TRUSCREEN®

2018 INTERIM REPORT

CONTENTS

Our vision is to provide better cervical cancer screening to women around the world and by doing so, improve the health and wellbeing of women and help to save thousands of lives.

TruScreen offers an alternative approach to cervical screening, providing real-time, accurate detection of pre-cancerous and cancerous cervical cells to help improve the health and wellbeing of women around the world.

Cervical cancer is the third most common cancer in women in the world. It is different to most cancers as it has a precancerous phase of up to 10 years. If diagnosed early, this precancerous condition can be treated with almost 100% success, preventing it from escalating into cervical cancer.

Most countries in the Western world have highly developed national screening programmes that have significantly reduced the level of cervical cancer in women. However, a different screening solution is needed for women in developing countries with low resource health economies, which lack a laboratory infrastructure and expert diagnostic technicians, and which account for more than 80% of deaths.

This is where the TruScreen real time, low cost and portable diagnostic device comes into its own. The TruScreen diagnostic system is particularly relevant in low resource health economies as it resolves many of the ongoing issues associated with laboratory dependant systems such as the Pap smear and HPV DNA screening.

TruScreen manufactures and owns all rights to the TruScreen® Cervical Cancer Screening System which comprises a unique medical device, disposable single use sensor, algorithm technology and processes designed to detect the presence, at the time of screening, of pre-cancerous and cancerous tissue on the cervix.

TruScreen (TRU) is listed on the New Zealand Stock Exchange's NZAX Market, providing investors with an opportunity to invest in this leading edge health technology.

PROGRESS AGAINST STRATEGIC GOALS

Performance evaluation of TruScreen2

- Clinical performance evaluation of TruScreen2 at the Royal Hospital for Women in Sydney continues to progress well. Initial results indicate that TruScreen2 will be a substantially more accurate screening method than cytology in developing countries.

Obtain regulatory approval for TruScreen2 in selected countries

- Since half year end, received CFDA approval for TruScreen2 in China and, as a result, have commenced sales of TruScreen2 to China.

Gain inclusion in international Government screening programmes

- TruScreen's partners in China are working at several levels to increase the adoption of TruScreen in public health programmes
- Validation process for inclusion in India Government's public screening process is underway
- Ministry of Health in Mexico has commenced evaluation of TruScreen2 as a screening protocol. If successful, approval would accelerate adoption in government hospitals
- Approved for reimbursement by major health insurer in Jordan, a global first for TruScreen
- The Papua New Guinea Government has approved a pilot study evaluating TruScreen as a cervical cancer screening test in regional and remote locations.

Further establish global distribution networks

- Signed major new sub-distributor in China to manage government sales channels
- Established distribution networks for several other territories outside of China.

Enhance sales of TruScreen2

- Following the December 2017 attainment of CFDA approval, sales of the new TruScreen2 device to China have commenced
- Sales growth expected as other regulatory approvals and health administration permissions and endorsements are received; as the pool of TruScreen users grows with the sale and installation of TruScreen2 devices; and as early adopters transition to commercial users across broader private and public sectors.

HALF YEAR RESULTS SNAPSHOT

For the six months to 30 Sept

	HY18	HY17
Sales	$225,896	$361,443
Other Income	$346,205	$461,707
Revenue from Ordinary Activities	$572,101	$823,150
Net Loss	$(1,765,237)	$(1,684,133)
Net Assets	$13,373,029	$12,107,274
Net Operating Cashflow	$(1,766,310)	$(747,100)
Cash and Cash Equivalents	$2,630,624	$1,410,327

TruScreen Limited's commercial performance was hampered in the first half of 2017 due to delays in gaining CFDA approval for the TruScreen2 device in China.

This has now been received and benefits are expected in the final quarter of the financial year ending 31 March 2018 and onwards as initial orders for the TruScreen2 device are exported to China and commercialisation moves ahead in other new markets. A corresponding increase in sales of the Single Use Sensors is expected as more devices enter the market.

Total revenue was $572,101 made up of sales of $225,896 (HY17: $361,443) and other income of $346,205, primarily from grants for Research & Development. Sales were down on the previous first half year (although in line with the second half of FY17) due to ongoing product improvements and validation thereof and the delays in obtaining Chinese CFDA approval. In line with this, net operating cashflow decreased slightly to $(1.77) million (HY17: $(747,100)).

Inventory costs rose as expected, due to increased production of TruScreen2 in advance of receiving CFDA approval and in anticipation of growing demand from new markets.

In May 2017 the company successfully completed an $897,350 Share Purchase Plan as part of a larger capital raising which included a private placement of $4.09m in March 2017. This contributed to cash and cash equivalents of $2.63 million as at 30 September 2017, and was the primary driver for the increased foreign exchange impact, following translation from New Zealand into Australian dollars.

TruScreen reported a Net Loss of $1.76 million for the six months, slightly up on the previous first half year of $1.68 million.

CHAIRMAN AND CEO'S REPORT

We have made good progress on our strategic goals for the FY18 financial year. Receipt of CFDA approval for our TruScreen2 device in China since the end of the first half year has been a major achievement for our company.

Our focus remains on those countries with large populations of women of screening age, which have lower levels of healthcare resources and access. To date, we have signed distribution agreements covering 24 countries with a combined screening population of approximately 1 billion women and we are continuing to negotiate new agreements.

Whilst all these markets are important in establishing TruScreen as the preferred solution for cervical cancer screening, our focus is firmly on the larger of these markets - China, India and Mexico - and capitalising on the work done over the past two years to gain acceptance.

Within each country, we are looking to have TruScreen adopted by both public and private healthcare providers, and selected as the preferred choice for large scale public screening programmes.

Acceptance and adoption can take time and is often dependent on the decisions and speed of progress of third parties, such as regulatory bodies or government departments, and this timing can be hard to predict. In particular, evaluations of the TruScreen product for use in public screening programmes can take many years and involve multiple in-market trials, however, each could produce significant revenue in the future.

China remains the primary opportunity for our company and the current focus is on encouraging the selection of TruScreen technology for large screening programs, as well as increasing adoption in large provincial hospitals.

A major new sub-distribution agreement was signed in the first half to manage government sales channels in China. The goal is to have TruScreen recommended for use in major central government screening programs and to be included in the list of basic medical equipment for the over 30,000 community healthcare centres throughout rural China.

Adoption and usage of TruScreen in prestigious hospitals in China has increased. For example, in the PLA General Hospital over 1000 tests per month are now being completed, up from 200 in September last year. We expect this to increase even further now that CFDA approval has been obtained and we can commence supplying TruScreen2 for commercial use.

After China, India is potentially the world's largest screening market with close to 300 million women of screening age and the Indian government is looking to set up public screening programmes. To be considered for selection for this, we need to have TruScreen validated in-country and have commenced a collaboration with the All India Institute of Medical Science to conduct this evaluation. We hope to commence sales to Indian Central and State Government institutions in 2018.

In Mexico, the evaluation of TruScreen by the Ministry of Health as a screening protocol has commenced and if successful, approval would accelerate adoption in government hospitals. In addition, we are participating in several tenders with the National Health Secretariat and State Health Secretariats

to supply primary screening in Mexico. We have also commenced sales to hospitals controlled by the largest public health insurer in Mexico, ISSSTE.

In a global first, TruScreen has been approved for reimbursement by a major health insurer in Jordan. Whilst Jordan is not a major market, the attaining of this insurance rebate is an important step in breaking down the pricing barriers that traditional cytology tests enjoy in larger markets.

We continue to assess opportunities to expand our global footprint, while building our presence in existing markets. We have a carefully considered commercial programme and are currently rolling this out in other markets where we have more recently gained distribution agreements, including the Middle East, Europe and Central Asia.

The clinical performance evaluation of TruScreen2 at the Royal Hospital for Women in Sydney is progressing well. Initial results have confirmed TruScreen's advantages over the Pap smear in developing countries and indicate that TruScreen2 will be a substantially more accurate screening method than cytology in those target markets.

TruScreen's strategy to restructure the skill set of the Board has been enacted and the Board has been refreshed, with world renowned Professor Ron Jones and experienced businessman Mr Chris Lawrence replacing two long serving directors. Both Ron and Chris are enthusiastic about TruScreen's future and about working with their fellow directors and delivering the company's goals for 2018 and beyond.

Outlook

We are at an exciting time in TruScreen's evolution as we move out of the R&D and validation stage and into the commercial phase of our journey.

We have launched our second generation TruScreen2 device, established distribution channels into multiple markets and our global footprint continues to grow.

There is growing awareness and demand from low resource countries for screening programmes and the global market for cervical cancer screening is forecast to exceed US$22 billion per year in the next three years.

The opportunities for TruScreen look promising and we are well positioned to continue to advance the commercial agenda for our product.

Interest in the TruScreen2 device is strong and while some approvals are taking longer than initially anticipated, we expect to see sales growth once these approvals are received, and as early adopters transition to commercial users across broader private and public sectors.

In line with this anticipated increase in demand, we are working with key suppliers to establish our own factory, significantly increasing our manufacturing capacity for the TruScreen2 device.

In addition, TruScreen and its manufacturing partners are also working together to develop plans to have TruScreen2 assembled in key offshore markets where this is a requirement for adoption in government programs.

These initiatives across our commercial, manufacturing and product development programs set us up for a positive year in 2018 and we wish to thank shareholders for their continued support.

Robert Hunter
Chairman

Martin Dillon
Chief Executive Officer

[i] http://www.marketsandmarkets.com/Market-Reports/cervicalcancer-screening-market-%2010110147.html

INTERIM UNAUDITED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Note	Unaudited for the six months ended 30 September 2017	Unaudited for the six months ended 30 September 2016	Audited for the year ended 31 March 2017
		$	$	$
Revenue from the sale of goods		225,896	361,443	585,388
Other income	3	346,205	461,707	810,202
Changes in inventories		288,587	209,121	408,944
Purchases of inventory		(464,115)	(459,448)	(881,746)
Employee benefit expenses and directors' fees		(670,864)	(576,427)	(1,174,222)
Administration		(185,739)	(152,739)	(470,394)
Research expenses	3	(649,171)	(564,377)	(1,190,910)
Rent		(48,444)	(47,907)	(95,625)
Travel		(28,107)	(75,931)	(156,900)
Marketing & product approvals		(159,801)	(146,092)	(561,811)
Insurance		(50,999)	(37,724)	(87,424)
Shareholder relations & services		(3,710)	(11,196)	(91,999)
Foreign exchange loss	3	(98,679)	(381,432)	(68,502)
Amortisation & depreciation	3	(266,296)	(263,131)	(528,134)
Finance costs		-	-	(37,477)
Loss before income tax		(1,765,237)	(1,684,133)	(3,540,610)
Income tax expense		-	-	-
Loss for the period after income tax		(1,765,237)	(1,684,133)	(3,540,610)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign subsidiary operations		(42,673)	(369,400)	(241,728)
Other comprehensive loss for the period		(42,673)	(369,400)	(241,728)
Total comprehensive loss for the period		(1,807,910)	(2,053,533)	(3,782,338)
Basic and Diluted losses (cents per share)		(0.9)	(1.0)	(2.1)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Note	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 March 2017
		$	$	$
CURRENT ASSETS				
Cash and cash equivalents		2,630,624	1,410,327	3,671,571
Trade receivables		226,495	372,879	217,397
Other receivables		326,769	448,246	791,791
Goods and services taxes recoverable		97,090	72,059	69,395
Inventories		756,114	267,704	467,527
Other assets – prepayments		75,268	220,701	77,100
TOTAL CURRENT ASSETS		4,112,360	2,791,916	5,294,781
NON-CURRENT ASSETS				
Plant and equipment		7,259	10,510	8,275
Intangible assets		9,401,709	9,583,430	9,738,424
TOTAL NON-CURRENT ASSETS		9,408,968	9,593,940	9,746,699
TOTAL ASSETS		13,521,328	12,385,856	15,041,480
CURRENT LIABILITIES				
Trade and other payables		36,556	198,440	644,587
Employee benefits		111,743	80,142	72,605
TOTAL CURRENT LIABILITIES		148,299	278,582	717,192
NET ASSETS		13,373,029	12,107,274	14,324,288
EQUITY				
Issued capital	6	22,657,236	17,840,460	21,800,585
Share Option Reserve		172,800	187,106	172,800
Foreign currency translation reserve		(581,977)	(666,976)	(539,304)
Accumulated losses		(8,875,030)	(5,253,316)	(7,109,793)
Total Equity		13,373,029	12,107,274	14,324,288

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Note	Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Option Reserve	Total
		$	$	$	$	$
Balance at 31 March 2016 (Audited)		**17,840,460**	**(3,569,183)**	**(297,576)**	**172,712**	**14,146,413**
Loss for the period to 30 September 2016		-	(1,684,133)		-	(1,684,133)
Other comprehensive income for the period		-	-	(369,400)	-	(369,400)
Total comprehensive loss for the period (unaudited)		-	(1,684,133)	(369,400)	-	(2,053,533)
Transactions with owners						
Share based payment		-	-	-	14,394	14,394
Total transactions with owners		-	-	-	14,394	14,394
Balance at 30 September 2016 (Unaudited)		**17,840,460**	**(5,253,316)**	**(666,976)**	**187,106**	**12,107,274**
Balance at 31 March 2017 (Audited)		**21,800,585**	**(7,109,793)**	**(539,304)**	**172,800**	**14,324,288**
Loss for the period ended 30 September 2017		-	(1,765,237)		-	(1,765,237)
Other comprehensive loss for the period		-	-	(42,673)	-	(42,673)
Total comprehensive loss for the period (unaudited)		-	(1,765,237)	(42,673)	-	(1,807,910)
Transactions with owners						
Issue of Ordinary Shares		856,651	-	-	-	856,651
Balance at 30 September 2017 (Unaudited)		**22,657,236**	**(8,875,030)**	**(581,977)**	**172,800**	**13,373,029**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Note	Unaudited for the six months ended 30 September 2017	Unaudited for the six months ended 30 September 2016	Audited for the year ended 31 March 2017
		$	$	$
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts from customers		182,029	374,616	754,043
Cash paid to suppliers and employees		(2,794,335)	(2,305,914)	(4,436,358)
Cash received from 45% refundable tax offset		833,228	1,172,039	1,126,610
Interest paid		-	-	(37,477)
Interest received		12,768	12,159	17,598
Net cash used in operating activities	7	(1,766,310)	(747,100)	(2,575,584)
CASH FLOW FROM INVESTING ACTIVITIES				
Development of intangible asset – development costs of upgraded cervical cancer console		-	(141,188)	(141,188)
Purchase of plant and equipment		(1,411)	(6,083)	(6,355)
Net cash used in investing activities		(1,411)	(147,271)	(147,543)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of shares	6	897,350	-	4,090,000
Share issue costs		(170,576)	-	-
Net cash provided by financing activities		726,774	-	4,090,000
Net (decrease) / increase in cash and cash equivalents		(1,040,947)	(894,371)	1,366,873
Cash and cash equivalents at beginning of period		3,671,571	2,304,698	2,304,698
Cash and cash equivalents at end of period		2,630,624	1,410,327	3,671,571

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. REPORTING ENTITY

Truscreen Limited (the "Company") is a Tier 1 for-profit listed incorporated public company and is an issuer on the New Zealand Stock Exchange Alternative Market ("NZAX"). The Company is a limited liability company incorporated and domiciled in New Zealand and registered under the Companies Act 1993.

Truscreen is a FMC reporting entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Group's principal activity relates to the development and manufacture of cancer detection devices and systems.

The consolidated unaudited interim financial statements presented for the six months ended 30 September 2017 are those of Truscreen Limited and its subsidiaries (the "Group"). References to "Truscreen" are used to refer both to the Group and Truscreen Limited (the "Company").

These interim financial statements were authorised for issue by the Board of Directors on the 12 December 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements are unaudited and have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and are in compliance with NZ IAS 34: Interim Financial Reporting.

The consolidated unaudited interim financial statements have been prepared in New Zealand dollars, which is the functional currency. These financial statements do not include all the information required for full financial statements and consequently should be read in conjunction with the Group's financial statements for the year ended 31 March 2017.

The same accounting policies have been followed in these financial statements as were applied in the preparation of the Group's audited financial statements for the year ended 31 March 2017.

Critical Accounting Estimates and Judgements

When preparing the interim financial statements, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from the estimates, judgements and assumptions made by management. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements can be found in the previous annual report.

Seasonality

Operations are not subject to seasonal influences.

3. SIGNIFICANT TRANSACTIONS AFFECTING NET LOSS

Significant transactions affecting net loss

The following significant items affecting the unaudited loss for the period are highlighted below because of their size:

	Unaudited for the six months ended 30 September 2017	Unaudited for the six months ended 30 September 2016	Audited for the year ended 31 March 2017
	$	$	$
Other income			
Research and development grant	333,437	449,548	792,604
Interest	12,768	12,159	17,598
Total other income	346,205	461,707	810,202
Expense			
Amortisation of intangible assets	(263,868)	(260,961)	(523,346)
Foreign exchange loss / unrealized	(98,679)	(381,432)	(68,502)
Research & development costs	(649,171)	(564,377)	(1,190,910)

Ongoing Research & development is being conducted in the following areas:

- Software & firmware improvements incorporated from feedback on prototypes to improve usability;
- Ongoing regulatory and verification processes;
- Changes and improvements to the Electrical Optical Assembly; and
- Further work on developing and testing the algorithm

4. ADMINSTRATIVE AND OTHER OPERATING EXPENSES

Administrative expenses increased in the six months ended 30 September 2017 compared to the six months ended 30 September 2016 largely due to costs associated with compliance, marketing and travel necessary for expansion and ongoing operations in various regions including China, Mexico and Europe.

5. OPERATING SEGMENTS

The Group operates in one operating segment. It owns the rights to the Truscreen Cervical Cancer Screening System. The system comprises a medical device and process designed to detect the presence in real time of precancerous and cancerous tissue on the cervix.

The Group is in the process of obtaining further regulatory approvals. On the granting of these approvals the Group anticipates the ability to increase distribution and revenue. It is anticipated revenues will be obtained largely from Asia, Europe, Central and South America. The limited revenues to date have been obtained in anticipation of these approvals. These revenues have been obtained from distributors.

Three major customers each contributed more than 10% of the Group's revenue in the six months to 30 September 2017 (2016: two customers):

- One customer provided revenue of $71,170 (34%);
- One customer provided revenue of $69,095 (33%); and
- Once customer provided revenue of $50,278 (24%)

No additional disclosure is required in the interim financial statements as the Group has one reportable segment.

6. SHARE CAPITAL

	$	$
Balance as at 31 March 2016 & 30 September 2016	**164,766,666**	**17,840,460**
Balance as at 31 March 2017	190,329,166	21,800,585
Share purchase plan	5,609,375	897,350
Share issue costs	-	(40,699)
Balance as at 30 September 2017	195,938,541	22,657,236

7. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	Unaudited for the six months ended 30 September 2017	Unaudited for the six months ended 30 September 2016	Audited for the year ended 31 March 2017
	$	$	$
Reconciliation of cash flow from operations with loss after income tax			
Loss for the period	(1,765,237)	(1,684,133)	(3,540,610)
Adjusted for:			
Share based expense payment – employment expenses	-	14,394	88
Amortisation and depreciation	266,295	263,131	528,134
Exchange difference arising from translating loss items at the date of transaction and translating cash balances at year end rates	30,174	206,227	(83,591)
Operating cash flows before working capital changes	(1,468,768)	(1,200,381)	(3,095,979)
(Increase) / Decrease in trade receivables	(9,098)	13,173	547,601
(Increase) / Decrease in other receivables	465,022	722,491	-
(Increase) / Decrease in goods and services taxes recoverable	(27,695)	(9,453)	(6,789)
(Increase) / Decrease in prepayments	1,832	(54,144)	89,457
(Increase) / Decrease in inventory	(288,587)	(209,122)	(408,945)
Increase / (Decrease) in trade and other payables	(608,029)	(12,819)	292,140
(Increase) / Decrease in trade and other payables relating to investing activities	-	-	141,188
(Increase) / Decrease in trade and other payables relating to financing activities	129,875	-	(129,875)
Increase / (Decrease) in employee liabilities	39,138	3,155	(4,382)
Net cash from operating activities	**(1,766,310)**	**(747,100)**	**(2,575,584)**

8. NET TANGIBLE ASSETS PER SHARE

	Unaudited 30 September 2017	Unaudited 30 September 2016	Audited 31 March 2017
	$	$	$
Net tangible assets	3,971,320	2,523,844	4,964,164
Shares on issue at the end of period	195,938,541	164,766,666	190,329,166
Net tangible assets per share (cents per share)	2.03	1.53	2.41

9. EVENTS SUBSEQUENT TO END OF THE INTERIM PERIOD

There have been no events since 30 September 2017 which would have a material effect on the Group's interim financial statements for the 6 months ended 30 September 2017.

CORPORATE DIRECTORY

DIRECTORS

Robert Hunter
Sydney, New South Wales
Australia

Ron Jones
Remeura, Auckland
New Zealand

Christopher Horn
Sydney, New South Wales
Australia

Chris Lawrence
St Heliers, Auckland
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