paul Andrew Mariani

Qualifications	-	Executive		
Experience	-	Various company directorships		
Interest in Shares	-		500,000	Ordinary Shares
Interest in Options	-		500,000	Options
Directorships held in other listed entities	-	Current director of Vet Biotechnology Limited (since 12 November 2003)		

LABTECH SYSTEMS LTD
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DIRECTORS' REPORT

Remuneration Policy

The Remuneration Policy of LabTech Systems Ltd (LTS) has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting LTS's financial results.

The key objectives of the Remuneration Policy are to appropriately and effectively attract and retain the best executives and directors to run and manage the company, as well as create goals congruent between directors, executives and shareholders.

The Remuneration Policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board after seeking professional advice from independent external consultants.

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives with:

- Performance-based bonus based on Key Performance Indicators (KPI's); and
- Issue of Options to the majority of directors and executives to encourage the alignment of personal and shareholder interests.

The LTS Board's policy for determining the nature and amount of remuneration for board members and senior company executives follows.

Terms & Conditions

All executives receive a base salary, based on length of service, professional qualifications and experience, superannuation, fringe benefits, options and performance incentives.

The remuneration committee reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Performance Measurement

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value.

All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the Remuneration Committee's recommendations.

Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

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DIRECTORS' REPORT

Remuneration Policy (Cont)

Superannuation

The executive directors and executives receive a superannuation guarantee contribution, required by the government, which is currently 9% and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Shares & Options

Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid to the director or executive.

Non-executive Directors

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting.

Fees for non-executive directors are not linked to the performance of the company. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance Based Remuneration

As part of each executive director and executives' remuneration package there is a performance-based component consisting of key performance indicators. The intention of this programme is to facilitate goal congruence between directors and executives with that of the business and shareholders.

Key Performance Indicators - KPI's:

- Are set annually in consultation with directors/executives. The measures are specifically tailored to the areas in which the director/executive is directly involved and has a level of control over.
- Target areas the board believes hold greater potential for business expansion and profit.
- Cover financial and non-financial as well as short- and long-term goals.
- The level set for each KPI is based on budgeted figures for the group and respective industry standards.
- Performance in relation to KPI's is assessed annually, with minor quarterly reviews.
- Bonuses being awarded depend on the number and difficulty of the KPI's achieved.

Following the assessment, the KPI's are reviewed by the remuneration committee in light of the desired and actual outcomes. The efficacy of the KPI's is assessed in relation to the company's goals and shareholder wealth, before the KPI's are set for the following year. Where advisable, independent reports are obtained from external organisations.

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' REPORT

Details of Remuneration for Year Ended 30 June 2005

The remuneration for each director of the company during the year was as follows:

	Salary, Fees & Commis- sions	Super- annu- ation Contri- bution	Cash Bonus	Non- Cash Benefits	Shares Note 14(c)	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Mr D P LeMessurier	-	-	-	-	37,500	75,000	112,500.00
Mrs L H Guthrie	84,900	-	-	-	37,500	75,000	197,400.00
Mr P A Mariani	-	-	-	-	25,000	50,000	75,000.00
	84,900	-	-	-	100,000	200,000	384,900.00

Options Issued as Part of Remuneration for the Year Ended 30 June 2005

	Granted No.	Options Granted as Part of Remun- eration	Total Remun- eration Repre- sented by Options %	Options Exer- cised	Options Lapsed	Issue Price	Total
			\$ %	\$	(\$)		\$
Mr D P LeMessurier	750,000	-	-	-	-	0.10	75,000.00
Mrs L H Guthrie	750,000	-	-	-	-	0.10	75,000.00
Mr P A Mariani	500,000	-	-	-	-	0.10	50,000.00
	2,000,000	-	-	-	-		200,000.00

Meetings of Directors

During the period to 30 June 2005, twenty three meetings of directors (including committees of directors) were held. Attendances by each director during the reporting period were:

	Number Eligible to Attend	Number Attended
Douglas P LeMessurier	23	23
Lusia H Guthrie	23	23
Paul A Mariani	23	23

There were no meetings held during the year by the audit committee, matters of remuneration were discussed at board level.

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' REPORT

Option Details

At the date of this report, the unissued ordinary shares of LabTech Systems Ltd under option are as follows:-

Grant Date	Date of Expiry	Exercise Price	Number Under Option
21/01/04	30/06/12	\$0.10	81,500
22/01/04	30/06/12	\$0.10	8,068,500
11/03/04	30/06/12	\$0.10	1,250,000
30/04/04	30/06/12	\$0.10	1,450,000
24/05/04	30/06/12	\$0.10	250,000
26/05/04	30/06/12	\$0.10	250,000
19/07/04	30/06/12	\$0.10	100,000
09/08/04	30/06/12	\$0.10	560,000
17/08/04	30/06/12	\$0.10	980,000
30/08/04	30/06/12	\$0.10	100,000
31/08/04	30/06/12	\$0.10	1,000,000
13/09/04	30/06/12	\$0.10	40,000
29/09/04	30/06/12	\$0.10	100,000
21/10/04	30/06/12	\$0.10	380,000
21/10/04	30/06/13	\$0.15	301,000
03/11/04	30/06/13	\$0.15	348,000
09/11/04	30/06/13	\$0.15	120,000
10/11/04	30/06/12	\$0.10	2,000,000
17/11/04	30/06/13	\$0.15	539,800
19/11/04	30/06/13	\$0.15	427,800
08/04/05	30/06/13	\$0.15	5,076,500
			<u>24,322,500</u>

There have been no shares issued as a result of exercise of options.

Indemnifying Officers or Auditor

During or since the end of the financial year the company has not given any indemnity or entered into any agreement to indemnify or paid or agreed to pay any insurance premiums of officers or the auditor.

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2005 has been received and can be found on page 18 of the directors' report.

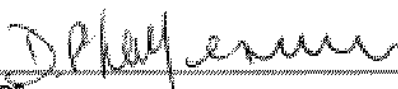
Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the reporting period.

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' REPORT

Signed in accordance with a resolution of the Board of Directors.



Director
Douglas Peter LeMessurier



Director
Lusia Halina Guthrie

Dated at Adelaide this 12th day of September 2005.

LABTECH SYSTEMS LTD
ACN 107 670 673

AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF LABTECH SYSTEMS LIMITED

As auditor for the audit of LabTech Systems Limited for the year ended 30 June 2005, 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 audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS



PHIL PLUMMER
PARTNER

Adelaide,
12th September 2005

LABTECH SYSTEMS LTD
ACN 107 670 673
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
Revenue from ordinary activities	2	7,671	422
Other expenses from ordinary activities	3	<u>311,743</u>	<u>15,633</u>
Loss from ordinary activities before income tax expense		(304,072)	(15,211)
Income tax expense relating to ordinary activities	1a	<u>-</u>	<u>-</u>
Loss from ordinary activities after related income tax expense		<u>(304,072)</u>	<u>(15,211)</u>
Net loss attributable to members		<u>(304,072)</u>	<u>(15,211)</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>(304,072)</u>	<u>(15,211)</u>
Basic earnings per share (cents per share)	13	<u>(1.71)</u>	<u>(0.36)</u>
Diluted earnings per share (cents per share)	13	<u>(0.69)</u>	<u>(0.36)</u>

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
ACN 107 670 673
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash at Bank	5	331,679	24,978
Receivables	6	<u>27,496</u>	<u>16,100</u>
TOTAL CURRENT ASSETS		<u>359,175</u>	<u>41,078</u>
NON-CURRENT ASSETS			
Receivables	6	-	5,750
Intangible Assets	7	548,747	223,195
Other	8	<u>760</u>	<u>974</u>
TOTAL NON-CURRENT ASSETS		<u>549,507</u>	<u>229,919</u>
TOTAL ASSETS		<u>908,682</u>	<u>270,997</u>
CURRENT LIABILITIES			
Payables	9	<u>172,243</u>	<u>171,435</u>
TOTAL CURRENT LIABILITIES		<u>172,243</u>	<u>171,435</u>
NON-CURRENT LIABILITIES			
Payables	9	<u>-</u>	<u>63,250</u>
TOTAL NON-CURRENT LIABILITIES		<u>-</u>	<u>63,250</u>
TOTAL LIABILITIES		<u>172,243</u>	<u>234,685</u>
NET ASSETS		<u>736,439</u>	<u>36,312</u>
EQUITY			
Contributed Equity	10	1,055,722	51,523
Retained Profits/(Accumulated Losses)	11	<u>(319,283)</u>	<u>(15,211)</u>
TOTAL EQUITY		<u>736,439</u>	<u>36,312</u>

The accompanying notes form part of these financial statements.

LABTECH SYSTEMS LTD
ACN 107 670 673
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		-	-
Payments to Suppliers		(252,394)	(10,595)
Interest Received		<u>7,671</u>	<u>422</u>
Net cash provided by (used in) operating activities	12	<u>(244,723)</u>	<u>(10,273)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments under Option and Licence Agreement for APiS	15	(318,455)	-
Payments under Option and Licence Agreement for APOMAB®	15	<u>(34,320)</u>	<u>(28,750)</u>
Net cash used in investing activities		<u>(352,775)</u>	<u>(28,750)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	10	1,003,641	64,001
Costs associated with capital raising	10	<u>(99,442)</u>	<u>-</u>
Net cash provided by (used in) financing activities		<u>904,199</u>	<u>64,001</u>
Net increase in cash held		<u>306,701</u>	<u>24,978</u>
Cash at beginning of period		<u>24,978</u>	<u>-</u>
Cash at end of period	5	<u>331,679</u>	<u>24,978</u>

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Account Standards Board and the Corporations Act 2001.

The financial report covers LabTech Systems Ltd a public company incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

a Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits in respect of timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in respect of losses are not brought to account unless there is virtual certainty of realisation of the benefit. At reporting date an amount of \$95,785 being 30% of tax losses of \$319,283 has accordingly not been recognised as a future income tax benefit as there is no virtual certainty of realisation of the benefit.

The amount of benefits expected to arise from the recoupment of tax losses in accordance with the legislation will only be obtained if no adverse changes will occur in tax legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b Patents, Trademarks and Option Fees

Licence fees and option fees are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

c Research and Development Expenditure

Research and Development costs are charged to profit from ordinary activities before income tax as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future benefit will be derived so as to recover those deferred costs.

Deferred research and development expenditure is amortised on a straight line basis over the period during which the related benefits are expected to be realised, once commercial production has commenced.

d Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts.

e Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

f Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the assets or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

g Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

h Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

i Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the company's financial statements for the year ending 30 June 2006. On first time adoption AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the company's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The directors are of the opinion that the key material differences in the company's accounting policies on conversion to AIFRS and the financial effects of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts disclosed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements from the continuing work of the company's AIFRS committee.

(i) Research and Development Expenditure

Under AASB 138: Intangible Assets, costs associated with the research phase of the development of an asset must be expensed. This will result in a change in the current accounting policy, which capitalises research costs to the statement of financial position where it is expected beyond any reasonable doubt that sufficient future benefits will be derived so as to recover these deferred costs.

On transition the impact of this is estimated to be a reduction of \$34,320 to intangible assets. This adjustment will be allocated to Retained Profits at 1 July 2005.

(ii) Income Tax

Currently, the company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

(iii) Share Based Payments

Under AASB 2: Share Based Payments, share based payments are required to be recognised as an expense. This will result in a change in the current accounting policy which requires the disclosure of the amount and details of the components of director and executive remuneration, but not the recognition of share based payments expense.

On transition the impact of this is estimated to be a reduction of \$200,000 to Retained Profits at 1 July 2005.

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Reconciliation of Retained Profits/(Accumulated Losses)	2005
Retained profits/(accumulated losses) reported under Australian Accounting Standards	(304,072)
Key transitional adjustments:	
- Recognition of research costs expensed (Note 1(i))	(34,320)
- Income tax expense	10,296
- Recognition of share based payments expensed (Note 1(i), 14(c))	<u>(200,000)</u>
Total transitional adjustments	<u>(224,024)</u>
Retained profits/(accumulated losses) under AIFRS	<u>(528,096)</u>
Reconciliation of Equity	
Total Equity reported under Australian Accounting Standards	736,439
Retrospective adjustments to equity at 1 July 2004	
- Recognition of research costs expensed	(34,320)
- Recognition of future tax benefit	10,296
- Recognition of share based payments expensed	<u>(200,000)</u>
Total equity under AIFRS	<u>512,415</u>

	2005	2004
	\$	\$
NOTE 2: REVENUE		
Operating Activities		
Interest Received	<u>7,671</u>	<u>422</u>
Total Revenue	<u>7,671</u>	<u>422</u>

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES			
Profit from ordinary activities before income tax has been determined after:			
Expenses			
Accountancy Fees		27,776	5,900
Amortisation		27,437	6,900
Auditors' Remuneration	4	7,250	-
Consulting Fees		79,635	-
Depreciation		219	-
Legal Fees		17,568	-
Marketing		9,243	-
Patent Fees		16,081	-
Rent		5,958	-
Services Rendered as a Director	14(c)	100,000	-
Travel and Accommodation		9,066	2,024
Other Expenses		<u>11,490</u>	<u>809</u>
Total Expenses		<u>311,743</u>	<u>15,833</u>

NOTE 4: AUDITORS' REMUNERATION

Remuneration of the auditors for:

- auditing or reviewing the financial report (Note 3)	3	7,250	4,250
- other services		-	-
- other services provided by related practice of auditor		-	-
		<u>7,250</u>	<u>4,250</u>

Auditors' remuneration for 2004 was capitalised to costs associated with capital raising.

NOTE 5: CASH ASSETS

Cash at Bank	<u>331,679</u>	<u>24,978</u>
	<u>331,679</u>	<u>24,978</u>
Reconciliation of Cash		
Cash at the end of the financial year as shown		
Cash at Bank	<u>331,679</u>	<u>24,978</u>
	<u>331,679</u>	<u>24,978</u>

LABTECH SYSTEMS LTD
ACN 107 676 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
NOTE 6: RECEIVABLES			
CURRENT			
GST Refundable		27,443	16,047
Sundry Debtor		53	53
		<u>27,496</u>	<u>16,100</u>
NON-CURRENT			
Sundry Debtor		-	5,750
		<u>-</u>	<u>5,750</u>
Total Receivables		<u>27,496</u>	<u>21,850</u>
NOTE 7: INTANGIBLE ASSETS			
APOMAB® Option Fee at Cost (Note 15)		230,000	230,000
Less: Accumulated Amortisation (Note 1 (b))		(22,138)	(6,805)
		<u>207,862</u>	<u>223,195</u>
APOMAB® Product Development at Cost		4,320	-
APOMAB® Research at Cost		30,000	-
		<u>34,320</u>	<u>-</u>
APIS Option Fee at Cost		51,000	-
Less: Accumulated Amortisation (Note 1 (b))		(3,316)	-
		<u>47,684</u>	<u>-</u>
APIS Licence Fee at Cost		120,000	-
Less: Accumulated Amortisation (Note 1 (b))		(4,241)	-
		<u>115,759</u>	<u>-</u>
APIS Product Development at Cost		147,455	-
Less: Accumulated Amortisation (Note 1 (b))		(4,333)	-
		<u>143,122</u>	<u>-</u>
Total Intangible Asset		<u>548,747</u>	<u>223,195</u>

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
NOTE 8: NON-CURRENT ASSETS - OTHER			
Formation Expenses at Cost		1,069	1,069
Less: Accumulated Amortisation		<u>(309)</u>	<u>(95)</u>
Total Non-Current Asset Other		<u>760</u>	<u>974</u>

NOTE 9: PAYABLES

CURRENT

Trade creditors	11,368	11,165
Option fee amount payable within 12 months of reporting date (Note 15)	160,875	158,125
Amounts Payable to Director Related Entities	<u>-</u>	<u>2,145</u>
	<u>172,243</u>	<u>171,435</u>

NON-CURRENT

Option fee amount payable after 12 months of reporting date (Note 15)	<u>-</u>	<u>63,250</u>
	<u>-</u>	<u>63,250</u>
Total Payables	<u>172,243</u>	<u>234,685</u>

NOTE 10: CONTRIBUTED EQUITY

issued and paid up capital		
24,322,600 ordinary shares fully paid	1,353,642	64,001
Less: Costs associated with Capital Raising		
Balance 1 July	(12,478)	-
Amount incurred during the year	(99,442)	(12,478)
Placement Commission	<u>(186,000)</u>	<u>-</u>
	<u>1,068,122</u>	<u>51,523</u>

Ordinary Shares

At the beginning of the reporting period	64,001	
- 1 for cash		1
- 81,499 for no consideration		-
- 8,068,500 bonus issue - no consideration		-
- 3,200,000 at \$0.02 each		64,000
- 3,260,000 at \$0.05 each	163,000	-
- 1,736,600 at \$0.075 each	130,245	-
- 2,000,000 at \$0.05 each for services rendered by Directors	100,000	-
- 4,736,000 at \$0.15 each	710,396	-
- 1,240,000 at \$0.15 each as payment for underwriting commission	<u>186,000</u>	<u>-</u>
	<u>1,353,642</u>	<u>64,001</u>

LABTECH SYSTEMS LTD

ACN 107 670 673

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

Note	2005	2004
	\$	\$

NOTE 10: CONTRIBUTED EQUITY (cont)

Costs associated with Capital Raising includes an underwriting commission of \$57,084 paid to Martin Place Securities Pty Ltd and a placement commission of 1,240,000 shares issued at 15 cents per share totalling \$186,000.

Each option entitles the holder to subscribe for one ordinary share in the capital of the company. The company has on issue 24,322,600 options. Of these options 15,610,000 have an exercise price of 10 cents and may be exercised in whole or part at any time up until 30 June 2012. The remaining 7,712,600 options have an exercise price of 15 cents and may be exercised in whole or part at any time up until 30 June 2013.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

If in the event of winding up of the company there remains a surplus of assets available for distribution to Members, ordinary shareholders will be repaid in proportion to the number of fully paid ordinary shares held by them.

NOTE 11: RETAINED PROFITS/(ACCUMULATED LOSSES)

Retained profits/(loss) at the beginning of the period	(15,211)	-
Net profit/(loss) for the period	(304,072)	(15,211)
Retained profits/(loss) at the end of the period	<u>(319,283)</u>	<u>(15,211)</u>

NOTE 12: CASH FLOW INFORMATION**Reconciliation of Cash Flow from
Operations with Profit from Ordinary**

Loss from ordinary activities after income tax	(304,072)	(15,211)
Non-cash flows in loss from ordinary activities		
Amortisation	27,437	6,900
(Increase) in receivables	(5,646)	(1,725)
(Increase) in formation expenses	-	(1,069)
Increase in trade creditors	(62,442)	13,310
Non-cash directors fee	100,000	-
Costs in connection with initial public offering recognised in contributed equity		(12,478)
Cash flow from/used in operations	<u>(244,723)</u>	<u>(10,273)</u>

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
NOTE 13: EARNINGS PER SHARE			
Reconciliation of Earnings to Net Loss			
Net Loss		<u>(304,072)</u>	<u>(15,211)</u>
Earnings used in the calculation of basic earnings per share		<u>(304,072)</u>	<u>(15,211)</u>
Earnings used in the calculation of diluted earnings per share		<u>(304,072)</u>	<u>(15,211)</u>
Weighted average number of ordinary shares outstanding at 30 June 2005 used in the calculation of basic earnings per share		<u>17,813,744</u>	<u>4,233,010</u>
Weighted average number of ordinary shares outstanding at 30 June 2005 used in the calculation of diluted earnings per share		<u>43,918,026</u>	<u>4,233,010</u>

NOTE 14: DIRECTORS' AND EXECUTIVE REMUNERATION

(a) Names and positions held in LabTech Systems Ltd by directors in office at any time during the financial year:

Directors	
Mr D P LeMessurier	Chairman - Non-Executive
Mrs L H Guthrie	Director - Executive
Mr P A Mariani	Director - Non-Executive

(b) Directors' Remuneration

2005

	Primary		Post Employment		Equity Compensation	Other Benefits	Total
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-Cash Benefits	Superannuation	Shares	
Mr D P LeMessurier	-	-	-	-	-	37,500	37,500.00
Mrs L H Guthrie	84,500	-	-	-	-	37,500	122,000.00
Mr P A Mariani	-	-	-	-	-	25,000	25,000.00
	<u>84,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>184,500.00</u>

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 14: DIRECTORS' AND EXECUTIVE REMUNERATION (Cont)

2004

	Primary		Post Employment		Equity Compensation	Other Benefits	Total
	Salary, Fees & Commissions	Superannuation Contributions	Cash Bonuses	Non-Cash Benefits	Superannuation	Options	
Mr D P LeMessurier	-	-	-	-	-	-	-
Mrs L H Guthrie	-	-	-	-	-	-	-
Mr P A Mariani	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

(c) Remuneration Equity

Options Granted as Remuneration

Directors	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date	Value of Remuneration \$
Mr D P LeMessurier	750,000	750,000	19/10/04	0.10	\$0.10	19/10/04	30/06/12	75,000
Mrs L H Guthrie	750,000	750,000	19/10/04	0.10	\$0.10	19/10/04	30/06/12	75,000
Mr P A Mariani	500,000	500,000	19/10/04	0.10	\$0.10	19/10/04	30/06/12	50,000
	<u>2,000,000</u>	<u>2,000,000</u>						<u>200,000</u>

Shares Granted as Remuneration

Directors	Grant Date	Granted No.	Value per Share at Grant Date \$	Value of Remuneration \$
Mr D P LeMessurier	19/10/04	750,000	0.05	37,500
Mrs L H Guthrie	19/10/04	750,000	0.05	37,500
Mr P A Mariani	19/10/04	<u>500,000</u>	<u>0.05</u>	<u>25,000</u>
		<u>2,000,000</u>		<u>100,000</u>

At a general meeting of shareholders held on 19 October 2004 the shareholders approved the allotments to Paul A Mariani of 500,000 ordinary shares and 500,000 options with an exercise price of 10 cents expiring 30 June 2012. Douglas P LeMessurier of 750,000 ordinary shares and 750,000 options with an exercise price of 10 cents expiring 30 June 2012 and Lusia H Guthrie of 750,000 ordinary shares and 750,000 options with an exercise price of 10 cents expiring 30 June 2012. The shares were allotted at 5 cents each.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 14: DIRECTORS' AND EXECUTIVE REMUNERATION (Cont)

(d) Options Holdings

Directors	Balance 01/07/04	Granted as Remuneration	Options Exercised	Other Change	Balance 30/06/05	Total Vested 30/06/05	Total Vested and Exercisable 30/06/05	Total Vested and Unexercisable 30/06/05
Mr D P LeMessurier	4,980,000	750,000	-	280,000	5,980,000	5,980,000	5,980,000	-
Mrs L H Guthrie	2,710,000	750,000	-	-	2,710,000	2,710,000	2,710,000	-
Mr P A Mariani	-	500,000	-	-	500,000	500,000	500,000	-
	<u>6,690,000</u>	<u>2,000,000</u>	<u>-</u>	<u>280,000</u>	<u>6,970,000</u>	<u>6,970,000</u>	<u>6,970,000</u>	<u>-</u>

Options over ordinary shares can be exercised at any time up to 30 June 2012 at an exercise price of 10 cents.

(e) Shareholdings

Directors	Balance 01/07/04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30/06/05
Mr D P LeMessurier	4,980,000	750,000	-	280,000	5,980,000
Mrs L H Guthrie	2,710,000	750,000	-	-	2,710,000
Mr P A Mariani	-	500,000	-	-	500,000
Total	<u>6,690,000</u>	<u>2,000,000</u>	<u>-</u>	<u>280,000</u>	<u>6,970,000</u>

NOTE 15: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors' Transactions with the Company

D P LeMessurier

An option agreement between Medvet Science Pty Ltd and D P LeMessurier and or his nominee was entered into on 23 December 2003.

The option agreement grants an exclusive worldwide option to enter into good faith negotiations with Medvet Science Pty Ltd with a view to granting an exclusive worldwide sublicense in respect of their intellectual property rights in the technology to an invention known as APOMAB®.

The terms and conditions for which this option was granted was that Mr D P LeMessurier having entered into the option agreement with Medvet Science Pty Ltd was to pay the non refundable sum of \$230,000 (plus GST) at the rate of \$28,750 (plus GST) per quarter from 1 February 2004 for a period of two years.

On 19 January 2004, D P LeMessurier had assigned and transferred all of his rights, title and interest in the option and the Agreement to Apotech Pty Ltd (now LabTech Systems Ltd).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: RELATED PARTY TRANSACTIONS (cont)

The consideration for the transfer of the Option and the Agreement was that Apotech Pty Ltd would:

- (a) Grant to D P LeMessurier an overriding royalty of 1.3% in relation to all licence fees and net sales of any Apotech product;
- (b) Issue D P LeMessurier and or his nominee 40,000 fully paid ordinary shares and 40,000 share options;
- (c) Grant to L H Guthrie an overriding royalty of 0.5% in relation to all licence fees and net sales of any Apotech product;
- (d) Issue L H Guthrie and or her nominee 20,000 fully paid ordinary shares and 20,000 share options.

L H Guthrie

As a result of the agreement entered into by Apotech Pty Ltd and D P LeMessurier (option agreement) to transfer the granting of an exclusive worldwide sublicense in respect of the Medvet Science Pty Ltd's intellectual property rights in the technology known as APOMAB[®], the company has agreed that in consideration for the transfer of the Option and the Agreement was that it would grant to L H Guthrie and or her nominee:

- (a) An overriding royalty of 0.5% in relation to all licence fees and net sales of any Apotech product.
- (b) An issue of 20,000 fully paid ordinary shares and 20,000 share options.

Directors' Related Entity Transactions with the Company

Total income paid or payable, or otherwise made available, to all directors of the company from the company or any related party is \$85,900.

Lusid Pty Ltd, a company controlled by L H Guthrie was in receipt of consulting fees for the year ended 30 June 2005 of amount of \$84,900. The board approved a new agreement on 12 August 2005 for \$150,000 per annum exclusive of GST and a bonus of \$40,000 upon listing on the ASX.

Alice LeMessurier was engaged to provide some legal services during the year. She is the daughter of D P LeMessurier and was paid \$1,000.

Other Related Parties

Transactions with the Company

Medvet Science Pty Ltd

Medvet Science Pty Ltd is a shareholder in Vet Biotechnology Limited, holding 2,000,000 ordinary shares and 2,000,000 options with an exercise price of 10 cents expiring 30 June 2012.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: RELATED PARTY TRANSACTIONS (cont)

Acquisition and Invention of Technology - APOMAB™

Medvet Science Pty Ltd had entered into an option agreement with Apotech Pty Ltd.

Both parties have certain obligations to meet during the term of the option.

Details of the fees and royalties payable to Medvet Science Pty Ltd as set out in the Option Agreement are summarised below.

(a) Fees

The company will pay Medvet Science Pty Ltd industry standard milestone payments when the technology reaches certain milestones. These include grant of patent in the USA, grant of patent in Germany, grant of patent in Japan, phase I clinical trial, phase II clinical trial, phase III clinical trial and FDA marketing approval.

(b) Royalties

Royalties on Net Sales

The company will pay a royalty to Medvet Science Pty Ltd comprising of not less than 5% (five percent) on net sales of the product. A guaranteed minimum royalty is yet to be negotiated.

(c) Terms

The licence agreement will be for a term of fifteen years or the life of the patent obtained on the technology, whichever is longer.

Acquisition and Invention of Technology - MicroStreak™

On 1 December 2004, the company entered into a Technology Licence Agreement with Medvet Science Pty Ltd under which it has an exclusive worldwide licence to make, use and sell products derived from technology known as MicroStreak®.

Both parties have certain financial obligations to meet during the term of the Agreement.

In consideration for the MicroStreak® licence, LabTech Systems must pay to Medvet Science Pty Ltd a licence fees of \$120,000, payable in two instalments. The first instalment due within sixty days of execution of the agreement and the final instalment to be paid upon the eighteen month anniversary of the Agreement.

LabTech Systems LTS must pay to Medvet Science Pty Ltd a royalty on gross sales of any products sold at market price in the Territory with the following percentages applying in:

(a) Australia - 3% of gross sales of this product for the term;

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 15: RELATED PARTY TRANSACTIONS (cont)

(b) in all other countries:

- (i) 3% of gross sales of the product for the first three years from the date of first commercial sale in each country; and
- (ii) 7% of gross sales of the product thereafter for the remainder of the term.

The royalty referred to above is payable in respect of each quarter, on or before the end of the month following the end of each quarter.

Medvet Science Pty Ltd will also receive milestone payments from LabTech Systems within six months of the Technology reaching the following milestones:

- (i) First commercial sale in Australia - \$20,000 or 200,000 Shares
- (ii) First commercial sale in Europe - \$50,000 or 400,000 Shares
- (iii) First commercial sale in the United States of America - \$150,000 or 500,000 Shares

payment in cash or either of shares for (i) and (ii) will be at the election of Medvet Science Pty Ltd by written notice.

LabTech Systems Ltd will provide the product to the Institute of Medical and Veterinary Science and/or Medvet Science Pty Ltd at the price the product costs to produce rather than at market price.

Aggregate Number of Shares and Share Options

The aggregate number of shares and share options acquired and held as at 30 June 2005 by the following other related parties are as follows:-

Medvet Science Pty Ltd
J.M. LeMessurier

	Number Acquired and Held	Exercise Price	Exercisable By
Ordinary Shares	2,500,000		-
Options Over Ordinary Shares	2,500,000	\$0.10	30/06/12

Aggregate number of shares and share options disposed NIL

These shares and share options have all been issued since incorporation.

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 16: FINANCIAL INSTRUMENTS

a Interest Rate Risk

The company has no long term financial assets or liabilities upon which it earns or pays interest. Cash is held in an interest yielding cheque account where the interest rate can vary from day to day. The weighted average interest rate achieved was 4.85%.

b Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets, excluding investments, of the company which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

NOTE 17: SEGMENT REPORTING

The company will operate in one business and several geographical segments, providing research and development of the two technologies APOMAB[®] and MicroStreak[®].

NOTE 18: CREDIT STANDBY ARRANGEMENTS

There are no credit standby facilities in place.

NOTE 19: EVENTS OCCURRING AFTER REPORTING DATE

Contract for Progressing MicroStreak[®] to Manufacturing

On 5 July 2005, the company contracted with Invetech Pty Ltd to undertake the process for designing, developing and transferring the MicroStreak[®] instrument to manufacturing. The instrument concept and program planning document outputs, assuming commencement on 6 July 2005, it is expected that completion of stage 1 of a recommended four stage process will be completed on 28 September 2005.

The total development budget for stage 1 is \$287,400 and is due to be paid by 28 September 2005.

Bonus Issue

An announcement was made to the Newcastle Stock Exchange on 1 June 2005 that there would be a bonus issue of 2 shares for every 3 held as at 30 September 2005.

Lusid Pty Ltd Consulting Agreement

On 12 August 2005, the company approved a new consulting agreement with L H Guthrie of Lusid Pty Ltd for consulting services amounting to \$150,000 per annum exclusive of GST together with a bonus payment of \$40,000 upon attainment of ASX listing.

Proposed Demerger and ASX/NSX Listing

On 22 August 2005 the company gave notice of a general meeting of shareholders to be held on 22 September 2005. The purpose of the meeting is to obtain all the necessary shareholder approvals to restructure the company. Legal fees in relation to the restructure are estimated to be \$40,000.

LABTECH SYSTEMS LTD
ACN 107 670 673
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2005

NOTE 19: EVENTS OCCURRING AFTER REPORTING DATE (cont)

It is proposed that the APOMAB technology be sold to a new entity, Apomab Ltd, in consideration for one share in Apomab Ltd for every share in LabTech Systems Ltd. The restructure also calls for the reduction of the issued share capital of LabTech Systems Ltd in order to distribute, in-specie and on a pro-rata basis to LabTech Systems Ltd's shareholders, the Apomab Ltd's shares. This will provide LabTech Systems Ltd shareholders with shares in Apomab Ltd, which is preparing to list on the Newcastle Stock Exchange. Under the restructure it is proposed that LabTech Systems demerge Apomab Ltd to allow LabTech Systems Ltd to focus entirely on its MicroStreak® technology.

LabTech Systems is in the process of preparing a prospectus to issue 22,500,000 shares at an issue price of 20 cents with a free attaching option to raise \$4,500,000 with the right to accept oversubscriptions to raise an additional \$1,000,000.

Martin Place Securities Pty Ltd have issued a letter of undertaking, subject to contract, to underwrite the LabTech Systems offer to the minimum subscription of \$2,500,000. Fees payable to Martin Place Securities will include an engagement fee of \$10,000, a management fee of 1.5% of the total amount raised, an underwriting fee of 7% of the total amount raised and a placement commission of 650,000 shares with free attaching options.

Within seven days of the lodgement of the prospectus with the Australian Securities and Investments Commission, the company will make an application to list on the Australian Stock Exchange.

Apomab Ltd intends to prepare a prospectus to issue 4,400,000 shares at an issue price of 15 cents with a free attaching option to raise \$660,000, with the right to accept oversubscriptions up to \$450,000.

Martin Place Securities Pty Ltd have issued a letter of undertaking, subject to contract, to underwrite the Apomab offer to \$660,000. Fees payable to Martin Place Securities will include an engagement fee of \$5,000, a management fee of 1.5% of the total amount raised, an underwriting fee of 7% of the total amount raised and a placement commission of 650,000 shares with free attaching options.

NOTE 20: CAPITAL, ROYALTY AND OTHER FEES COMMITMENTS

Acquisition of Invention and Technology – APOMAB®.

	Nature	Details
(a) Medvet Science Pty Ltd	licence, royalties and other fees payable	- Note 15

Acquisition of Invention and Technology – MicroStreak®.

	Nature	
(a) Medvet Science Pty Ltd	licence, royalties and other fees payable	- Note 15

NOTE 22: COMPANY DETAILS

The registered office of the company is:

253 Sturt Street
ADELAIDE SA 5000

The principal place of business is:

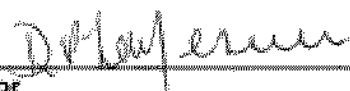
Suite 7, 114 Rundle Street
KENT TOWN SA 5067

LABTECH SYSTEMS LTD
ACN 107 670 673
DIRECTORS' DECLARATION

The directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 19 to 37, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with *Accounting Standards* and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the year ended on that date of the company;
- 2 the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the *Accounting Standards*; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
- 3 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Douglas Peter LeMessurier



Director

Lusia Halina Guthrie

Dated at Adelaide this 12th day of September 2005

LABTECH SYSTEMS LTD
ACN 107 670 673

INDEPENDENT AUDIT REPORT

To the members of LabTech Systems Limited:

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2005, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2005 for LabTech Systems Limited ("the company") as set out on pages 19 to 38.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error, for the accounting policies and for the accounting estimates within the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of audit evidence which may be persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance in relation to internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The Directors Report attached to the financial statements includes a copy of the Independence Declaration dated 12th September 2005 given to the Directors by us for the audit.

Audit opinion

In our opinion, the financial report of LabTech Systems Limited is in accordance with

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS
Adelaide, 12th September 2005

PHIL PLUMMER
PARTNER

10. MATERIAL CONTRACTS

10.1 MicroStreak® Technology Licence Agreement

Medvet is the owner of Australian Patent Application No. PCT/AU2005/000079 called "Microbial Streaking Device". Under the Licence Agreement Medvet granted the Company an exclusive worldwide licence to commercialise the Patent.

SUBJECT	TERMS
Commencement Date	The agreement commenced on 1 December 2004.
Licence Grant	The Company has an exclusive worldwide licence to further develop, enhance, improve, exploit, market and sell products created using the Patent and the MicroStreak® technology.
Term	For the life of the Patent or any patent based on the patent.
Consideration	Upfront Licence Fee \$120,000.00 to be paid as follows: • \$60,000.00 to be paid within sixty (60) days of the execution of the Agreement. This amount has been paid, • \$60,000.00 to be paid upon the eighteen (18) month anniversary of the Agreement.
Royalties	For Australia - 3% of gross sales. For other countries - 3% of gross sales for the first 3 years from the date of the first commercial sale in the relevant country and thereafter 7%. Gross sales are the total amount on invoices billed to customers less shipping taxes duties and credited returns.
Milestone Payments	Medvet will receive milestone payments when the MicroStreak® technology reaches the following milestones: • 1st Commercial Sale (AUS) - \$20,000 or 200,000 Shares • 1st Commercial Sale (EU) - \$50,000 or 400,000 Shares • 1st Commercial Sale (USA) - \$150,000 or 500,000 Shares The cash or share payment is at Medvet's option. Allotment of Shares is subject to Shareholder approval.
Sub-Licensing Rights	The Company cannot sub-licence the rights granted under the Licence Agreement without the prior written approval of Medvet.
Field of Use	Unrestricted.
Training and Consultancy Services	If the Company requests Medvet must provide training, technical assistance or consultants (specifically John Glasson and/or Lachlan Smith). Such services will be at the Company's cost.
Failure to Commercialise	If the Company fails to commercialise the MicroStreak® technology within 3 years from commencement of the agreement, Medvet may modify the agreement to be non-exclusive.
Improvements	All improvements to the MicroStreak® technology made by the Company will rest in Medvet and be subject to the agreement.
Patent Protection	The agreement provides the Company with rights to protect the Patent and other rights arising out of the agreement.
Marketing	The Company must use best endeavours to market and obtain sales of products developed from the MicroStreak® technology.

MATERIAL CONTRACTS

Termination	The agreement may be terminated by a party if the other party becomes insolvent or is in default under the agreement and fails to remedy the default within one month.
Warranties and Indemnities	The Company and Medvet both provide usual commercial warranties and indemnities.
Governing Law	The agreement is governed by the laws of South Australia.
GST	Payments under the agreement are expressed exclusive of GST.

10.2 Invetech Development Agreement

The Company has engaged Invetech Pty Ltd ("Invetech") to provide technical expertise to develop the MicroStreak® technology.

This development will be concentrated at first instance on concept evolution and specification, design and development planning and feasibility and risk assessment. The Company and Invetech have agreed objectives and a program of work. The proposed budget for this first stage of development is \$297,400 (excluding GST). The Company has sufficient funds without capital raising to satisfy this amount. Any intellectual property rights resulting from the Invetech work will rest in the Company. The arrangements with Invetech are based on the usual commercial terms provided by Invetech.

10.3 APOMAB® Assignment Agreement

Previously, the Company had two technologies. These have now demerged and the Company entered into an agreement to assign the APOMAB® technology to Apomab Ltd.

The Company has entered into an agreement dated 26 September 2005 with Apomab Ltd, Medvet Science Pty Ltd, Douglas Peter LeMessurier and Lusia Halina Guthrie ("APOMAB® Assignment Agreement"). Apomab Ltd was a wholly owned subsidiary of the Company. Prior to the Prospectus Date, the Company's Shareholders have been issued Shares in Apomab Ltd equivalent to their number of Shares in the Company.

The APOMAB® Assignment Agreement provides for the assignment of the Company's right, title and interest in the APOMAB® technology and option agreement to Apomab Ltd. Apomab Ltd will be obliged to pay the royalties associated with the APOMAB® technology assigned.

The APOMAB® Assignment Agreement was conditional on the Company's Shareholders unanimously approving the assignment in general meeting. Unanimous approval was given by the Shareholders on 22 September 2005.

The consideration for the assignment is that Apomab Ltd must issue to the Company's Shareholders the number of Shares equivalent to the number of Shares issued in the Company as at the relevant date under the agreement. This has occurred.

Medvet, LeMessurier and Guthrie are parties to the APOMAB® Assignment Agreement to consent to the assignment.

A party may terminate the agreement if a defaulting party fails to remedy a default or becomes externally administered.

The terms of the APOMAB® Assignment Agreement have been completed and the Company no longer has any interest in the APOMAB® technology.

MATERIAL CONTRACTS

10.4 Underwriting Agreement

The Company has requested Martin Place Securities Pty Ltd (the "Underwriter") to underwrite the Offer and the Underwriter has agreed to do so on the terms and conditions in the Underwriting Agreement between Martin Place Securities Pty Ltd and the Company and dated 4 October 2005 ("Underwriting Agreement"). Under the terms of the appointment of the Underwriter, the Underwriter has agreed to underwrite the Offer, manage the Offer and procure such number of subscribers to the Offer with at least a minimum marketable parcel holding of Shares to satisfy the ASX Listing Rules requirements for spread of Shareholders. The Underwriter has reserved the right to appoint sub underwriters to sub underwrite the Issue.

10.4.1 The Underwriter is entitled to payment by the Company of the following fees with respect to its obligations under the Underwriting Agreement:

- (a) A management fee of 1.5% of the total funds raised including any oversubscription;
- (b) An underwriting commission of 7% of the Underwritten Amount and any oversubscriptions;
- (c) A placement fee of 380,000 Shares with attaching Options;
- (d) Reimbursement of all direct costs and reasonable expenses associated with the underwriting.

10.4.2 The Company makes a number of representations, undertakings and warranties to the Underwriter including (without being exhaustive) relating to:

- (a) No material litigation;
- (b) Legal compliance of the Prospectus, the Issue and any related announcements and publications;
- (c) Correctness and completeness of information provided;
- (d) Activities of the Company during the Offer period;
- (e) Completeness and correctness of Prospectus in all material respects.

10.4.3 The Company also provides an indemnity to the Underwriter.

10.4.4 The Underwriting Agreement contains other commercial terms related to the arrangement.

10.5 Royalty Agreement

The Company entered into a Royalty Agreement on 19 January 2004 with DP LeMessurier. DP LeMessurier held the original option over the technology. DP LeMessurier assigned that option to the Company. In consideration for the assignment, the Company granted DP LeMessurier a royalty of 1.3% and 40,000 Shares and Options and LH Guthrie a royalty of 0.5% and 20,000 Shares and Options. The amount of the royalties is to be calculated on the revenue derived from Products produced and sold by the Company.

10.6 Consultancy Agreement

The Company entered into a Consultancy Agreement on 5 July 2005 with Lusid Pty Ltd, which is Lusia Guthrie's Company for contracting services. The Agreement is for a term of 12 months and may be extended by mutual agreement. The Agreement is for Lusid Pty Ltd to procure Lusia Guthrie to provide consultancy services for the management and development of the Company. The consultancy fee is \$150,000 per annum (excluding GST), payable monthly. If the Company lists on the ASX the consultant is entitled to a bonus payment of \$45,000, approved by the Board.

10.7 Indemnity and Access Deed

The Company has entered into an Indemnity and Access Deed with each Director of the Company ("Deed").

The Deed provides that the Company will indemnify the Director for all liabilities incurred as an officer of the Company to the extent permitted by the Corporations Act. The Deed outlines the procedure to be followed when the Director intends to obtain the benefits of the indemnity and provides that the indemnity continues to operate notwithstanding that the Director may have ceased to be a Director before any claim is made. The Deed provides for certain circumstances in which the director may seek separate legal representation in connection with a claim.

The Deed also confirms the Director's right of access to Board papers. The Deed provides for the retention of certain Board papers by the Company and details the circumstances in which the Company may confidentially dispose of the papers. The Deed specifies the permitted usage of the documents to which access is granted and the circumstances in which access to Board papers may be denied.

11. ADDITIONAL INFORMATION

11.1 Capital Structure

The only class of Shares in the Company is fully paid ordinary Shares. At each of the Prospectus Date, then assuming minimum subscription, full subscription and finally, assuming full oversubscription, the capital structure of the Company is/will be as follows:

	Immediately Before the Prospectus Date	Assuming Minimum Subscription	Assuming Full Subscription	Assuming Full Oversubscription
Fully Paid Ordinary Shares	43,465,708	55,965,708	65,965,708	70,965,708
Class A Options (Expiring in 2012)	8,045,000	8,045,000	8,045,000	8,045,000
Class B Options (Expiring in 2013)	6,324,350	6,324,350	6,324,350	6,324,350
Class C Options (Expiring in 2013)	-	12,500,000	22,500,000	27,500,000

Class A Options are subject to a 2:3 bonus issue of Shares on conversion.

Class B Options are subject to a 2:3 bonus issue of Shares on conversion.

Class C Options will be issued pursuant to this Prospectus.

11.2 Constitution and Rights and Liabilities Attaching to Shares

Details of the rights attaching to Shares are set out in the Company's constitution, a copy of which may be inspected at the Company's registered office between 9am and 5pm CST time on Business Days.

A non-exhaustive summary of the rights follows:

11.2.1 Dividend entitlement

After their allotment the Shares will participate in all dividends declared and rank equally with existing Shares;

11.2.2 Voting rights

At a general meeting every Shareholder present in person by proxy, attorney or representative has one vote on a show of hands and every Shareholder present in person or by proxy, attorney or representative has one vote for each Share on a poll;

11.2.3 Dividends

Dividends are declared by the Directors at their discretion and subject to any special rights (at present there are none) are payable on all Shares in proportion to the amount of capital for the time being paid up or credited as paid up on those Shares;

11.2.4 Transfer of Shares

Generally, Shares are freely transferable. Where the law requires the Company to do so, the Directors must decline to register a transfer;

11.2.5 Future increases in capital

The allotment or issue of any Shares is under the control of the Directors who may, subject to the Corporations Act, allot or otherwise dispose of them on such conditions as they see fit;

11.2.6 Variation of rights

The rights and privileges attaching to Shares can be altered by special resolution of the Shareholders. A special resolution is a resolution passed by a majority of not less than 75% of those present and voting;

ADDITIONAL INFORMATION

11.2.7 Rights on winding up

In the event of a winding up of the Company:

- (a) any surplus will be divided among the Shareholders in the proportion that the amount paid up on the Shares held by that Shareholder bears to the total amount paid up on all Shares of the Company on Issue;
- (b) surplus assets in kind may, with the sanction of a special resolution, be divided among Shareholders in such proportion as the liquidator may determine.

11.3 Option Terms - Expiring 2013, exercisable at 20 cents

The terms and conditions of the Options to be granted under this Prospectus are as follows:

- 11.3.1 Options issued at an exercise price of \$0.20 and expire on 30 June 2013 (Class C Option). Any Class C Option not exercised before that time automatically lapses;
- 11.3.2 any portion of the total number of Options held may be exercised by the holder;
- 11.3.3 each Option carries the right to subscribe for one Share, subject to the adjustment provisions which are set out below;
- 11.3.4 subject to the adjustment provisions which are set out below, the exercise price of the Class C Options is \$0.20 per Share, payable in full on application;
- 11.3.5 Shares issued on exercise of the Options will be credited as fully paid Shares on payment of the exercise price;
- 11.3.6 Options are fully transferable, subject to any restriction agreement and the same restrictions which apply to Shares;
- 11.3.7 Options are exercisable by the delivery to the Company's registered office a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by a cheque made payable to the Company for the subscription money due, subject to the funds being cleared funds;
- 11.3.8 The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held;
- 11.3.9 The Company must issue the Shares no later than 1 month after receipt of the notice of exercise of the Options and the exercise money;
- 11.3.10 Shares issued on the exercise of Options will rank, as from the date of issue, equally in all respects with all other Shares on issue;
- 11.3.11 Statement of holding will be issued for the Options. The reverse side of each statement will set out the rights of the Option holder and a notice that is to be completed when exercising the Options;
- 11.3.12 If the Company is listed on any Australian stock exchange, the Company will make application to have Shares issued on an exercise of Options listed for official quotation by that stock exchange no later than 3 business days after the issue of the Shares;
- 11.3.13 Options will not entitle the holder to participate in any new pro-rata issue of securities of the Company. However, an entitlement to participate will apply following the exercise of the Options. Option holders will be afforded the period before the record date of a new pro-rata issue of securities to exercise the Options;

ADDITIONAL INFORMATION

- 11.3.14 if the issued capital of the Company is reconstructed the number of Options or the exercise price of the Options or both will be reconstructed (as appropriate) so that there will not be any benefits conferred on Option holders which are not conferred on Shareholders. Subject to the rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital the terms for the exercise of Options will remain unchanged in all other respects;
- 11.3.15 the Options do not give any right to participate in any dividends declared by the Company. Shares issued on the exercise of the Options rank equally for dividends with other Shares;
- 11.3.16 the number of Shares issued on the exercise of Options will be adjusted for pro rata bonus issues made before exercise of Options. The effect of this adjustment will be that, on the exercise of the Options, the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised before the record date for bonus issues. The exercise price of the Options will not change because of any bonus issue;
- 11.3.17 if there is a pro rata rights issue (other than a bonus issue) to Shareholders in the Company before the exercise of an Option then, subject to any applicable listing rule, the exercise price of the Option will be reduced according to the following formula:

$$O' = O - ((E [P - (S + D)] / (N + 1))$$

Where:

O' = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of Shares into which one Option is exercisable

P = the average closing sale price per Share (weighted by reference to volume) of the Shares during the 5 trading days immediately preceding the day before the ex rights date or the ex entitlement date (excluding special crossing and overnight sales and exchange traded Options exercised)

S = the subscription price for a Share under the pro rata issue

D = the dividends due but not yet paid on the existing underlying Shares (except those to be issued under the issue)

N = the number of Shares with rights or entitlement that must be held to receive a right to one new Share

11.4 Option Terms - Options expiring June 2012, exercisable at 20 cents and Options expiring June 2013, exercisable at 20 cents

The Company has two classes of Options already on issue as at the date of this Prospectus. Both of these classes of Options are currently trading on NSX. The terms and conditions of those Options are as follows:

- 11.4.1 One of the classes of Options was varied to an exercise price of \$0.20 and expires on 30 June 2012 (Class A Option). Any Class A Option not exercised before that time automatically lapses. The other class of Options was varied to an exercise price of \$0.20 and expires on 30 June 2013 (Class B Option). Any Class B Option not exercised before that time automatically lapses;
- 11.4.2 any portion of the total number of Options held may be exercised by the holder;
- 11.4.3 each Option carries the right to subscribe for one Share, subject to the adjustment provisions which are set out below;
- 11.4.4 subject to the adjustment provisions which are set out below, the exercise price of the Class A Options is \$0.20 per Share and the exercise price of the Class B Options is \$0.20 per Share, payable in full on application;

ADDITIONAL INFORMATION

- 11.4.5 Shares issued on exercise of the Options will be credited as fully paid Shares on payment of the exercise price;
- 11.4.6 Options are fully transferable, subject to any restriction agreement and the same restrictions which apply to Shares;
- 11.4.7 Options are exercisable by the delivery to the Company's registered office a notice in writing stating the intention of the holder to exercise a specified number of Options, accompanied by a cheque made payable to the Company for the subscription money due, subject to the funds being cleared funds. The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held;
- 11.4.8 the Company must issue the Shares no later than 1 month after receipt of the notice of exercise of the Options and the exercise money;
- 11.4.9 Shares issued on the exercise of Options will rank, as from the date of issue, equally in all respects with all other Shares on issue;
- 11.4.10 a statement of holding will be issued for the Options. The reverse side of each statement will set out the rights of the Option holder and a notice that is to be completed when exercising the Options;
- 11.4.11 if the Company is listed on any Australian Stock Exchange, the Company will make application to have Shares issued on an exercise of Options listed for official quotation by that stock exchange no later than 3 business days after the issue of the Shares;
- 11.4.12 Options will not entitle the holder to participate in any new pro rata issue of securities of the Company. However, an entitlement to participate will apply following the exercise of the Options. Option holders will be afforded the period before the record date of a new pro rata issue of securities to exercise the Options;
- 11.4.13 if the issued capital of the Company is reconstructed the number of Options or the exercise price of the Options or both will be reconstructed (as appropriate) so that there will not be any benefits conferred on Option holders which are not conferred on Shareholders. Subject to the rounding of entitlements as sanctioned by the meeting of Shareholders approving the reconstruction of capital the terms for the exercise of Options will remain unchanged in all other respects;
- 11.4.14 the Options do not give any right to participate in any dividends declared by the Company. Shares issued on the exercise of the Options rank equally for dividends with other Shares;
- 11.4.15 the number of Shares issued on the exercise of Options will be adjusted for pro rata bonus issues made before exercise of Options. The effect of this adjustment will be that, on the exercise of the Options, the number of Shares received by the Option holder will include the number of bonus Shares that would have been issued if the Options had been exercised before the record date for bonus issues. The exercise price of the Options will not change because of any bonus issue;
- 11.4.16 if there is a pro rata rights issue (other than a bonus issue) to Shareholders in the Company before the exercise of an Option then subject to any applicable listing rule, the exercise price of the Option will be reduced according to the following formula:

$$O' = O - ((E [P - (S + D)])/(N + 1))$$

Where:

O' = the new exercise price of the Option

O = the old exercise price of the Option

E = the number of Shares into which one Option is exercisable

ADDITIONAL INFORMATION

- P = the average closing sale price per Share (weighted by reference to volume) of the Shares during 5 trading days immediately preceding the day before the ex rights date or the ex entitlement date (excluding special crossing and overnight sales and exchange traded Options exercised)
- S = the subscription price for a Share under the pro rata issue
- D = the dividends due but not yet paid on the existing underlying Shares (except those to be issued under the issue)
- N = the number of Shares with rights or entitlement that must be held to receive a right to one new Share

11.5 Australian Taxation Considerations

Participating in this offer will have different tax consequences for each investor depending on their circumstances and the jurisdiction in which they reside (or for a Company, the jurisdiction in which they are registered). Investors with any questions about the tax consequences of participating in this offer should seek professional advice.

11.5.1 Stamp Duty

No stamp duty will be payable on the issue of Shares or Options pursuant to the Offer. Under current stamp duty legislation and assuming the Shares and Options are quoted on ASX or NSX, no stamp duty would ordinarily be payable on any subsequent transfer of Shares or Options.

11.5.2 Goods and Services Tax

As the law stands, goods and services tax will not be payable in respect of any issue or transfer of Shares or Options.

11.5.3 Company Tax Status

For Australian tax purposes the Company is treated as a public company.

11.6 Interests of Directors, Advisors and Promoters

Other than as stated in this Section 11 and elsewhere in this Prospectus, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director.

Other than as stated in Section 11 and elsewhere in this Prospectus, none of the following persons:

- 11.6.1 a Director or proposed Director of the Company;
- 11.6.2 each person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- 11.6.3 a promoter of the Company; or
- 11.6.4 the Underwriter holds or has held at any time in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - (a) the formation or promotion of the Company;
 - (b) the offer of the Shares and Options;
 - (c) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer,

or was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer.

ADDITIONAL INFORMATION

11.7 Shareholdings of Directors

Set out below are details of the interests held by directors in the Company's Shares and Options as at the Prospectus Date:

	Shares		Options	
	Direct Relevant Interest	Indirect Relevant Interest	Direct Relevant Interest	Indirect Relevant Interest
DP LeMessurier	2,083,334	9,633,336	625,000 Class A	2,840,000 Class A
LH Guthrie	4,583,334	Nil	1,375,000 Class A	Nil
PA Mariani	Nil	925,001	Nil	250,000 Class A 30,000 Class B
CM Costello	Nil	Nil	Nil	750,000 Class B

11.8 Remuneration of Directors

11.8.1 The proposed Director's remuneration is based on the ability of the Company to pay Directors' fees. All Directors have agreed that if funds are not available they will receive no fees for that year. No Directors' fees have been paid to date. Should moneys be available for Directors fees then the Directors are entitled to be remunerated by the Company as they agree with the Company, provided that the remuneration of non-executive Directors does not exceed \$250,000 per annum, being the sum approved by the Company in general meeting. Such remuneration may be a combination of a stated salary or fixed sum for each attendance at a Directors' meeting, but must not include a commission on, or a percentage of, operating revenue. Non-executive Directors may receive a share of the above amount, divided among them as the Directors decide, or in default, equally. It is intended that any Directors' fees to be paid in the future will be set having regard to industry benchmarks.

11.8.2 The Directors are also entitled to be reimbursed by the Company for travelling and other out-of-pocket expenses which are incurred in the course of conducting the Company's business.

11.8.3 If any Director performs extra or special services for the Company, the Company may pay the Director any special remuneration the Directors decide in addition to the Director's normal remuneration.

11.8.4 Managing Director

The remuneration of the Managing Director is determined by the Directors. The Company has engaged Lusid Pty Ltd to provide the services of Mrs Lusia Guthrie as Managing Director and consultant for a one year period, commencing 1 July 2005. The fee is currently \$150,000 per annum (exclusive of GST) to be reviewed if and when service requirements change significantly. The Board resolved to pay a bonus of \$45,000 if the Company achieves listing on ASX. Mrs Guthrie was paid \$84,900 in consulting fees during 2004-05.

11.8.5 Related Party Transactions

- (a) The Company has a royalty arrangement with DP LeMessurier and LH Guthrie. DP LeMessurier and or his nominee/s is entitled to a royalty of 1.3% and LH Guthrie and or her nominee/s is entitled to a royalty of 0.5% on all revenue derived from the technology.
- (b) Douglas Peter LeMessurier has a proper authority from Martin Place Securities Pty Ltd to deal in securities but will not receive commission or Shares and Options as part of this capital raising.
- (c) Ms Alice LeMessurier, daughter of DP LeMessurier, was engaged per a consulting agreement and was paid \$2,000 in 2004-05.

ADDITIONAL INFORMATION

11.9 Director and Executive Option Plan

The Company has a Director and Executive Option Plan. The plan provides for the grant to Directors and executives of Options to subscribe for Shares at an exercise price to be determined by Directors at the time of grant of the Options.

The plan has been designed to align the interests of Directors and executives of the Company with those of Shareholders. The plan is seen by the Company as an integral component of its remuneration strategy.

An overall limit exists on the number of Options that may be issued under the plan. The Company must not grant Options under the plan if at the date of grant the aggregate number of:

- Unissued Shares to which outstanding Options under the plan relate; and
- Shares issued, as a result of the exercise of Options granted under the plan during the five-year period ending on the proposed date of grant, exceeds 7.5% of the number of issued Shares.

11.10 Interests of Advisers

11.10.1 HLB Mann Judd Stephens (S.A.) is the Company's auditor and has prepared the Independent Accountant's Report on historical and Adjusted Historical Financial Information included in this Prospectus. HLB Mann Judd Stephens (S.A.) has also performed due diligence enquiries in relation to financial information. The Company has agreed to pay \$5,000 for such services to the Prospectus Date. Further amounts may be paid to HLB Mann Judd Stephens (S.A.) in accordance with its usual time-based charge-out rates.

11.10.2 MSI Tilley are the Company's accountants. The Company has agreed to pay \$12,000 for such services to the Prospectus Date. Further amounts may be paid to MSI Tilley in accordance with its usual time-based charge-out rates.

11.10.3 DMAW Lawyers has acted as legal adviser to the Company in connection with the Offer and has performed limited work in relation to the due diligence enquiries on legal matters. The Company has agreed to pay \$40,000 for these services to the Prospectus Date. Further amounts may be paid to DMAW Lawyers in accordance with its usual time-based charge-out rate.

11.10.4 Martin Place Securities Pty Ltd has agreed to act as underwriter, corporate adviser to the Company and manager of the Offer. It will be paid a management fee of 1.5% of all funds raised, 7% of the Underwritten Amount and any oversubscriptions and a success fee of 380,000 Shares with attaching Options. Martin Place Securities Pty Ltd and its related parties hold 2,066,668 Shares and 930,000 Options.

11.11 Consents and Disclaimers of Responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

11.11.1 DMAW Lawyers has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's legal adviser in the form and context so named;

11.11.2 Martin Place Securities Pty Ltd has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's financial adviser in the form and context so named;

11.11.3 MSI Tilley has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Company's accountant in the form and context so named;

11.11.4 HLB Mann Judd Stephens (S.A.) has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as auditor and independent accountant to the Company in the form and context so named and has given and not withdrawn its consent to the inclusion in this Prospectus of its Independent Accountant's Report in the form and context in which it is included;

ADDITIONAL INFORMATION

- 11.11.5 Mr Mike Norriss has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to the inclusion in this Prospectus of his Expert Report in the form and context in which it is included.
- 11.11.6 Dr Ross Vining has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to the inclusion in this Prospectus of his Expert Report in the form and context in which it is included.
- 11.11.7 Mr Greg Bartlett has given and not withdrawn prior to the lodgement written consent to be named in this Prospectus in the form and context in which it is included.
- 11.11.8 Mr John Glasson has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to be named in this Prospectus in the form and context in which it is included.
- 11.11.9 Mr Lachlan Smith has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to be named in this Prospectus in the form and context in which it is included.
- 11.11.10 Invetech Pty Ltd has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is included.
- 11.11.11 Mr Paul Mansfield has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to be named in this Prospectus in the form and context in which it is included.
- 11.11.12 Ms Alice LeMessurier has given and not withdrawn prior to the lodgement of this Prospectus with ASIC, her written consent to be named in this Prospectus in the form and context in which it is included.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the entities and persons referred to above expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which consent is given above.

11.12 No Litigation

So far as the Directors are aware, and except as otherwise disclosed in this Prospectus there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

11.13 CHESS and Issuer Sponsorship

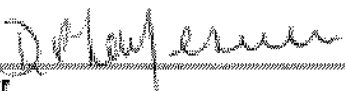
The Company is admitted to participate in CHESS. The Company operates an issuer sponsored sub-register and an electronic CHESS sub-register. The two registers together make up the Company's principal register of securities.

The Company will not issue certificates, rather holding statements will be dispatched to holders of securities as soon as practicable after allotment. Holding statements will be sent either by CHESS (for holders of securities who elect to hold securities on the CHESS sub-register) or by the Share Registrar (for holders of securities who elect to hold their securities on the issuer sponsored sub-register). The statements will set out the number of securities allotted to the holder. Updated holding statements will also be sent to each holder as their holding of securities changes and as required by the Corporations Act or the Listing Rules.

11.14 Documents Available for Inspection

Copies of the Constitution, the audited financial statements of the Company and the consents referred to in Section 11, will be available for inspection free of charge between 9.00am and 5.00pm CST, Monday to Friday, at the Company's registered office during the Offer Period.

Signed on behalf of LabTech Systems Limited


 Director
Douglas Peter LeMessurier

12. GLOSSARY

AFS Licence	Australian Financial Services Licence under the Corporations Act 2001 - Section 914A.
Agar Plate	A culture medium containing agar (a gelatinous colloidal extractive of algae).
Alpha Prototype	A prototype essentially having all primary features of the product and performing all primary functions of the product.
APIS	Former name given to MicroStreak® technology.
Apomab Ltd	Apomab Ltd ACN 115 819 737 a company incorporated in South Australia, Australia.
APOMAB®	The name of technology protected by Australian Provisional Patent Application No. 2003900778, titled 'A method of diagnosis and treatment of same.
Applicants	Persons who submit Application Forms.
Application Form	The application form attached to this Prospectus.
Application Money	The Application Price multiplied by the number of Shares applied for by the Applicant(s).
Application Price	The price of \$0.20 per Share.
Applications	Applications to subscribe for a specified number of Shares and Options under this Offer.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited.
Automation	The development of technology to make a manual process operate by machines or computers, in order to reduce the amount of work done by humans and the time taken to do the work.
Beta Prototype	An instrument prototype essentially having all the features of the product and performing all the functions of the product in a manner representative of the production design of the product.
Board	The Board of directors of LabTech Systems Ltd.
Business Days	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other week day that banks are not open for business in Adelaide.
Closing Date	The date of closing of the Offer, namely 5 December 2005.
Company	LabTech Systems Ltd ACN 107 670 673, a Company incorporated in South Australia, Australia. The Company was formerly known as Apotech Ltd.
Corporations Act	Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth).
CST	Central Standard Time (Adelaide time)
Director and Executive Option Plan	A plan that provides for the grant to the Directors and executives of Options to subscribe for Shares at an exercise price to be determined by Directors at the time of grant of Options.
Directors	The directors of the Company named in this Prospectus.
Dollars (\$)	Australian Dollars.
Expiry Date	13 months from the date of this Prospectus.
Exposure Period	The period of 7 days after the Prospectus Date, which period may be extended for up to a further 7 days by ASIC.
Financial Adviser	Martin Place Securities Pty Ltd, ACN 094 927 947, Level 3, 14 Martin Place Sydney NSW 2000.

GLOSSARY

Institute of Medical & Veterinary Science (IMVS)	IMVS, Adelaide, South Australia. Provides laboratory diagnostic services for the Royal Adelaide Hospital and the general medical community. The IMVS undertakes many active research programs in the field of human disease and contributes to the education, teaching and training of students in the various fields of medical science.
Inoculation	The introduction of a pathogen or antigen into a living organism to stimulate the production of antibodies.
Intellectual Property	The intellectual property rights attaching to the MicroStreak® technology including: (a) rights in respect of or in connection with copyright, patents, registered designs, plant breeders' rights, software circuit layouts, trademarks, service marks, business names or other proprietary rights or any rights to registration of such rights (including renewals and extensions); and (b) confidential information.
Issue	The Company proposed issue of Shares and attaching Options under this Prospectus.
Listing Rules	The official listing rules of the ASX.
Medical Microbiology	A branch of biology dealing especially with microscopic forms of life and relating to, or concerned with, physicians or the practice of medicine often as distinguished from surgery.
Medvet Science Pty Ltd (Medvet)	Medvet Science Pty Ltd ACN 008 089 745 a company incorporated in South Australia, Australia as the commercial vehicle of the IMVS, the Hanson Institute and Royal Adelaide Hospital.
MicroStreak®	The name of the technology formerly known as "APIS" (Automated Plated Inoculating System).
Micro-organisms	Organisms of microscopic or ultramicroscopic size.
NSX	The Stock Exchange of Newcastle Limited.
Offer	The offer by LabTech Systems Ltd in relation to the Issue.
Offer Application Account	LabTech Systems Ltd - Share Offer Account
Offer Period	7 November 2005 to 5 December 2005.
Offer Price	\$0.20 per Share.
Options	Options to acquire Shares.
Patent	All grants of letters patents worldwide sought and obtained by the parties and resulting from Patent Applications and the invention means patent PCT/AU2005/000079 'Microbial Streaking Device' and other proprietary rights and intellectual property rights related to the invention.
Patent Application	An application for a Patent.
Pathogenic Microbes	Micro-organisms causing or capable of causing disease.
PCT	A multilateral treaty among more than 50 nations that is designed to simplify the process of an applicant's seeking a patent on the same Invention in more than one nation. Administered by the World Intellectual Property Organization and effective since 1978, the Patent Cooperation Treaty enables an inventor to file a single international application in addition to the main patent application filed in a treaty-member country.
Privacy Act	Privacy Act 1988 (Cth).

GLOSSARY

Product	Any product manufactured by or for the Company.
Proof of Concept	Facts that cannot be doubted about a principle or idea. A fact or piece of information, which shows that a principle or idea exists or is true.
Prospectus	The Prospectus dated 31 October 2005 issued by the Company in relation to the Offer, including any supplementary or replacement Prospectus.
Prospectus Date	31 October 2005
Share Registrar	Link Market Services Limited, ACN 083 214 537, Level 21, 300 Queen Street, Brisbane.
Shareholder	The owner of Shares.
Shares	Fully paid ordinary Shares in the capital of the Company.
Trade Mark	Australian registered Trade Mark No. 1024246 'MicroStreak'.
Underwriter	Martin Place Securities Pty Ltd, ACN 094 927 947, Level 3, 14 Martin Place, Sydney NSW 2000.
Underwritten Amount	The full subscription amount of \$4,500,000.

NOTES

LabTech Systems Ltd

ACN 107 670 673

Application Form for Shares and attaching Options

Please read all instructions on reverse of this form

A Number of Shares and attaching Options applied for (minimum 10,000 Shares)**B Total amount payable**

_____ at \$0.20 per Share =

A\$ _____

C Full name details (title, given name(s) (no initials) and surname or Company name)

Name of Applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

D Tax file number(s) or exemption category

Applicant 1 / Company

Joint applicant 2 / trust

Joint applicant 3 / exemption

E Full postal address

Number / street

Suburb / Town

State / Postcode

F Contact Details

Contact name

Contact daytime phone number ()

Contact email address

CHESS Holder No

G Cheque payment details please fill out your cheque details and make your cheque payable to "Labtech Systems Ltd Share Offer" and return to the Company before 5pm (CST) on 5 December 2005.

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

Return of the Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares and Options in the Company. I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/We have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form before applying for Shares and attaching Options.

No signature is required.

You should read this Prospectus carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

This Application Form does not need to be signed. By lodging, or causing to be lodged, this Application Form and a cheque for the full monies I/we hereby:

1. declare that this Application Form is completed and lodged according to the Prospectus and the declarations/statements accompanying this Application Form and declare that all details and statements made by me/us (including the declarations/statements accompanying this Application Form) are complete and accurate.
2. offer to subscribe for Fully Paid Ordinary Shares and Options in the Company; and
3. agree to be bound by the Constitution of the Company as amended from time to time and any new Constitution adopted by the Company, by the terms of the Options and by the terms and conditions set out in the Prospectus.

How to Complete the Application Form

Please complete all relevant sections of the Application Form using **BLOCK LETTERS**

- A Insert the number of Shares and attaching Options you wish to apply for.
- B Insert the relevant amount of Application monies. To calculate your Application monies, multiply the number of Shares and attaching Options applied for by the sum of \$0.20.
- C Write the full name you wish to appear on the statement of shareholdings. This must be either your own name or the name of the Company. Up to three joint Applicants may register. You should refer to the table below for the correct form of registrable title. Applicants using the wrong form of title may be rejected.
- D Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G Please complete cheque details as requested:
Make your cheque payable to **"LabTech Systems Ltd Share Offer"** in Australian currency and crossed **"Not Negotiable"**. Your cheque must be drawn on an Australian Branch of a Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- H Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares and attaching Options is for Shares and attaching Options in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares and attaching Options equal to or less than the number of Shares and attaching Options indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application form.

Forward your completed Application Form and accompanying cheque(s) to:-

LabTech Systems Ltd, GPO Box 1385 Adelaide SA 5001

Correct forms of Registrable Names

Note that only legal entities are allowed to hold Shares and Options. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to LabTech Systems Ltd. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form	Examples of incorrect forms
Individuals Give full name - not initials	John Fred Williams	JF Williams
Person Under the age of 18 Do not use the name of the minor, use name(s) of parent(s)/guardian(s)	Michael John Wilson Sarah Jane Wilson <Andrew Wilson A/C>	Andrew Wilson
Companies Use Company title, not abbreviations	John Williams Pty Ltd	J Williams Co John Williams P/L
Trusts Do not use the name of the trust, use name(s) of trustee (s)	John Fred Williams <Williams Family A/C>	John Williams Family Trust
Deceased Estates Do not use the name of deceased, use personal names of executor(s)	Jane Mary Wilson <Est John Smith A/C>	Estate of the Late John Smith
Partnerships Do not use the name of partnership, use personal names of partners	Sarah Jane Wilson Michael John Wilson <Sarah Wilson & Son A/C>	Sarah Wilson & Son
Clubs/Unincorporated Bodies Do not use the name of clubs etc use personal names of office bearer(s)	John Fred Williams <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Do not use the name of fund use name(s) of trustee(s)	Sarah Wilson Pty Ltd <Super Fund A/C>	Sarah Wilson Pty Ltd Superannuation Fund

LabTech Systems Ltd

ACN 107 670 673

Application Form for Shares and attaching Options

Please read all instructions on reverse of this form

A Number of Shares and attaching Options applied for (minimum 10,000 Shares)

B Total amount payable

_____ at \$0.20 per Share =

A\$ _____

C Full name details (title, given name(s) (no initials) and surname or Company name)

Name of Applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

D Tax file number(s) or exemption category

Applicant 1 / Company

Joint applicant 2 / trust

Joint applicant 3 / exemption

E Full postal address

Number / street

Suburb / Town

State / Postcode

F Contact Details

Contact name

Contact daytime phone number ()

Contact email address

CHESS Holder No

G Cheque payment details please fill out your cheque details and make your cheque payable to "Labtech Systems Ltd Share Offer" and return to the Company before 5pm (CST) on 5 December 2005.

Drawer	Cheque number	BSB number	Account number	Total amount of cheque

Return of the Application Form with your cheque for the Application monies will constitute your offer to subscribe for Shares and Options in the Company. I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/We have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form before applying for Shares and attaching Options.

No signature is required.

You should read this Prospectus carefully before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary Prospectus (whether in paper or electronic form).

This Application Form does not need to be signed. By lodging, or causing to be lodged, this Application Form and a cheque for the full monies I/we hereby:

1. declare that this Application Form is completed and lodged according to the Prospectus and the declarations/statements accompanying this Application Form and declare that all details and statements made by me/us (including the declarations/statements accompanying this Application Form) are complete and accurate.
2. offer to subscribe for Fully Paid Ordinary Shares and Options in the Company; and
3. agree to be bound by the Constitution of the Company as amended from time to time and any new Constitution adopted by the Company, by the terms of the Options and by the terms and conditions set out in the Prospectus.

How to Complete the Application Form

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Trusts Do not use the name of the trust, use name(s) of trustee (s)	John Fred Williams <Williams Family A/C>	John Williams Family Trust
Deceased Estates Do not use the name of deceased, use personal names of executor(s)	Jane Mary Wilson <Est John Smith A/C>	Estate of the Late John Smith
Partnerships Do not use the name of partnership, use personal names of partners	Sarah Jane Wilson Michael John Wilson <Sarah Wilson & Son A/C>	Sarah Wilson & Son
Clubs/Unincorporated Bodies Do not use the name of clubs etc use personal names of office bearer(s)	John Fred Williams <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Do not use the name of fund use name(s) of trustee(s)	Sarah Wilson Pty Ltd <Super Fund A/C>	Sarah Wilson Pty Ltd Superannuation Fund

LabTech Systems Ltd



LabTech Systems Ltd

Registered Office

253 Sturt Street
ADELAIDE SA 5000

Principal Office

Suite 7 - 114 Rundle Street
KENT TOWN SA 5067
Telephone (08) 8362 2698
Facsimile (08) 8362 2598

