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19 July 2006

Partners
Paul J Mansfield
Dean B Spencer
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Scott R Lindqvist

Mr Justin Nelson
State Manager, SA
Managers, Issuers (Adelaide)
Australian Stock Exchange Limited

Dear Mr Nelson

We refer to your telephone discussions with Erica Wong of DMAW Lawyers on 18 July 2006 regarding the pro-forma on actual funds raised prepared on behalf of LabTech Systems Limited ("Pro-Forma") and provided to you as Appendix 7 under cover of the letter from DMAW Lawyers dated 17 July 2006.

We respond to your specific queries raised in relation to the treatment of reclassification of assets and the BBX trade dollars in the Pro-Forma as follows:

Reclassification of MicroStreak Instrument Development Costs

The reclassification of the concept development preliminary DCP design costs for the MicroStreak instrument as referred to in the notes to the pro-forma balance sheet is considered correct on the basis that, we believe all the criteria set out in AASB 138 (57) (a-f) are met.

It is noted in the company's financial statements for the year ended 30 June 2005, Note 1 (c) Research and Development Expenditure that all such costs have been charged to profit from ordinary activities before income tax. There is now no deferred research expenditure requiring amortisation because with the adoption of International Financial Reporting Standards, referred to in the 30 June 2005 financial statements Note 1 (i) (i) all such expenditure was written off to retained profits at 1 July 2005.

All research expenditure has been charged to profit from ordinary activities, none has been capitalised.

The value ascribed to the reclassified amount capitalised reflects the funds outlaid on the development phase of the MicroStreak instrument to 31 December 2005. There are further funds of significant proportion to be outlaid on the development phase.

In accordance with accounting standard AASB 136, Impairment of Assets, in our opinion, as there are no indications of impairment for this asset and as a result no need to determine a recoverable amount or value in use, we have accepted the value attributable to its cost to date.

BBX Trade Dollars

BBX trade dollars arose out of applicants who settled their subscription for shares by way of BBX. BBX trade dollars are available to exchange for expenditure on goods and services by the company. As such they represent Cash Equivalents which are referred to in AASB 107 Cash Flow Statements and are therefore duly classified as a Current Asset.

The value assigned to BBX trade dollars has been taken on face value and that the company can exchange them for goods and services for the equivalent Australian dollar value.

If you have any queries in relation to the above then please do not hesitate to contact me on 8231 5877.

Yours faithfully
MSI Tilley

Paul Mansfield
Partner

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