

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDING 31 MARCH 2019

Investor call at 9.00am AEST, Wednesday 1 May 2019 to discuss Results and Business Outlook

Adelaide, Australia, 29 April 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 March 2019 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **MRSA clinical data presented at ECCMID meeting - 100% sensitivity & 98.1% specificity**
- **Commencement of clinical study for MRSA Analysis Module**
- **Commenced pre-launch lead generation activities in EU and US**
- **Appointment of Simon Arkell and Damian Lismore as non-executive Directors**
- **Closing cash balance of \$4.2 million**

Operations

During the Quarter, early commercialisation activities in Australia, the EU and the US have continued to be a priority for the Company. The focus of early sales is to create the market awareness and demand required ahead of distributor placement. The feedback from customers in Australia has remained positive, despite the slow sales process for new technology requiring multiple touch points with a customer. The Company has continued to engage with all relevant public and private laboratories in the region. However, at present there are no relevant tenders within public pathology laboratories confirmed for release in 2019 which impacts the ability to sell into the public sector in the near term. In Australia, this limits sales opportunities to a smaller number of private sector laboratories and accordingly, the Company is focussing efforts on progressing in the two larger global markets of the EU and the US for near term launch.

In the US, LBT's Joint Venture partner, CCS, has commenced lead generation sales activities ahead of the anticipated FDA clearance of the urine analysis module, in the second half of 2019. Through this process the Company has reached out to over 600 prospective customers to understand their automation needs and laboratory profile. The Company is directly progressing discussions with those laboratories considered most likely to make a purchase within the next twelve months.

In the EU, the Company has worked closely with its reference site partners to complete the pre-clinical development phase of new analysis modules for the detection of Methicillin-resistant *Staphylococcus aureus* (**MRSA**). Labor Dr Wisplinghoff, supported the development of the MRSA modules through to completion with the capture of over 14,000 culture plate images using the APAS® Independence installed at their laboratory. The images were used to accelerate the machine learning, software and algorithms development, enabling LBT to concurrently develop analysis modules for the most commonly used culture plate types for MRSA in each geography of the EU, the US and Australia.

LBT has since commenced a clinical study of the MRSA modules at St Vincent's Hospital, Melbourne. The clinical study compares the results of the APAS® Independence, utilising the new MRSA modules, against that of a panel of human microbiologists. The completion of the MRSA clinical study will support the self-certification regulatory processes in the EU (CE Mark) and Australia (TGA), and later will form part of an FDA submission. Self-certification in the EU will be a significant milestone for the Company in the second half of 2019, for the first time providing an opportunity for sales of the instrument in the EU. MRSA is the most common specimen type used on culture plates in the EU, accounting for up to 35% of their total culture plate volume.

To support commercial activities in the EU, the dedicated sales executive continues to build awareness of the APAS® instrument ahead of the commercial release of the finalised MRSA analysis modules for the EU. Sales activities in the EU are now specifically targeting the four major contract laboratory providers which operate 71 sites in Germany alone and cover over 50% of microbiology testing in the region.

In April, representatives attended the European Congress of Clinical Microbiology and Infectious Diseases (**ECCMID**) in Amsterdam, the largest global conference for clinical microbiology. At a poster presentation session, the APAS® Independence clinical data of the MRSA modules was released confirming the system performed with a sensitivity of 100% and a specificity of 98.1%. Also, as part of ECCMID, CCS hosted a key opinion leader dinner to an audience of senior industry experts and prospective customers which included presentations from Dr Lisa Brenton (St Vincent's Hospital, Melbourne), Dr Glen Hansen (Hennepin Healthcare System, Minneapolis) and Dr Hilmar Wisplinghoff (Labor Dr Wisplinghoff, Cologne).

Brent Barnes, CEO and Managing Director said:

"The completion of the MRSA analysis modules is key to increasing the addressable market for the instrument. Finalisation of the modules will not only make the instrument more useful to customers in Australia but will open up access to a much larger market opportunity in Europe where MRSA specimens are the most significant by volume."

Financial and Corporate

During the Quarter, the Company appointed two additional, highly qualified, Non-executive Director's. Mr Simon Arkell, based in the US, commenced on the 30 January 2019 and brings commercial experience in software and AI companies. Mr Damian Lismore joined the Board on 25 March 2019, adding extensive listed company and financial experience to the Board.

Overall, the Company achieved a net cash outflow for the Quarter of \$1.5 million. This compares to the Company's forecast outflow of \$2.0 million in the December 2018 Quarterly Report. The lower than forecast spend is a result of deferring planned increases in expenditure and focussing all activities to those critical to achieving a regulatory cleared product in the US and Europe, and early work towards specific sales opportunities ahead of a cleared product in those key geographies.

The Company reported a cash balance of \$4.2 million as at 31 March 2019.

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 31 December 2019.

The Company has achieved the requirements for the first instalment of \$1m and is presently in discussions with the South Australian Government in relation to the timing of that first drawdown. The funds will support the Company's ongoing strategy to insource core technical capability in South Australia, with ten additional staff added over the last 15 months, in the areas of artificial intelligence, software and science. This team has supported the MRSA module development which was delivered in a shortened timeframe.

Future Outlook

In the second half of 2019, the Company expects to complete the clinical evaluation for the MRSA analysis modules, providing the formal validation required. Commercial release of the modules in Europe and Australia will then follow the completion of a self-certification process with the TGA for Australia and under the CE Mark process for the EU.

In the US, CCS aims to launch the instrument following an FDA clearance of the APAS® Independence together with its previously FDA approved urine analysis module. The FDA is currently reviewing the application and clearance is expected in the second half of 2019. This will be followed by a further submission to the FDA, for the MRSA analysis module.

CCS will continue with lead generation activities in the US to develop its sales pipeline for the region. CCS will be attending the American Society of Microbiology (ASM) Microbe meeting being held in San Francisco in June 2019 as well as regional ASM meetings across the country. This will provide further opportunity to generate demand for the APAS® Independence. It

is expected that placements of instruments with the purpose of an evaluation to procure will commence in the second half, with a customer pipeline that is building as a result of the outreach initiative.

In Australia, the Australian Society of Microbiology meeting will be held in Adelaide between 30th June and 3rd July. LBT have planned a number of customer meetings and tours of the LBT facility, giving customers an in-depth understanding of the technical AI development as well as demonstrations of the instrument. While there are no public tenders expected in 2019, it is important that the microbiology community are aware APAS® is available to ensure specifications can be included in future tenders that are released by this larger addressable market.

Investor Conference Call

The Company will hold a conference call at **9.00am AEST on Wednesday 1 May 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: 784056**. 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-784056-invite.html>

A recording of the call will be available on the Investor Centre 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.

Contacts

LBT Innovations	Investor Enquiries
Brent Barnes Chief Executive Officer & Managing Director Tel: +61 8 8227 1555 E: info@lbtinnovations.com	David Allen / John Granger Hawkesbury Partners Tel: +61 2 9103 9494 E: dallen@hawkesburypartners.com

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")

March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (....9...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	0	(182)
(b) product manufacturing and operating costs	(375)	(1,851)
(c) advertising and marketing	(45)	(82)
(d) leased assets	0	0
(e) staff costs	(419)	(1,357)
(f) administration and corporate costs	(141)	(481)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	17	85
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	1,892
1.8 Other:		
Reimbursement of expenses from JV Company, Clever Culture Systems	285	1,650
1.9 Net cash from / (used in) operating activities	(678)	(326)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (.....9...months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(6)	(19)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property (APAS)	(491)	(1,837)
	(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	(300)	(1,155)
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	(797)	(3,011)

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 (.....9...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	5,710	7,572
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(678)	(326)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(797)	(3,011)
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	4,235	4,235

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	317	1,242
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (Term Deposits)	3,918	4,468
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,235	5,710

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

104

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	(300)
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	22
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	0
9.2 Product manufacturing and operating costs	(154)
9.3 Advertising and marketing	(24)
9.4 Leased assets	
9.5 Staff costs	(252)
9.6 Administration and corporate costs	(121)
9.7 Other (Loan to Clever Culture Systems (LBT's Joint Venture Company)	(379)
Capital Expenditure	(5)
Intellectual Property (APAS)	(483)
9.8 Total estimated cash outflows	(1,418)

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: 29 April 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.