LABTECH SYSTEMS LTD
ACN 107 670 673

INTERIM FINANCIAL REPORT

31 DECEMBER 2004

LABTECH SYSTEMS LTD
ACN 107 670 673
INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the company for the half-year ended 31 December 2004.

Directors

The following persons were directors of Vet Biotechnology Limited during the whole of the half-year and up to the date of this report:

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

Review of Operations

LabTech Systems Ltd (LTS) is a research company with objectives to encourage further research into novel technologies with applications in the areas of laboratory operations and cancer management. The initial focus of the Company is on technologies developed at the IMVS and Hanson Institute in Adelaide, South Australia viz.:

(a) MicroStreak™ a concept technology that has application in the automation of diagnostic microbiology laboratory processes; and

(b) The anti-cancer technology named APOMAB™, which has potential for application to cancer diagnostic and therapeutic products.

In the six month period to end December 2004, proof of concept research progressed in accordance with the science plans for both technologies, MicroStreak and APOMAB.

An alpha-prototype MicroStreak robotic system was developed and successfully trialed, thereby successfully establishing proof of concept and providing scientific evidence in support of patent application claims.

A Heads of Agreement was signed on 17 November 2004 between LabTech Systems and ARRM (Advanced Rapid Robotic Manufacturing) in respect of further development of the MicroStreak technology.

The Company lodged an underwritten Prospectus with ASIC on 15 December 2004 to offer 4,400,000 ordinary shares at 15 cents to raise $660,000.

On 20 December 2004, LTS entered into a Technology Licence Agreement with Medvet Science Pty Ltd, granting it an exclusive worldwide licence to make, use and sell products derived from the MicroStreak technology.

The company has not yet commenced commercial operations and therefore has received no income from its proposed activities.

Operating expenditure during the six months to 31 December 2004 was $170,322. This includes a quantified value for the issue of 2,000,000 shares to directors in lieu of directors fees totalling $100,000.

Income during the period was interest received on funds on deposit. This amounted to $805.

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The company therefore incurred a trading loss of $169,517.

Signed in accordance with a resolution of the Directors

Director
Lusia Halina Guthrie

Dates at Adelaide this 16th day of March 2005

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Notes	31/12/04 $
Revenue from ordinary activities		805
Other expenses from ordinary activities	2	(170,322)
Loss from ordinary activities before income tax		(169,517)
Income tax expense relating to ordinary activities		-
Loss from ordinary activities after related income tax		(169,517)
Net loss attributable to members		(169,517)
Total changes in equity other than those resulting from transactions with owners as owners		**(169,517)**
Basic earnings per share (cents per share)		(1.31)
Diluted earnings per share (cents per share)		(1.31)

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Notes	31/12/04 $
CURRENT ASSETS		
Cash Assets		986
Receivables		46,287
TOTAL CURRENT ASSETS		**47,273**
NON-CURRENT ASSETS		
Receivables		6,000
Intangible Asset	3	388,977
Other	4	140,554
TOTAL NON-CURRENT ASSETS		**535,531**
TOTAL ASSETS		**582,804**
CURRENT LIABILITIES		
Payables	5	294,141
TOTAL CURRENT LIABILITIES		**294,141**
NON-CURRENT LIABILITIES		
Payables	5	66,000
TOTAL NON-CURRENT LIABILITIES		**66,000**
TOTAL LIABILITIES		**360,141**
NET ASSETS		**222,663**
EQUITY		
Contributed Equity	6	407,391
Retained Profits		(184,728)
TOTAL EQUITY		**222,663**

The accompanying notes form part of these financial statements

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STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	31/12/04 $
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts	-
Payments to Suppliers and Employees	(97,815)
Interest Received	805
Net cash provided by (used in) operating activities	**(97,010)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Payment for Plant & Equipment	(219)
Payment for APOMAB Product Development	(4,320)
Payment for APIS Option Fee	(51,000)
Payment for APIS Product Development	(140,302)
Net cash used in investing activities	**(195,841)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	
- Seed Capital	293,241
- Shares issued to directors in lieu of directors' fees	100,000
- Non-cash directors' fee	(100,000)
Payment for Capital Raising Costs	(24,382)
Net cash provided by (used in) financing activities	**268,859**
Net decrease in cash held	**(23,992)**
Cash at beginning of period	24,978
Cash at end of period	**986**

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made LabTech Systems Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the company and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Note 2: Expenses

Accountancy Fees	12,776
Amortisation	10,260
Consulting Fees to directors personally related entity (Note 8)	30,090
Directors Fees (Note 8)	100,000
Travel and Accommodation	603
Other Expenses	16,593
	170,322

Note 3: Intangible Assets

	$
Opening Balance	223,195
APOMAB Product Development	4,320
APIS Option Fee	51,000
APIS Licence Fee	120,000
Amortisation for half-year	(9,538)
Closing Balance	388,977

Note 4: Non-Current Asset - Other

Alpha Prototype of modular automated plate innoculation system (APIS)	139,687
Formation Expenses	867
	140,554

Note 5: Payables

Current	
Trade Creditors	38,391
Option Fee Payable within 12 months of reporting date	189,750
APIS Licence Fee payable within 12 months of reporting date	66,000
	294,141
Non-Current	
APIS Licence Fee payable after 12 months of reporting date	66,000
	66,000
Total Payables	**360,141**

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 6: Contributed Equity

Ordinary Shares

	No of Shares	$
Opening Balance	11,350,000	64,001
Issue of Shares for $0.05	3,260,000	163,000
Issue of Shares for $0.075	1,736,600	130,245
Issue of Shares for $0.05 for services rendered by Directors (Note 8)	2,000,000	100,000
Closing Balance	18,346,600	457,246
Capital Raising Costs		
Balance Brought Forward	12,478	
Current Period	37,377	(49,855)
Closing Balance		407,391

Options - Expiring 30 June 2012 with an Exercise Price of $0.10

	No of Options
Opening Balance	11,350,000
Grant of Options	3,260,000
Grant for services rendered by Directors (Note 8)	2,000,000
Closing Balance	16,610,000

Options - Expiring 30 June 2013 with an Exercise Price of $0.15

	No of Options
Opening Balance	-
Grant of Options	1,736,600
Closing Balance	1,736,600

Note 7: Dividends

There have been no dividends declared or paid during the period of this report.

Note 8: Related Party Transactions

Allotment of Shares to Directors

At a general meeting of shareholders on 19 October 2004 the shareholders resolved to issue shares and options to each director for services rendered as a director for the period 1 July 2004 to 30 June 2005. The shares and options approved to issue to each director were as follows:

	Shares	Options
Douglas Peter LeMessurier	750,000	750,000
Lusia Halina Guthrie	750,000	750,000
Paul Andrew Mariani	500,000	500,000

The options granted may be exercised at any time up until 30 June 2012 with an exercise price of $0.10.

Payments to Director Related Entity

Payments totalling $30,090 have been made to Lusia Guthrie's personally related entity Lusid Pty Ltd for her services as Managing Director of LabTech Systems Limited.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

Note 9: Contingent Liabilities

Changes in contingent liabilities since the last reporting date are as follows:

APOMAB™

i No options under the terms of the agreement have been taken up by any related party or other party.

ii Licence, royalties and other fees are payable should the option to enter into a licence agreement be taken.

MicroStreak™

i When sales commence royalties will be payable. For sales made in Australia the rate is 3% of gross sales and in all other countries the rate for the first three years will be 3% and then 7% thereafter.

ii Milestone payments will be payable on achieving first sales in Australia, Eurpoe and the United States of America. The milestone payments may be made in cash or shares as decided by Medvet Science Pty Ltd.

		Amount	or	No of Shares
Australia	$	20,000		200,000
Europe	$	50,000		400,000
United States of America	$	150,000		600,000

Note 10: Events Occurring Subsequent to Reporting Date

Capital Raising

The closing date for the prospectus was extended from 28 February 2005 to 14 March 2005. At the time of signing this report all application and monies were not yet processed. However to date the issue was fully subscribed which will result in a minimum increase in contributed equity of $660,000 being 4,400,000 shares at 15 cents. It is anticipated that shares will be alloted on 24 March 2005.

Underwriting Commission to Martin Place Securities (previously WHI Secuities Pty Ltd)

On completion of the capital raising a placement commission of 1,240,000 shares will be issued to Martin Place Securities Pty Ltd.

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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 8:

   (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) give a true and fair view of the company's financial position as at 31 December 2004 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

2. In the directors' opinion:

   (a) the financial statements and notes are in accordance with the Corporations Act 2001; and

   (b) 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 Directors.

LHGuthrie

Director
Lusia Halina Guthrie

Dated this 16th day of March 2005

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF LABTECH SYSTEMS LTD

Scope

We have reviewed the financial report of LabTech Systems Ltd for the half year ended 31 December 2004 comprising the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements and the directors' declaration. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of LabTech Systems Ltd is not in accordance with:

a. the Corporations Act 2001, including:

   i giving true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and

   ii complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

HLB Mann Judd Stephens (SA)

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

PHILIP PLUMMER
PARTNER

Adelaide

Signed this 16th day of March 2005