QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 31 DECEMBER 2021

Adelaide, Australia, 27 January 2022: 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 2021 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Key Highlights

- **Transformational acquisition of Clever Culture Systems Joint Venture**
- **FDA Clearance for MRSA analysis module – available for customers in the United States**
- **10 Advanced sales opportunities, back-to-back product evaluations completed in Europe**
- **31 December 2021 cash balance of $6.3 million after settlement of the CCS acquisition**

CCS Acquisition

LBT obtain Full Ownership of Clever Culture Systems Joint Venture

On 31 December 2021, LBT completed the purchase of the remaining 50% shareholding in its joint venture company, Clever Culture Systems (**CCS**), from Hettich Holding Beteiligungs-und Verwaltungs-GMBH (**Hettich**) for $4.0 million, payable in $1.0 million cash, 30.66 million LBT Shares and 8.0 million LBT Options (Exercise price: 25 cents per share, Expiry: 31 December 2024). The transaction included the transfer of Hettich's Shareholder loans to LBT, being the $17.3 million of past funding that they have contributed to CCS. As a result, the acquisition establishes CCS as a wholly owned subsidiary of LBT, with no outstanding debt or consideration owing to Hettich. Hettich are now LBT's largest shareholder, owning 9.6% of the Company.

The acquisition provides LBT with complete operational and management control of CCS at a pivotal stage in the commercialisation of the APAS® technology. As a result of the transaction, LBT will benefit by receiving a greater share of the revenue per APAS® instrument sold, which is expected to improve the time to cashflow breakeven for the Company.

Commercialisation & Product Development

Sales and Distribution

Sales Pipeline

LBT continues to work with its channel partners to develop the sales pipeline for the APAS® Independence. Together, there are a total of 10 Advanced Sales Opportunities where the customers are at the evaluation phase or contracting phase of the sales process:

United States – APAS® Independence Product Launched with Thermo Fisher

Following the appointment of Thermo Fisher Scientific, Inc (**Thermo Fisher**) as exclusive distributor for the United States, the Company have conducted a process of onboarding to establish the APAS® Independence within the Thermo Fisher product portfolio for the region. This included a process of sales lead sharing, product training and establishing marketing materials for the APAS® Independence under the Thermo Fisher brand. A number of joint customer visits have since been completed by the Thermo Fisher sales team, accompanied with the CCS US Sales Executive to progress these opportunities.

On 16 December 2021, Thermo Fisher conducted a webinar titled, *Laboratory Automation in Microbiology: Accelerating the Impact through AI and Digital Imaging,* to showcase the APAS® Independence, featuring US key opinion leader, Dr Glen

Hansen (Medical Director, Microbiology & Molecular Diagnostics Laboratory at Hennepin County Medical Center, Minneapolis). The webinar was extremely well attended with a high level of engagement from participants.

Europe – Customer Evaluations Completed

The Company has continued to progress a series of back-to-back product evaluations with customers in Europe to increase the number of Advanced Sales Opportunities for the region. One evaluation was completed in France by a laboratory purchasing group. Following this the instrument was shipped to Germany, where an evaluation is underway.

Previously, evaluations were taking 4-6 months to complete and were focussed on generating new data for publication to generate customer awareness and provide clinical validation of the technology. The Company has now developed a structured protocol for executing these customer evaluations, with each new evaluation being completed within a reduced 5-week timeframe. These evaluations include mutually agreed performance targets and are conducted as part of the sales process.

During the Quarter, the Company submitted 6 abstracts for presentation at the European Congress of Clinical Microbiology and Infectious Diseases 2022 annual conference (**ECCMID 2022**). The abstracts include data submitted from recent customer evaluations, as well as the first use of the Company's APAS®-AMR analysis module.

Market Update – COVID-19

Over the last 6-months, the Company has observed a continued improvement in access to customers in both Europe and the United States. Whilst challenges remain with travel and laboratory visitor restrictions in place, customers' investment into COVID-19 testing infrastructure has largely been completed. Their focus has shifted to achieving operational efficiencies in their core business as COVID-19 testing volumes decline and become established as a routine test that is a permanent part of a laboratory's base business. This is a trend that the Company expects to continue in 2022, as countries adapt to the ongoing effects of the pandemic.

This trend was reflected in comments made from global clinical laboratory leaders, Quest Diagnostics and Labcorp at the recent 40th Annual J.P. Morgan Healthcare Conference (January 10-13):

Quest Diagnostics CEO, Steve Rusckowski, addressed Quest's COVID-19 testing business, noting that while the company expects a decline in COVID-19 testing volumes in 2022 versus 2021, it believes that testing for the virus would become a permanent part of its portfolio, similar to flu testing. He said that exiting 2021, Quest's base business had fully recovered to pre-pandemic levels.[1]

Operations and Product Development

MRSA Analysis Module FDA 510(k) Submission

On 29 October 2021, the Company received FDA clearance for the APAS® Independence with MRSA analysis module enabling the instrument to now be sold with the MRSA analysis module in the United States. This FDA clearance means the Company now has regulatory cleared modules for both Urine and MRSA specimens, the largest two specimen types by volume.

Product Development

The development team have continued to prioritise expanding the coverage of Urine analysis modules for the APAS® Independence to increase the number and types of media supported. This will provide extended coverage in the United States to support additional media manufacturers and add new modules for chromogenic media types that are specific to the European market. Each new analysis module developed increases the clinical utility of the APAS® instrument for customers and therefore increases the number of laboratories able to commercially justify the purchase of an APAS® Independence.

[1] https://www.360dx.com/business-news/jp-morgan-healthcare-conference-day-3-quest-diagnostics-exact-sciences-quidel-more?utm_source=addthis_shares#.Ye3YJlVg7fM.link

In parallel, work has continued on the development of the APAS®-AMR analysis module, with the development of new features for zone size reading and antibiotic disc recognition now complete. An initial release of the analysis module has been provided to the Company's European key opinion leader, Labor Dr Wisplinghoff, for testing.

Financial & Corporate

AGM Results

LBT's Annual General Meeting was held on 29 November 2021. All resolutions at the meeting were passed, including the election of Ms Joanne Moss and Mr Brian O'Dwyer as Directors of the Company.

Quarterly Cashflows and Cash at Bank

For the Quarter, the Company had:

- net cash outflows from Operating and Investing activities of $1.8 million which included a net cash outflow of $0.3 million for the CCS acquisition, being the $1.0 million cash consideration paid partly offset by the $0.7 million in cash held by CCS at the time of acquisition;
- net cash outflows from Financing activities of $0.04 million, reflecting a reduction in loan repayments for the Quarter, following the deferral of the SAFA loan repayment;
- total net cash outflows for the Quarter of $1.9 million; and
- a reported consolidated cash balance of $6.3 million as at 31 December 2021 which includes the $0.7 million held by the now 100% owned CCS.

Cashflows for the Quarter include related party payments of $146,000 to Directors, comprising the Managing Director's salary and Non-Executive Directors' fees.

Future Outlook

The continued focus for the Company is to execute its commercialisation strategy for the APAS® Independence with its channel partners in Europe and the United States, the two largest markets globally. In the United States, initial progress with Thermo Fisher has been positive and the Company will continue to work closely with Thermo Fisher to advance near term sales opportunities and customer evaluations.

In Europe, the Company and Beckman Coulter are working together to implement a number of actions to accelerate the progress of opportunities through the sales funnel. The priority is to continue to focus on executing evaluations with customers to increase the number of Advanced Sales Opportunities in the region.

In April, CCS will be presenting the APAS® Independence at the Institute of Biomedical Science annual microbiology conference held in Belfast (4-7 April 2022). Following this, CCS will have a booth presence at ECCMID 2022 in Lisbon (23-26 April 2022) which will also include 6 poster publications featuring the APAS® technology.

Following the acquisition of CCS, LBT have implemented an integration plan to streamline processes between the two companies and have commenced execution of a cost management plan as part of this process.

Brent Barnes, CEO and Managing Director said:

"It is really positive to see access to our customers beginning to open up again. COVID-19 has shone a light on the work done by clinical laboratories around the world and highlighted the need for innovative solutions that enable them to get the most value from their staff. The APAS® Independence does just that, by handing back time to busy laboratories to focus on value adding activities."

Approved for release by the LBT Board.

– 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 culture plate specimen processing. The Company's second product, the Automated Plate Assessment System (APAS® Independence) uses LBT's intelligent imaging and machine learning software to automate the imaging, analysis and interpretation of culture plates following incubation. The technology remains the only US FDA-cleared artificial intelligence technology for automated culture plate reading and is being commercialised through LBT's wholly owned subsidiary Clever Culture Systems AG (CCS). Channel partners for the sale and distribution of the APAS® Independence are in place for the United States (Thermo Fisher Scientific, Inc; Exclusive Distributor) and Europe (Beckman Coulter, Inc; Marketing Agent).

INVESTOR ENQUIRIES

LBT Innovations
Brent Barnes Chief Executive Officer & Managing Director Tel: +61 8 8227 1555 E: info@lbtinnovations.com

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 2021

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	0	17
1.2	Payments for		
	(a) research and development	(62)	(123)
	(b) operating costs	(124)	(139)
	(c) advertising and marketing	(25)	(29)
	(d) short term leases		
	(e) staff costs	(1,013)	(1,989)
	(f) administration and corporate costs	(268)	(462)
1.3	Dividends received (see note 3)		
1.4	Interest received	4	9
1.5	Interest and other costs of finance paid	(16)	(32)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	150	270
1.8	Other		
	Consulting Income (Receipts JV Company, CCS)	104	281
1.9	**Net cash from / (used in) operating activities**	**(1,250)**	**(2,197)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses	(283)	(283)
	(c) property, plant and equipment	(14)	(54)
	(d) investments		
	(e) intellectual property	(176)	(365)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (..6....months) $A'000
	(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	(107)	(303)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(580)**	**(1,005)**

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		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
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 (Repayment of lease principal)	(41)	(82)
3.10	**Net cash from / (used in) financing activities**	**(41)**	**(82)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,202	9,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,250)	(2,197)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(580)	(1,005)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (..6....months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(41)	(82)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**6,331**	**6,331**

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	2,071	542
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (term deposits)	4,260	7,660
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,331**	**8,202**

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	(146)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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 relates to Cash remuneration paid to the Directors, including remuneration paid to the Managing Director.

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	2,936	2,936
7.2	Credit standby arrangements	50	19
7.3	Other (please specify)		
7.4	**Total financing facilities**	2,986	2,955

7.5	**Unused financing facilities available at quarter end**	31

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.

Item 7.1 relates to a loan facility provided by the South Australian Government. The loan is a principal and interest loan, at an interest rate of 2.8% and being repaid by fixed quarterly instalments of $256,000 through to 21 November 2024. The Company has provided the SA Government with a first ranking general security. [The SA Government previously provided a deferral of the quarterly instalments due in August 2021 and November 2021, with a resulting extension of the final payment from 21 May 2024 to 21 November 2024. No interest is accruing on the loan during this six-month deferral period. The deferral was in recognition of the COVID-19 impact on the Company's global commercialisation activities. Repayments will resume in the quarter ended 31 March 2022.]

Item 7.2 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)	(1,250)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,331
8.3	Unused finance facilities available at quarter end (item 7.5)	31
8.4	Total available funding (item 8.2 + item 8.3)	6,362
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	5.1*

** If investing cash outflows of $580,000 were included in the above calculation, the estimated number of Quarters of Available Funding (item 8.5 above) would be 3.5. Additionally, the Company's future cash outflows will be impacted by LBT's acquisition of the other 50% of Clever Culture Systems (CCS) on 30 December 2021, meaning LBT will be funding 100% of CCS from that date.*

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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:

8.6.2 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:

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

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 27 January 2022

Authorised by: the Board of Directors
(Name of body or officer authorising release – see note 4)

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.