FORM: Half yearly/preliminary final report

Name of *issuer*

LABTECH SYSTEMS LTD

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
107 670 673	√		31 DECEMBER 2005

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				$A
Sales (or equivalent) operating revenue (item 1.1)	up/down	0.00%	to	0
Operating profit (loss) before abnormal items and tax (item 1.4	down	71.63%	to	(290,944)
Abnormal items before tax (item 1.5)	N/A		to	
Operating profit (loss) after tax but before outside equity interests (item 1.8)	down	71.63%	to	(290,944)
Extraordinary items after tax attributable to members (item 1.13)	N/A		to	
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	down	71.63%	to	(290,944)
Exploration and evaluation expenditure incurred (item 5.2)	N/A			
Exploration and evaluation expenditure written off (item 5.3)	N/A			

Dividends Franking rate applicable		N/A		
Current period	N/A	N/A	N/A	N/A
Previous corresponding period				

Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)	N/A

Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:

N/A

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NTA backing *(see note 7)*		Current period	Previous corresponding period
2.1	Net tangible asset backing per ordinary *security*	(0.40) cents/share	(0.91) cents/share

Dividends

3.1	Date the dividend is payable	N/A
3.2	Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)	N/A
3.3 Amount per *security*		N/A

				Franking rate applicable	39%	36%	33%
	(Preliminary final statement only)					¢	
3.4	**Final dividend:**	Current year	¢		N/A		N/A
3.5		Previous year	¢		N/A	¢	N/A
	(Half yearly and preliminary final statements)						
3.6	**Interim dividend:**	Current year	¢		N/A	¢	N/A
						¢	¢
3.7		Previous year	¢		N/A		N/A

The *dividend or distribution plans* shown below are in operation.

N/A

The last date(s) for receipt of election notices to the *dividend or distribution plans* N/A

Any other disclosures in relation to dividends (distributions)

NIL

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not* *(delete one)* give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

☐ The financial statements have been audited.	√ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
☐ The financial statements are in the process of being audited or subject to review.	☐ The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/~~will follow immediately they are available~~* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/does not have* (*delete one*) a formally constituted audit committee.

Sign here: LKGuthrie Date: 16/03/2006
(*Director*/Company secretary)

Print name: LUSIA HALINA GUTHRIE

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.

4. **Comparative figures** Comparative figures are normally the unadjusted figures from the previous corresponding period. However, if the previously reported figures are adjusted to achieve greater comparability, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.

5. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the list rules for an *issuer* to complete this statement does not prevent the *issuer* issuing reports more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the Exchange. For example, a *directors*' report and statement, if lodged with the *ASIC*, must be given to the Exchange.

6. **Accounting Standards** the Exchange will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.

7. **Borrowing corporations** As at 1/7/96, this statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards. However, borrowing corporations must comply with Schedule 5 of the Corporations Regulations. See regulation 3.6.02(4).

LabTech Systems Ltd

ACN 107 670 673

Interim Financial Report

31 December 2005

LABTECH SYSTEMS LTD
ACN 107 670 673

INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your directors submit the financial report for the company for the half-year ended 31 December 2005.

Directors

The names of directors who held office during or since the end of the half-year:

Mr Douglas Peter LeMessurier
Mrs Lusia Halina Guthrie
Mr Paul Andrew Mariani
Mrs Catherine Mary Costello *(Appointed 12 August 2005)*

Review of Operations

LabTech Systems Ltd (LabTech) was originally formed as a research company to sponsor proof of concept research into two novel technologies developed at the IMVS and Hanson Institute in Adelaide, South Australia. These are the:

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

b) APOMAB® anti-cancer technology which has potential for application to cancer diagnostic and therapeutic products.

In the six-month period to end December 2005, the company further developed the MicroStreak technology and advanced its commercialisation. The proposed use of the technology is for the automation of routine diagnostic microbiology processing through the development of MicroStreak laboratory instrumentation and MicroStreak consumables.

In July, LabTech entered into a contract with Invetech Pty Ltd of Melbourne for the first stage of a commercial instrument development program incorporating the MicroStreak technology.

The company determined that the commercial development of the MicroStreak technology would become its primary focus and that funds would be raised by listing on the Australian Stock Exchange (ASX). In preparation for listing, the company was restructured with the following proposed outcomes:

- Apomab Ltd acquiring 100% of LabTech Systems Ltd legal and beneficial interest in the APOMAB technology;
- LabTech Systems Ltd shareholders holding the same number of shares in Apomab as they hold in LabTech Systems Ltd;
- Shares in LabTech Systems Ltd quoted on ASX; and
- Shares in Apomab Ltd quoted on NSX.

Apomab Ltd was incorporated in Australia as a public company and a wholly owned subsidiary of LabTech Systems Ltd. The APOMAB technology was demerged from the MicroStreak technology and all intellectual property rights associated with APOMAB, and the rights, title and interest in the APOMAB Option Agreement, were assigned to the new company, Apomab Ltd.

A $4.5million capital raising was launched in November to raise funds for the commercial development of the MicroStreak system. Under the offer, the company offered 22.5 million ordinary shares at 20 cents per share with one free attaching option. The company lodged a supplementary prospectus on 20 January 2006, followed by a revised supplementary prospectus on 25 January 2006 and the offer has been extended to 24 March 2006.

An application has been for listing on the Australian Stock Exchange.

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 4 for the half-year ended 31 December 2005.

This report is signed in accordance with a resolution of the Board of Directors.

Director
Lusia Halina Guthrie

Dated this 16th day of March 2006

LABTECH SYSTEMS LTD
ACN 107 670 673

AUDITOR'S INDEPENDENCE DECLARATION

As auditor for the review of the financial report of LabTech Systems Ltd for the half year ended 31 December 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of LabTech Systems Ltd.

Adelaide,
South Australia
16th March 2006

PHIL PLUMMER
PARTNER
HLB MANN JUDD STEPHENS (S.A.)

LABTECH SYSTEMS LTD
ACN 107 670 673

CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	31/12/05	31/12/04
Revenue	3	4,824	805
Other expenses from ordinary activities	3	(295,768)	(170,322)
Loss before income tax		(290,944)	(169,517)
Income tax expense		-	-
Loss after income tax expense		(290,944)	(169,517)
Loss attributable to members		(290,944)	(169,517)
Basic earnings per share (cents per share)		(0.10)	(1.31)
Diluted earnings per share (cents per share)		(0.68)	(1.31)

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
ACN 107 670 673

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	31/12/05	30/06/05
CURRENT ASSETS			
Cash at Bank		94,558	331,679
Receivables		56,868	27,496
TOTAL CURRENT ASSETS		151,426	359,175
NON-CURRENT ASSETS			
Plant & Equipment		1,218	-
Intangible Assets	4	602,198	518,760
Other	5	654	760
TOTAL NON-CURRENT ASSETS		604,070	519,520
TOTAL ASSETS		755,496	878,695
CURRENT LIABILITIES			
Payables		234,080	172,243
Financial liability	6	105,600	-
Short term borrowings		70,000	-
TOTAL CURRENT LIABILITIES		409,680	172,243
TOTAL LIABILITIES		409,680	172,243
NET ASSETS		345,816	706,452
EQUITY			
Issued Capital	7	951,710	1,055,722
Option Reserve	8	278,000	278,000
Retained Profits/(Accumulated Losses)		(883,894)	(627,270)
TOTAL EQUITY		345,816	706,452

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
ACN 107 670 673

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	Share Capital	Accumulated Losses	Total
Balance at 1/07/04		51,523	(15,211)	36,312
Shares issued during the period		355,868		355,868
Loss attributable to members			(169,517)	(169,517)
Balance at 31/12/04		407,391	(184,728)	222,663
Balance at 1/07/05		1,333,722	(597,283)	736,439
Shares issued during the year		258,020		258,020
Increase in capital raising costs		(177,351)		(177,351)
Capital reduction on transfer of Apomab Limited shares to members		(184,681)		(184,681)
Amortisation AIFRS adjustment			4,333	4,333
Loss attributable to members			(290,944)	(290,944)
Balance at 31/12/05		1,229,710	(883,894)	345,816

The accompanying notes form part of these financial statements

LABTECH SYSTEMS LTD
ACN 107 670 673

CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	31/12/05 $	31/12/04 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		-	-
Payments to Suppliers		(199,969)	(97,815)
Interest Received		4,824	805
Net cash provided by (used in) operating activities		(195,145)	(97,010)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Plant and Equipment		(1,245)	(219)
Payment for APOMAB Product Development		-	(4,320)
Payments under Option Agreement for APOMAB			
Payments under Option and Licence Agreement for APIS		-	(51,000)
Payment for APIS Product Development		(297,000)	(140,302)
Net cash used in investing activities		(298,245)	(195,841)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		363,620	293,241
Costs associated with capital raising		(177,351)	(24,382)
Proceeds from borrowings		70,000	-
Net cash provided by (used in) financing activities		256,269	268,859
Net increase in cash held		(237,121)	(23,992)
Cash at beginning of period		331,679	24,978
Cash at end of period		**94,558**	**986**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Note 1: Basis of Preparation

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations 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 2005 and any public announcements made by LabTech Systems Ltd during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

As this is the first interim report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared per Note 2.

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

(a) Income Tax

The charge for current income tax expenses is based on the profit for the year adjusted for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation 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) Intangibles

Licence and Option Fees

Licence fees and options 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.

Note 1: Basis of Preparation

(b) Intangibles (cont)

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Identified research and development expenditure on internally generated intangible assets 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.

(c) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(d) 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).

(e) Going Concern

Notwithstanding the deficiency of net current assets at 31 December 2005 the interim financial report has been prepared on a going concern basis. This basis has been adopted because:

- the company has an underwriting agreement with Martin Place Securities Pty Ltd for raising $4.5 million..

It is the belief of the directors of the company that the capital raising will be completed by Martin Place Securities by the closing date of 24 March 2006 which will improve cash flow and allow the company to meet its liabilities.

(e) Comparative Figures

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

Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standards

Reconciliation of profit after tax under previous Australian GAAP to that under AIFRS

	Year Ended 30/06/05	Half Year Ended 31/12/04
Profit after tax as previously reported	(304,072)	(169,517)
Recognition of amortisation written back	4,333	
Recognition of research costs expensed	(34,320)	-
Recognition of share based payment expense	(278,000)	-
Profit after tax under AIFRS	(612,059)	(169,517)

Reconciliation of total equity as presented under previous Australian GAAP to that under AIFRS

	1/07/04	31/12/04	30/06/05
Total equity under previous Australian GAAP	36,312	222,663	736,439
Increase in option reserve			278,000
Recognition of amortisation written back			4,333
Recognition of research costs expensed			(34,320)
Recognition of share based payment expense			(278,000)
Total equity under AIFRS	36,312	222,663	706,452

Note 3: Loss from Ordinary Activities

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31/12/05	31/12/04
Revenue		
Interest Received	4,824	805
Expenses		
Accountancy Fees	(18,000)	(12,776)
Audit Fees	(7,000)	(3,500)
Consulting Fees	(114,202)	(30,090)
Depreciation and amortisation expense	(9,520)	(10,260)
Directors' Fees		(100,000)
Legal Fees	(44,094)	(3,291)
Marketing	(20,216)	(1,750)
Patent Fees	(10,428)	
Product Development Apomab	(15,000)	
Travel and Accommodation	(21,523)	(603)
Other Expenses	(35,785)	(8,052)
Total Expenses	(295,768)	(170,322)

Note 4: Intangible Assets

	31/12/05	30/06/05
APOMAB® Option Fee at Cost	-	230,000
Less: Accumulated Amortisation	-	(22,138)
	-	207,862
APIS Option Fee at Cost	51,000	51,000
Less: Accumulated Amortisation	(5,016)	(3,316)
	45,984	47,684
APIS Licence Fee at Cost	120,000	120,000
Less: Accumulated Amortisation	(8,241)	(4,241)
	111,759	115,759
APIS Product Development at Cost	444,455	147,455
Less: Accumulated Amortisation		-
	444,455	147,455
Total Intangible Asset	**602,198**	**518,760**

Note 5: Non-Current Asset - Other

	31/12/05	30/06/05
Formation Expenses at Cost	1,069	1,069
Less: Accumulated Amortisation	(415)	(309)
	654	760

Note 6: Financial Liability

Share applications received under current prospectus	105,600	-
	105,600	-

Note 7: Contributed Equity

	No. of Shares	$
Opening Balance 1 July 2005	24,322,600	1,353,642
Exercise of 10 cent options	520,000	52,000
Exercise of 15 cent options	826,800	124,020
Allotment of Shares for $0.20	410,000	82,000
Bonus Issue of shares (2 for every 3 held)	17,386,308	
Transfer of Apomab		
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	(43,465,708)	(184,682)
	43,465,708	1,426,980
Capital Raising Costs		
Balance brought forward 1 July 2005	297,920	
Incurred to 31 December 2005	177,350	(475,270)
Closing Balance 31 December 2005		951,710

Note 8: Option Reserve

Option reserve of valuation of directors' share options	278,000	278,000

The option reserve records items recognised as expense on valuation of directors share based payments. The amount recognised in the option reserve related to the approval by members at a general meeting on 19 October 2004 to the issue of 750,000 options each to D P LeMessurier and L H Guthrie and 500,000 options to P A Mariani. The options were issued with an exercise price of 10 cent and can be exercised at any time until 30 June 2012.

Note 9: Dividends

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

Note 10: Disposal of Subsidiaries and Restructuring

At a general meeting of shareholders held on 22 September 2005, the shareholders agreed to the restructure of the company. The APOMAB technology was sold to a new entity, Apomab Limited, in consideration for one share in Apomab Limited for every share in LabTech Systems Ltd. The restructure also resulted in a 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 provided LabTech Systems Ltd shareholders with shares in Apomab Ltd. The restructure allowed LabTech Systems Ltd to focus entirely on its MicroStreak 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.		184,682
Shares issued by Apomab Ltd in consideration of sale	43,465,708	184,682
Shares distributed in specie to LabTech Systems Ltd shareholders and reduction of capital	(43,465,708)	(184,682)
	-	$ -

Note 11: Contingent Liabilities

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

Capital Raising

	Nature
Martin Place Securities Pty Ltd	Engagement fee of $10,000 Management Fee of 1.5% of the total amount raised Underwriting Fee of 7%

Note 12: Events Occurring Subsequent to Reporting Date

Capital Raising

The closing date for the prospectus was extended from 5 December 2005 to 24 March 2006.

Short Term Borrowings

A further $20,000 was advanced to the company on 5 January 2006 by Diana Evans, a substantial shareholder, bringing the total of short term borrowings to $90,000. Interest is payable monthly on the borrowing at a rate of 12% per annum. The borrowing will continue for a period as negotiated between Mrs Evans and LabTech Systems Ltd.

Convertible Notes

The company has issued 624,000 convertible notes from 6 February 2006 to the date of signing this report raising $156,000.

The face value of the convertible notes is $0.25 and the maturity date is 31 January 2008.. Interest is payable on the face value at a rate of 12% per annum payable quarterly. The convertible notes are convertible at any time prior to the closing date of the prospectus and the holder will subscribe for one ordinary share at $0.25 together with two free attaching options for each note converted. Should the noteholder convert their notes during the 15 business days after the date of a takeover notice issued by the company or at least 15 business days prior to the maturity date then the holder will subscribe for one ordinary share at $0.25 together with one free attaching option.

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 4 to 14:

(a) comply with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

(b) give a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half-year ended on that date.

2 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, as in accordance with Note 1(e) to the interim financial statements, the directors believe the fully underwritten capital raising will be completed by the closing date of 24 March 2006.

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

Director
Lusia Halina Guthrie

Dated this 16th day of March 2006

LABTECH SYSTEMS LTD

ACN 107 670 673

INDEPENDENT REVIEW REPORT

To the members of

LabTech Systems Ltd

Scope

The financial report and directors' responsibility

The interim financial report comprises the condensed income statement, condensed balance sheet, condensed cash flow statement, condensed statement of changes in equity and accompanying notes to the financial statements and the directors' declaration of LabTech Systems Ltd for the half year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the entity and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements 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 the Corporations Act 2001, Accounting Standard AASB 134 "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 consolidated entity's financial position and of its performance as represented by the results of its operations and cash flows.

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 is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

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

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out on page 4 of the half year financial report has not changed as at the date of provision of our review report.

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 a true and fair view of the entity's financial position at 31 December 2005 and of its performance for the half year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement made above, attention is drawn to the following matter. Notwithstanding the deficiency of current assets at 31st December 2005, the financial report has been prepared on a going concern basis. As stated on Note 1(e) the directors believe that the capital raising will be completed by Martin Place Securities Pty Ltd by the closing date of 24 March 2006 which will improve cash flow and allow the company to meet its liabilities.

HLB Mann Judd Stephens (SA)

HLB MANN JUDD STEPHENS (S.A.)
CHARTERED ACCOUNTANTS
Adelaide, South Australia
16th March 2006

PHIL PLUMMER
PARTNER