



19 July 2016

Dear Shareholder

Renounceable Pro Rata Rights Issue

On 18 July 2016 Medlab Clinical Limited (**Medlab**) announced a pro rata renounceable rights issue on the basis of 1 new share for every 9 existing shares in Medlab (**Rights Issue**).

The Rights Issue seeks to raise approximately \$5,361,150.00 (before costs) through the issue of approximately 17,870,500 new fully paid ordinary shares in Medlab.

Principal use of funds from the Rights Issue will be to accelerate Medlab's research and development program, in particular to commence human trials using its pain management therapy based on cannabis, in a leading Australian research oncology hospital.

Since Medlab was listed on the ASX a year ago, Medlab has:

- expanded its range of nutraceuticals from five (5) to twenty (20) products, achieving a record sales month in June 2016;
- developed NanoCelle™ for tiny particle mouth delivery of medications; and
- advanced its bacteria based cell culture studies for obesity and its Phase 1 Depression trials,

with these projects ahead of schedule.

Medlab's pain management human trial involves a therapy combining two cannabis compounds, CBD (cannabidiol) and THC (tetrahydrocannabinol), to be administered through the NanoCelle™ delivery mechanism.

Progress to date encouraged the board to speed up the research and development programs. Our preliminary results from our NanoCelle™ delivery system and our work on depression and obesity, have been promising and we need to invest in equipment (LCMS – Liquid Chromatography Mass Spectrometry) to give us a better basis for analysing results. We expect this accelerated program and new equipment will result in licenced products to market at least 12 months ahead of our current forecasts.

In April this year, Medlab won a category of the 2016 Biotechnology Awards from UK based Global Health & Pharma for Best Early-Phase Chronic Disease Drug Discovery Company. The award was based on Medlab's adaptation of bacteria to ameliorate symptoms and diseases, use of cannabis to reduce pain from chronic disease and development of its small particle delivery system.

Medlab's capital raising is fully underwritten by its leading non-management shareholder Farjoy Pty Ltd for the issue of approximately 17,870,500 new fully paid ordinary shares. The issue price represents a 28.6% discount to the last closing price on Thursday, 14 July 2016 and a 29.3% discount to the 30 day VWAP on Thursday, 14 July 2016.

At the request of the Underwriter, Mr Sean Hall and Mr Michael Hall have agreed to limit their participation in the Rights Issue to increase the liquidity of Medlab shares. They will take up \$900,000 in New Shares. The balance of the Rights will be handled by Shaw and Partners Limited, Lead Manager to the Offer.

Use of Funds

Funds raised by the rights Issue will be applied to:

- Accelerate human clinical trials for pain management (Cannabis), depression and obesity;
- Acquire R&D equipment to expedite associated research for human clinical trials;
- Market probiotic/nutraceutical & NanoCelle™ nutritional products here as well as overseas;
- Meet increased working capital needs; and
- Pay the costs of the Rights Issue.

Details of Rights Issue

Medlab shareholders with registered addresses in Australia, New Zealand, Hong Kong and Singapore at 5.00pm (EST) on 21 July 2016 (**Record Date**) will be eligible to participate in the Rights Issue (**Eligible Shareholders**). All other overseas shareholders will not be eligible to participate (**Ineligible Shareholder**).

Each Eligible Shareholder will be entitled to subscribe for 1 new ordinary shares in the capital of Medlab for every 9 ordinary shares registered in their name on the Record Date.

Approximately 17,870,500 new shares (subject to rounding) will be issued under the Offer resulting in total shares on issue of approximately 178,705,000. New shares will rank equally with Medlab's existing ordinary shares and Medlab will apply to ASX for quotation of the new shares.

As detailed in the Offer documents, the Rights Issue is fully underwritten by Farjoy Pty Ltd. Details of the terms of the Underwriting Agreement are also outlined in the Offer Document.

Dealing with your rights

The offer is renounceable which means that shareholders may sell their rights under the Offer. ASX is expected to quote a market for rights trading between 20 July 2016 and 2 August 2016. Your options with dealing with your rights are:

- Sell all of your rights on ASX:** in this case contact your stockbroker. You do not need to return your Entitlement and Acceptance Form to the Share Registry if you sell all of your Rights on ASX.
- Sell some of your rights on ASX and take up the balance of your Rights:** if you wish to sell some of your Rights on ASX and take up the balance of your Rights, please contact your stockbroker in relation to the sale and follow the instructions in Section 5 of the Offer Document and on the Entitlement and Acceptance Form to accept the balance of your Rights.
- Transfer all or part of your rights to another person:** You may elect to transfer all or part of your Rights to another person other than on ASX provided that the purchaser is not an Ineligible Shareholder or would not be an Ineligible Shareholder if the purchaser was the registered holder of the Shares. If you wish to transfer all or part of your Rights to another person other than on ASX then forward a completed standard renunciation form (available from your stockbroker or the Share Registry) together with your Entitlement and Acceptance Form completed by the transferor and transferee to the Share Registry so that it is received no later than 5.00pm (EST) on 9 August 2016 and arrange for payment of the amount of the application monies in accordance with Section 5 of the Offer Document.
- Do nothing with your rights:** in which case you will continue to hold the same number of Shares, however your interest in Medlab will be diluted and you will receive no value for your rights.

Key dates

Key days which shareholders should note are as follows:

Event	Date**
Announcement of Offer (before market opens)	18 July 2016
Release of Offer Document and Cleansing Notice to ASX (before market opens)	18 July 2016
Appendix 3B lodged with ASX (before market opens)	18 July 2016
Notice sent to Shareholders	19 July 2016
Ex date (date from which securities commence trading without the Entitlement to participate in the Offer) and Rights trading expected to commence	20 July 2016
Record Date (date for determining Entitlements of Eligible Shareholder to participate in the Offer)	21 July 2016
Offer Opening Date Offer Document and personalised Entitlement and Acceptance Forms sent to Shareholders	25 July 2016
Rights trading ends	2 August 2016
Last day to extend the Offer Closing Date*	4 August 2016
Closing Date (Offer closes)	9 August 2016 5.00pm (Sydney time)
Notification to ASX of Shortfall	11 August 2016
Issue date/New Shares entered into Shareholders' holdings	16 August 2016
Last day for entity to confirm to ASX all information required by Appendix 3B.	16 August 2016
Securities trade on normal settlement basis (if applicable)	17 August 2016
Settlement date with underwriter	30 August 2016

* Subject to the ASX Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

** These dates are indicative only and are subject to change.

Offer Document

An Offer Document will be sent to Eligible Shareholders together with a personalised Entitlement and Acceptance form no later than 9 August 2016. A copy can also be viewed on the website of the ASX (www.asx.com.au). Before deciding to acquire shares, you should read and consider the Offer Document in its entirety and, if in any doubt, consult with your professional advisor.

Once again on behalf of Medlab, we would like to thank you for your continued support and for the encouragement we have received in regard to accelerating both our R&D projects and the Domestic & Global expansion of our probiotic and NanoCelle™ nutritional products to market. We seek your confirmation of your Board's decision to accelerate our significant progress to date and support the proposed Rights Issue.

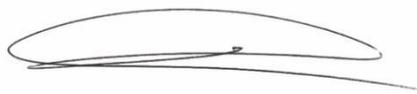
If you have any questions in relation to the above matters, please contact Medlab's share registry (Advanced Share Registry) on + 61 89389 8033 or Alan Dworkin, Company Secretary on + 61 2 8188 0311 (ext 116).

Yours faithfully



Michael Hall

Chairman
Medlab Clinical Limited



Sean Hall

CEO and Director
Medlab Clinical Limited