

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDING 31 DECEMBER 2018

Investor call at 9.00am AEDT, Wednesday 6 February 2019 to discuss Results and Business Outlook

Adelaide, Australia, 31 January 2019: 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 31 December 2018 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **First placement of APAS® Independence into US Laboratory**
- **Submission of US FDA 510(k) for APAS® Independence**
- **Appointment of first European Sales Executive**
- **\$0.4 million net cash inflow for Quarter – includes \$1.9 million R&D Tax Incentive**
- **Closing cash balance of \$5.7 million**

Operations

The Company remains focused on the importance of achieving early sales and provided updated guidance on 26 November 2018. The sales process for capital equipment in the health care sector is a slow one and it is difficult to predict when sales conversion will occur. Our dedicated sales team continues to meet with customers, raising awareness of our product on a national basis and progressing a number of sales opportunities. Government hospital groups nationally procure through a tendering process, with a number expected to be released during 2019 and meetings have already been conducted to ensure the APAS® technology can be included in the tender specifications.

Outside Australia, our joint venture company Clever Culture Systems (**CCS**) has progressed a number of initiatives to support market access, specifically in Germany and the US, and these are expected to facilitate sales in 2019.

During the Quarter, the Company achieved two key milestones as part of its US commercialisation and marketing activities. In November, the first placement of an APAS® Independence was made into a United States medical centre by CCS. Hennepin Healthcare System which includes the Hennepin Healthcare Research Institute (**HHRI**) and the Hennepin County Medical Centre will act as a key opinion leader and a centre of excellence for APAS®. Dr Glen Hansen, Director of Microbiology at HHRI has a reputation for innovation and will lead the establishment of the centre of excellence for APAS®. This US placement has been made in anticipation of a commercial market launch in the United States during 2019, subject to the United States Food and Drug Administration (**FDA**) clearance of APAS® Independence.

While the manual loading APAS® instrument received FDA clearance in 2016, a 510(k) application has now been made for the commercial version of the product, the APAS® Independence, together with the urine analysis module. Obtaining FDA clearance for the automated Instrument facilitates commercial market access and the ability for sales to commence in the single largest pathology market globally.

Commercialisation efforts in Europe were advanced during the Quarter by CCS through the appointment of a European Sales Executive. This follows establishing an APAS centre of excellence at prestigious German facility Labor Dr Wisplinghoff in Cologne in April 2018. CCS are now actively meeting with key target facilities to build awareness of the instrument and develop an active pipeline of opportunities ahead of distributor placement.

The Company has also continued the development work for its next APAS® analysis module. Work is being conducted to develop an MRSA module in collaboration with Labor Dr Wisplinghoff, Cologne and St Vincent's Hospital, Melbourne. This further extends the clinical utility of the Instrument for microbiology laboratories by increasing the scope of specimens that can be processed by the instrument.

Brent Barnes, CEO and Managing Director commented:

“With the first placement of APAS® Independence into the United States last December, we have now established centre of excellence sites in each of our key markets. These provide a platform for our early sales activity in Australia, Europe and the United States as well as supporting the continued development of APAS® analysis modules.”

Financial and Corporate

Overall, the Company achieved a net cash inflow for the Quarter of \$0.4 million, including receipt of the R&D Tax Incentive of \$1.9 million. This compares to the Company's forecast net outflow of \$0.9 million in the September 2018 Quarterly Report.

The Company reported a cash balance of \$5.7 million as at 31 December 2018. The Company also has a \$4 million undrawn 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

Building on the Company's early sales activities in Europe and the United States will be a key focus for the Company in the first half of 2019. A number of initiatives targeting early market awareness will occur during 2019 calendar year to build the sales pipeline. In Europe, the Company will again be showcasing the APAS® Independence at the European Congress of Clinical Microbiology and Infectious Diseases (**ECCMID**) meeting which is in April 2019.

In the United States, the Company will commence lead generation activities to create awareness and develop an active sales pipeline. Acknowledging the timeframes associated with the sales process, the Company remains focused on targeted awareness, building demand and market expectation ahead of market launch.

In Australia, the Company will build on its sales activities from last year with two additional placements of the instrument planned for further evaluation at target customer sites. This represents part of the Company's continued sales activities in the region, working with laboratories to develop future sales opportunities. These sales activities in each of these geographies will assist to set the foundation for the engagement with potential distributors in the larger global markets of the US and Europe.

The Company welcomed Simon Arkell as a non-executive Director, commencing 30th January 2019. Being US based was a strategic objective as the Company expands its focus into the single largest pathology market globally.

Investor Conference Call

The Company will hold a conference call at **9.00am AEDT on Wednesday 6th February 2019** to discuss the Company's activities and financial results for the Quarter and the business outlook. The Company's CEO and Managing Director, Brent Barnes, will host the call.

To dial into the call directly, please dial in 5 to 10 minutes prior to the call time and enter the **Conference ID: 827476**. Dial in numbers are as follows:

Australian Toll Free:	1800 908 299
New Zealand callers:	0800 452 795
Other callers:	+61 2 9007 8048

To pre-register for the call, please follow the link below. A unique pin number will be provided for use when dialling into the call, which will bypass the operator and provide immediate access to the event.

<https://services.choruscall.com.au/diamondpass/lbt-827476-invite.html>

A recording of the call will be available on the Investors section of the Company's website for 60 days after the call.

– ENDS –

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

LBT Innovations	Investor Enquiries
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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")

December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (....6...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(664)	(1,391)
(b) product manufacturing and operating costs	(393)	(1,476)
(c) advertising and marketing	(15)	(37)
(d) leased assets	0	0
(e) staff costs	(460)	(938)
(f) administration and corporate costs	(204)	(340)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	30	68
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	1,892	1,892
1.8 Other:		
Reimbursement of expenses from JV Company, Clever Culture Systems	422	1,365
1.9 Net cash from / (used in) operating activities	608	(857)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (....6...months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(3)	(13)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property (APAS)	(7)	(137)
	(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	(181)	(855)
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	(191)	(1,005)

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 (....6...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	5,293	7,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	608	(857)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(191)	(1,005)
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	5,710	5,710

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	1,242	425
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (Term Deposits)	4,468	4,868
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,710	5,293

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

136

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 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	(181)
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	12
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	(472)
9.2 Product manufacturing and operating costs	(387)
9.3 Advertising and marketing	(48)
9.4 Leased assets	
9.5 Staff costs	(338)
9.6 Administration and corporate costs	(107)
9.7 Other (Loan to Clever Culture Systems (LBT's Joint Venture Company)	(580)
Capital Expenditure	(62)
9.8 Total estimated cash outflows	(1,994)

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:



 (Director/Company secretary)

Date: 31 January 2019

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.