



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.

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.

Eligibility to participate in the Offer

A person is eligible to participate in the Offer if they are a registered holder of Shares on the Record Date and have an address on Medlab's share register in Australia, New Zealand, Hong Kong or Singapore.

Medlab has decided that it is unreasonable for to make the Offer to shareholders with a registered address outside Australia, New Zealand, Hong Kong and Singapore (**Excluded Overseas Shareholders**) after taking into account the number of overseas shareholders, the number and value of the New Shares that these shareholders would be offered and the cost of complying with legal and regulatory requirements in each relevant jurisdiction.

As your registered address is in a place outside Australia, New Zealand, Hong Kong or Singapore you are not eligible to participate in the Offer to subscribe for New Shares. You will not be sent the Offer Document.

Nominee appointed to sell Excluded Overseas Shareholders' rights

Medlab has appointed Shaw and Partners Limited ACN 003 221 583 (**Shaw and Partners**) (subject to approval by ASIC), as Medlab's foreign holder nominee to sell the rights that would have otherwise been offered to the Excluded Overseas Shareholders. Shaw and Partners has agreed to place offers on ASX to sell the rights that would have been offered to you and send you any net proceeds from the sale. Shaw and Partners will have absolute and sole

discretion to determine the timing and price at which the rights are sold and the manner of any such sale. Any interest earned on the proceeds of the sale of the rights will firstly be applied against expenses of the sale, including brokerage, and any balance will form part of the proceeds payable to the Excluded Overseas Shareholders (if any).

Medlab will forward the proceeds of sale of the rights (if any) as soon as reasonably practicable to the Excluded Overseas Shareholders in proportion to their respective shareholdings, after deducting the brokerage commission and other expenses. If the net proceeds of sale are less than the reasonable costs that would be incurred by Medlab for distributing those proceeds, the proceeds may be retained by Medlab.

Despite Shaw and Partners being required to sell the rights, Excluded Overseas Shareholders may nevertheless receive no proceeds if costs of the sale are greater than the sale proceeds.

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.

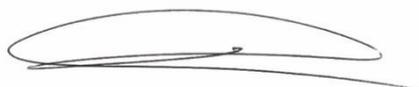
You are not required to do anything in response to this letter, which is provided for your information only and does not constitute an offer of New Shares under the Offer.

If you have any questions in relation to any of the above matters, please contact the 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