

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDING 30 SEPTEMBER 2018

Adelaide, Australia, 31 October 2018: Australian medical technology company LBT Innovations Limited (ASX: LBT) (**LBT** or the **Company**), a leader in medical technology automation using artificial intelligence, is pleased to release its Appendix 4C – Quarterly Cashflow report and Update for the quarter ended 30 September 2018 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Achieved first APAS® Independence sale**
- **Further evaluations scheduled in Australia**
- **Increased US lab interest following market outreach activities**
- **Completed the \$4 million loan facility documents with the South Australian Government**
- **Closing cash balance of \$5.3 million**

Operations

During the Quarter, the Company achieved the first sale of an APAS® Independence instrument to St Vincent's Hospital in Melbourne. The purchase order was placed with LBT as distributor for Australia and New Zealand and a production version of the APAS® Independence instrument has been installed at St Vincent's. LBT will generate revenue directly as the Australian distributor of the instrument, in addition to the revenue generated by Clever Culture Systems (**CCS**). CCS is the manufacturer and supplier of the instrument. The sale price is consistent with anticipated market pricing previously disclosed, with further detail of the payment terms remaining commercial in confidence.

The Company continued its active sales and marketing activities to targeted laboratories in Australia during the Quarter. By the end of the Quarter, LBT sales and technical executives had physically visited over 85% of all potential customers nationally, meeting with senior scientist/laboratory management, as well as technical and economic buyers. Other activities have included hosting key opinion leaders at our headquarters in Adelaide. We have also showcased our custom laboratory, providing potential customers with hands-on experience with the APAS® Independence instrument and allowing them to meet with our artificial intelligence, software and science teams to understand how our unique technology is developed.

During the Quarter an additional customer evaluation of the APAS® Independence was completed in another Australian laboratory, with further scheduled for 2019. As previously indicated, the sales cycle, especially with new technology, can take 12+ months and we continue to receive positive voice of customer feedback about the APAS® Independence instrument, opening up discussion about budgeting for the instrument.

CCS engaged with marketing firms in the US and Europe to conduct detailed market segmentation for over 100 laboratories, to better understand media used, specimens processed and customer influences to support sales (amongst other things). Specifically for the US, the market research was expanded to conduct outreach activities that has generated a pipeline of pre-selected and categorised laboratories, to support early market access in 2019. Follow on meetings were had during the 79th Annual Scientific Meeting & Clinical Lab Expo (largest global scientific conference and tradeshow in the field of laboratory medicine) in Chicago from 29 July to 2 August 2018 and more recently during the Infectious Disease Week conference in San Francisco in early October 2018. A number of face-to-face meetings have occurred with potential key opinion leader sites for the US market.

Brent Barnes, CEO and Managing Director commented:

"The Company remains focussed on its commercialisation and marketing activities aimed at building awareness to support further early instrument sales in Australia and entry into the European and the US markets. This early sales activity will set the foundation for key distributor appointments in 2019."

Financial and Corporate

Overall, the net cash outflow for the Quarter was \$2.3 million, consistent with the Company's forecast outflows provided in the June 2018 Appendix 4C. The Company expects a net cash outflow of \$0.9 million for the quarter ended 31 December 2018, after receipt of the expected claim under the R&D Tax Incentive scheme.

The Company reported a cash balance of \$5.3 million as at 30 September 2018. The Company also has a \$4 million loan facility provided by the South Australian Government. The facility provides LBT with the ability to drawdown the loan in instalments of \$1 million, \$1.5 million and \$1.5 million, subject to achievement of operational milestones applicable at each drawdown date. All drawdowns are available through to December 2019.

Future Outlook

Establishing a global footprint has been a consistent and important theme for the Company. Work is underway to support early market access for the US in 2019, where the appointment of a key reference laboratory and shipment of an APAS® Independence instrument is expected in the first half of 2019. Coinciding with this is the dossier to submit a 510(k) to the US FDA for the APAS® Independence instrument, under the predicated indication of the APAS® Compact instrument that has already been cleared in October 2016 by CCS.

Before the end of the year, our management will also be attending Labor Dr Wisplinghoff in Cologne, our European centre of excellence laboratory, to continue development of our ongoing collaboration. It is expected that the development work conducted by Dr Wisplinghoff on the next analysis module MRSA, will continue and form the basis for an abstract submission during the next quarter, to be considered for acceptance at the European Congress of Clinical Microbiology and Infectious Diseases meeting in April 2019.

In Australia, we have various events and meetings planned before the end of the calendar year. The Company appreciates the importance of early sales and continues to work with laboratories on sales commitments and evaluations.

About LBT Innovations

LBT Innovations (LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has a history of developing world leading products in microbiology automation. Its first product, MicroStreak®, was a global first in the automation of the culture plate streaking process. The Company's second product, the Automated Plate Assessment System (APAS®) is being commercialised through LBT's 50% owned joint venture company Clever Culture Systems AG (CCS) with Hettich Holding Beetling's- und Verwaltungs-GmbH. The APAS® instrument is based upon LBT's intelligent imaging and machine learning software, and remains the only US FDA-cleared artificial intelligence technology for automated imaging, analysis and interpretation of culture plates following incubation. LBT's third product WoundVue® is in early development; this is a proposed automated solution to assist in the management of chronic wounds.

Contacts

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

LBT Innovations Ltd

ABN

95 107 670 673

Quarter ended ("current quarter")

September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (....3...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(727)	(727)
(b) product manufacturing and operating costs	(1,083)	(1,083)
(c) advertising and marketing	(22)	(22)
(d) leased assets	0	0
(e) staff costs	(478)	(478)
(f) administration and corporate costs	(136)	(136)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	38	38
1.5 Interest and other costs of finance paid	0	0
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other:		
Reimbursement of expenses from JV Company, Clever Culture Systems	943	943
1.9 Net cash from / (used in) operating activities	(1,465)	(1,465)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (....3...months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(10)	(10)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property (APAS)	(130)	(130)
	(e) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	(674)	(674)
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(814)	(814)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	0
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	0	0
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (....3...months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,572	7,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,465)	(1,465)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(814)	(814)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of quarter	5,293	5,293

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	425	1,552
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (Term Deposits)	4,868	6,020
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,293	7,572

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter
\$A'000

212

0

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Item 6.1 includes remuneration paid to the Directors including remuneration and annual bonus paid to the Chief Executive Officer.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	(674)
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Loan to Clever Culture Systems AG; a joint venture company that is owned 50/50 between LBT Innovations and Hettich Holding Beteiligungs- und Verwaltungs-GmbH.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	4,000	0
8.2 Credit standby arrangements	50	17
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Item 8.1 is a loan facility provided by the South Australian Government. The facility provides LBT with the ability to drawdown the loan in instalments of \$1 million, \$1.5 million and \$1.5 million, *subject to achievement of operational milestones applicable at each drawdown date*. All drawdowns are available through to December 2019, and will then be repaid over five years from the first drawdown date. The interest rate is 2% margin above the SA Government cost of funds. The Company have provided the SA Government with a first ranking general security.


Item 8.2 is a corporate credit card facility which is paid off in full each month.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(471)
9.2 Product manufacturing and operating costs	(240)
9.3 Advertising and marketing	(43)
9.4 Leased assets	
9.5 Staff costs	(339)
9.6 Administration and corporate costs	(226)
9.7 Other (Loan to Clever Culture Systems (LBT's Joint Venture Company) Capital Expenditure	(623) (54)
9.8 Total estimated cash outflows	(1,996)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 October 2018
(Director/Company secretary)

Print name:Dan Hill.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.