QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 31 DECEMBER 2019

Investor call at 9.00am AEDT, Wednesday 5 February 2020 to discuss Results and Business Outlook

Adelaide, Australia, 30 January 2020: 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 business update for the quarter ended 31 December 2019 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **CE Mark for APAS® Independence and MRSA module**
- **Sale of APAS® Independence to Labor Dr Wisplinghoff, Germany**
- **APAS® technology showcase event held at Company's offices, Adelaide**
- **Closing cash balance of $7.3 million**

Commercialisation and Operations

During the Quarter, LBT has made steady progress in the commercialisation of the APAS® Independence. The most significant achievement was the Company's first sale of an APAS® Independence outside of Australia to Labor Dr Wisplinghoff in Cologne, Germany. This important milestone for the Company, followed shortly after CE Mark for the APAS® instrument and the MRSA analysis module.

Labor Dr Wisplinghoff is the largest single clinical laboratory in Germany and recognised as a global technology leader. The owner, Prof. Hilmar Wisplinghoff, MD, is a strong advocate for the APAS® technology and has been working with LBT over the past two years on future product enhancements. Following the purchase of the APAS® instrument, Prof. Wisplinghoff was in Australia for collaboration with the Company and two investor events where he shared customer insights on the utility of instrument.

The Company has also continued its program of lead generation and growing the sales pipeline for the APAS® Independence in the launch markets of United States, Australia, Germany and the UK. This remains an important focus to raise awareness of the technology to then have APAS® considered as part of customer's automation strategy and ultimately converting sales. It is also an important part of the engagement process with potential distributors.

In Europe, the Company's European Sales Executive has identified over 340 target laboratories in the UK and Germany and is in active sales discussions with approximately 25 laboratories. The sales process remains long with all of the laboratories requiring trial of the instrument prior to negotiation which is a practice consistent with other markets.

In the United States, the Company has continued with its targeted outbound sales campaign to identify and qualify sales leads, which has now identified over 190 targets. In November 2019, management conducted an East Coast sales visit, including presentation at the North Eastern Branch regional meeting for the American Society of Microbiology held in Randolph, Massachusetts.

In early 2020, the Company appointed a United States based sales executive who is based in California. He has extensive background in laboratory automation, previously working with Johnson & Johnson and Beckman Coulter in the United States, and spent two weeks in Australia during January 2020 to complete product training. The primary focus will be on contacting the 190 target customers identified by the outbound call initiative to progress the sales discussion.

In addition to the direct sales activities, the Company has continued to work through an evaluation process with a global healthcare company for the potential distribution of the APAS® Independence (**Potential Distributor**). The Potential Distributor has advised that they have completed their assessment of the instrument's reliability and customer feedback.

They have provided initial positive feedback about the instrument and have requested further information relating to workflow and laboratory information management system connectivity. It is expected that these discussions will progress in an iterative and productive manner, although it's difficult to estimate what is likely to be a staged geographic launch.

In October, the Company presented at two high-profile investor conferences in Australia. Brent Barnes presented at the Australian Microcap Investment Conference in Sydney and the Annual AusBiotech National Conference held in Melbourne. More recently, the Company also presented at the Biotech Showcase event held in San Francisco, United States. These conferences provided an opportunity to present the Company to new investors.

Technology Development

In product development, the Company has advanced work on its new infection control module for the screening of Vancomycin-resistant enterococcus, or VRE. The module is complementary to the recently released MRSA analysis module assisting laboratories provide effective antimicrobial stewardship services to their clients.

There are a number of software enhancements also being worked on to address known bugs and enhancements raised by our key opinion leaders and the Potential Distributor. These enhancements relate primarily to useability of the instrument and we expect new software releases to occur going forward as part of a typical product lifecycle development process.

The Company has been working with a Laboratory Information Management System (**LIS**) middleware vendor, Data Innovations (**DI)**. DI have a software platform that connects to many different instruments within a laboratory and is a middleware interface that communicates between the many instruments within a laboratory and their LIS. The platform enables laboratories to easily integrate new instruments seamlessly to their LIS. DI currently support over 1200 drivers (for various instruments and software solutions), are in 85 countries worldwide and in the United States have an installation of their product(s) within ~65% of all laboratories. Over recent months the Company has been collaborating with DI to build an APAS® Independence driver. Once complete, laboratories with an active DI software license will have access to download the APAS® Independence driver which would provide effective connection to an APAS® Independence instrument that was installed in a customer laboratory.

Financial and Corporate

For the Quarter, the Company:

- had net cash outflows from Operations of $0.6 million and cash outflows of $0.8 million from Investing and Financing activities.
- The total net outflow of $1.4 million for the Quarter compares to the Company's forecast outflow of $1.7 million as detailed in the September 2019 Quarterly Report. The lower than forecast spend is a result of the timing of expense reimbursements from LBT's Joint Venture Company, CCS.
- reported a cash balance of $7.3 million as at 31 December 2019.

In addition, the Company has received $1.11 million for its Research and Development Tax Incentive claim, subsequent to the end of the Quarter.

The Company's outlook for total quarterly net outflows for operating and investing activities remains consistent with prior guidance provided of $1.7 million, before receipt of the Research and Development Tax Incentive.

In November, the Company hosted a technology showcase event for the APAS® Independence at its offices in Adelaide. The event was attended by over 60 representatives, including key industry stakeholders, shareholders and members from the South Australian government. Presentations were made by the Company's Australian Key Opinion Leader, Lisa Brenton from St Vincent's Melbourne as well as LBT's Scientific Director, Dr Steve Giglio. The Company also hosted its Annual General Meeting in November and would like to thank those Shareholders who attended.

Future Outlook

Following the CE Mark of the MRSA module last year for Europe, the Company has been preparing the documentation dossier required to submit to the United States Food and Drug Administration (**FDA**). The regulatory submission for the MRSA analysis module will be a 510(k) application and the Company expects this to be completed during the first quarter of 2020. This is an important milestone to achieve in the current quarter as an additional FDA cleared module further expands the clinical utility for customers in the US market.

This first quarter, technical development, verification and validation testing will occur, with an updated release of instrument software being available early in the second quarter of 2020. Technical completion of the VRE analysis module is expected in the second half of 2020 and will then progress into the clinical validation phase.

A prototype of the DI driver is expected to be delivered during the first quarter. Following this, the Company will work with DI to perform customer testing before official global release scheduled early in the second half of 2020.

As with prior years, LBT's joint venture company Clever Culture Systems (**CCS**) will have a display booth to showcase the APAS® Independence at the annual European Congress of Clinical Microbiology and Infectious Diseases, or ECCMID, being held in Paris, France. The Congress have approved clinical data abstracts submitted for presentations from CCS' global key opinion leaders regarding new clinical findings using APAS® Independence. In June, management will attend the American Society of Microbiology Microbe conference in Chicago. The Company has been working with a prestigious US hospital group evaluating the performance of the APAS® MRSA Analysis Module who intend to present their clinical data at the conference.

Brent Barnes, CEO and Managing Director said:

"I am pleased we achieved our first European sale to Labor Dr Wisplinghoff at the end of 2019 but we would all like to see more sales conversion. In the United States, having feet on the street and someone who is connected within the industry is also a positive step in progressing our sales activities. Our focus on sales conversion remains high, however I'd like to remind shareholders of the 12+ month sales cycle that exists. While there has been positive progress to expand our sales funnel of customers in our launch markets this process takes time and is difficult to predict.

Investor Conference Call

The Company will hold a conference call at **9.00am AEDT on Wednesday 5 February 2020** 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: 10003533**. Dial in numbers are as follows:

Australian Toll Free:	**1800 954 502**
New Zealand callers:	0800 452 794
Other callers:	+61 2 9007 4041

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

https://s1.c-conf.com/diamondpass/10003533-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

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
LBT Innovations Ltd	
ABN	**Quarter ended ("current quarter")**
95 107 670 673	December 2019

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	(203)	(446)
	(b) product manufacturing and operating costs	(93)	(254)
	(c) advertising and marketing	(15)	(28)
	(d) short term & low value leases	(22)	(22)
	(e) staff costs	(709)	(1,427)
	(f) administration and corporate costs	(198)	(378)
1.3	Dividends received (see note 3)		
1.4	Interest received	60	90
1.5	Interest and other costs of finance paid	(32)	(42)
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
	Inflows from JV Company (CCS)- Consulting income & Expense reimbursements	595	869
1.9	**Net cash from / (used in) operating activities**	**(617)**	**(1,638)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(8)	(17)
	(d) investments		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (....6...months) $A'000
	(e) intellectual property	(141)	(283)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities	(617)	(890)
2.4	Dividends received (see note 3)		
2.5	Other (Repayment of lease principal)	(38)	(38)
2.6	**Net cash from / (used in) investing activities**	**(804)**	**(1,228)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	13	13
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(62)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**11**	**(49)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,670	10,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(617)	(1,638)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (....6...months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(804)	(1,228)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11	(49)
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**7,260**	**7,260**

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	442	502
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (Term Deposits)	6,818	8,168
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**7,260**	**8,670**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(181)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(617)

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 Cash remuneration paid to the Directors, including remuneration paid to the Managing Director.

Item 6.2 LBT's share of funding provided as a 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.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	4,000	2,500
7.2	Credit standby arrangements	50	31
7.3	Other (please specify)	0	0
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	1,500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Items 7.1 and 7.5 relate to a loan facility provided by the South Australian Government. The first and second drawdowns, totalling $2.5 million, occurred during the quarter ended 30 June 2019. Interest is payable on the drawndown balance at a 2% margin above the SA Government cost of funds. The final drawdown of $1.5 million is available through to 21 February 2020, subject to achievement of agreed milestones. On the 21 February 2020, the drawndown amount at that point will convert to a principal and interest loan to be repaid by quarterly instalments through to 21 May 2024. The Company has 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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(617)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	7,260
8.3	Unused finance facilities available at quarter end (Item 7.5)	1,500
8.4	Total available funding (Item 8.2 + Item 8.3)	8,760
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	14

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity 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?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 30 January 2020

Authorised by: .....
Dan Hill, Company Secretary

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.