NON-CASH IMPAIRMENT OF APAS® INTANGIBLE ASSETS

Adelaide, Australia, 4 August 2023: Australian medical technology company LBT Innovations Limited (ASX: LBT) (**LBT** or the **Company**), advises that the Company has recognised a non-cash impairment charge of $13.4 million. The impairment relates to a full write down of the $13.4 million carrying value of the Company's intangible assets relating to the APAS® technology. The Company also expects to recognise a non-cash write off of approximately $5.5 million in deferred tax assets. These non-cash adjustments will be reflected in the Company's financial results for the year ended 30 June 2023.

The decision to write down was based on the Company not receiving the sales it expected for the 12-month period ending 30 June 2023. Despite a strengthening pipeline of opportunities, the Company was unable to provide a "reasonable and supportable" forecast for the timing of sales and sales growth, as required by the Accounting Standard AASB 136 Impairment of Assets.

The Company remains positive on the medium to longer-term clinical market opportunity. Staffing pressures remain a continued challenge for clinical laboratories and positive feedback from potential customers indicates that the APAS® Independence addresses a key unmet need in the culture plate reading process for clinical laboratories. The Company's distribution partner, Thermo Fisher remains highly engaged and active in the sale and marketing of the technology and has developed a robust sales pipeline of over 110 qualified opportunities in the United States and Europe, including 20-30 advanced opportunities[1].

The Company also expects APAS® PharmaQC to be a strong contributor to growth in future years. AstraZeneca is providing in excess of $1.1 million to fund the development of APAS® PharmaQC, in anticipation of purchasing a number of instruments to roll out across its manufacturing sites globally following completion of validation. The Company is also progressing discussions with other potential customers and partners within the pharmaceutical market. Potential future sales of APAS® PharmaQC have been excluded from the recoverable amount assessment, being considered a future product enhancement under Accounting Standard AASB 136 Impairment of Assets.

The Group will continue to reassess the recoverable amount of the APAS® related assets and the recoverability of the deferred tax assets, at each future reporting date. That assessment will be guided by actual sales achieved in the clinical microbiology market and, upon completion of the APAS® PharmaQC development, will include an assessment of potential sales in the pharmaceutical market.

LBT Managing Director and CEO, Mr Brent Barnes said:

"We remain confident on the opportunity for our APAS® technology but given current market valuations, we believe taking a conservative position is an appropriate course of action. Importantly this is an accounting focused, non-cash transaction which cleans up our balance sheet. We continue to work proactively with our partner Thermo Fisher to improve sales execution and have been encouraged to see these initiatives translate to the sales funnel where we have several advanced opportunities in the pipeline. In the pharmaceutical market we continue to be buoyed by positive feedback from potential customers who are proactively looking for solutions such as our APAS® Independence and the progress being made with AstraZeneca."

Background

LBT's carrying amount for intangible assets associated with the development of the APAS® instrument at 30 June 2023, before any provision for impairment, is $13.4 million. This comprises the capitalised historical development costs of $25.9 million less accumulated amortisation of $12.5 million. Intangible assets were being amortised over eight years from the date of the first sale in August 2018.

At each reporting date, the Group performs an impairment test of its intangible assets, in accordance with Australian Accounting Standard AASB 136 Impairment of Assets. These intangibles comprise historical expenditure associated with the development of the APAS® Independence and associated analysis modules. An impairment test compares the recoverable

[1] Qualified Leads = Established customer relationship and APAS® buying criteria met; Advanced Sales Opportunities = Evaluation phase or further

amount of the asset to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the Group's Statement of Comprehensive Income/(Loss) as an impairment expense.

The recoverability of these intangible assets is dependent on sufficient future cash flows generated through repeatable clinical market sales of the APAS® instrument and ongoing licence fees for the analysis modules. Under Australian Accounting Standard AASB 136 Impairment of Assets, the sales forecasts must be "reasonable and supportable".

Previous sales forecasts were based on specific near-term clinical market sales prospects which included feedback from the Company's distribution partners for the APAS® Independence.

For the 12-month period ending 30 June 2023, the Company's sales have not been achieved as expected which increases the uncertainty associated with forecasting the expected timing of near-term sales and the pattern of sales growth thereafter. This makes it difficult to provide a "reasonable and supportable" forecast for sales, as required by the Accounting Standard AASB 136 Impairment of Assets.

The Company's reduced share price and market capitalisation at 30 June 2023 provided an additional indicator of impairment, pointing to an indicative valuation of the intangible assets that is materially below their $13.4 million carrying value. This is the first time, since the Company commenced the recoverable amount assessment in the year ended 30 June 2019, that the market capitalisation indicative valuation has been materially less than the carrying value.

In the addition to the carrying value of the intangible assets noted above, the Group also has net deferred tax assets in the order of $5.5 million, arising from deductible temporary differences and previously booked tax losses, for both CCS and LBT. The $5.5 million is based on draft tax accounting calculations currently being finalised in the preparation of the year-end financial statements. The benefit of these future tax deductions are only recognised on the balance sheet as a deferred tax asset to the extent that it is probable that future tax profits will be available against which the deferred tax assets may be utilised. This assessment of future taxable profits is based upon the same assumptions as used in the impairment testing of the intangible assets outlined above. On this basis, the Company expects to make a non-cash adjustment in the order of $5.5 million to remove these deferred tax assets from the balance sheet. This is a non-cash expense and in no way impacts the Company's ability to utilise these tax losses in the future.

Approved for release by the LBT Board.

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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). Thermo Fisher Scientific, Inc is exclusive distributor of the APAS® Independence in the United States and selected countries in Europe.

INVESTOR ENQUIRIES

LBT Innovations
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