



5 May 2017

Violetta Codreanu
Australian Securities Exchange
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

Dear Violetta

ASX APPENDIX 4C QUERY

We refer to the ASX Appendix 4C query we received issued by the ASX on Thursday 4 May 2017.

1. While Medlab Clinical Limited (Company) is currently experiencing negative cash flow operationally, the senior management team and the Board are not able to confirm that it will continue to have negative operating cash flows in the short to medium term due to the following:
 - The global nutraceutical business continues to grow (December 2016 quarter reported growth of 28% over the September 2016 quarter), and indications are that this growth will continue;
 - The Company continues with the development of trade agreements with interested third parties on both our R&D and nutraceutical products and discussions still continue with a number of global Pharmaceutical and nutraceutical companies; and
 - As previously announced, the Company is in advanced stages of potential JV discussions for a “fighting” brand in retail Pharmacy, allowing Medlab to leverage sales from both back of store (traditional business) and front of store.

2. With regards to future cash inflows, at this point in time, the Company has received numerous proposals regarding potential fund raising but currently has not formally agreed on any capital raising options. Medlab has recently finalised a finance facility of up to \$2,000,000 and as usual expects to receive the 2017 R&D Tax Concession in the first quarter, FY 2017/2018 which is expected to be in excess of \$1,500,000.

As per Item 1 above, we expect growth in the global as well as domestic nutraceutical businesses will continue and all of these issues mentioned in Item 1 are expected to contribute significantly to the group's future cash flows.

3. The Company expects to be able to continue its operations and to meet its business objectives. As outlined in the Letter to Shareholder (lodged 10 April 2017), the Company has 24 Nutraceutical branded products globally with 6 to 8 new products expected to be launched over the next few months. As outlined above, the Company continues with the development of trade agreements with interested third parties on both our R&D and nutraceutical products and discussions still continue with a number of global Pharmaceutical and nutraceutical companies
4. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1 and there is no further information that should be given to the ASX about its financial condition that has not already been released to the market.
5. The Company confirms that the above responses have been authorised and approved by the Board.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Alan Dworkin', written in a cursive style.

Alan Dworkin
Company Secretary



4 May 2017

Mr Alan Dworkin
Company Secretary
Medlab Clinical Limited
66 McCauley Street
Alexandria NSW 2015

By email

Dear Mr Dworkin

Medlab Clinical Limited (“MDC”): Appendix 4C Query

I refer to MDC’s Appendix 4C quarterly report for the period ended 31 March 2017 lodged with ASX Market Announcements Platform and released on 28 April 2017 (the “Appendix 4C”).

ASX notes that MDC has reported:

- negative net operating cash flows for the quarter of \$1,568,000;
- cash at the end of the quarter of \$2,752,000; and
- estimated cash outflows for the next quarter of \$2,335,000.

It is possible to conclude, based on the information in the Appendix 4C, that if MDC were to continue to expend cash at the rate indicated by the Appendix 4C, MDC may not have sufficient cash to continue funding its operations. In view of that, ASX asks MDC to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does MDC expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MDC taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MDC expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that MDC is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that MDC’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MDC with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that MDC considers may be relevant to ASX forming an opinion on whether MDC is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

When and where to send your response

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9:30am AEST on Tuesday, 9 May 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MDC's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MDC's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to MDC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that MDC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MDC's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.



You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

[sent electronically without signature]

Violetta Codreanu

Adviser, Listings Compliance (Sydney)