

The Manager
Company Announcements Office
ASX Limited

CHAIRMAN'S ADDRESS

Adelaide, 28 October 2014: It is with great pleasure that I can report to you today on a year of significant progress in LBT Innovations' continuing evolution as a globally respected medical innovation company. Since last year's Annual General Meeting, LBT has taken several important steps forward in realising the objectives of developing a diversified multi-product portfolio and increasing the value of the company for LBT's investors.

As you may have seen from LBT's Annual Report, revenue for 2013-14 was down by about 11% to \$3.92 million. This compares to the previous year's revenues that included the receipt of major upfront fees from Hettich AG Switzerland, which were received just before the end of the last financial year. These funds were the result of LBT forming the joint venture with Hettich, Clever Culture Systems, to complete the development of the Automated Plate Assessment System, APAS®. I am delighted to report that the joint venture and the relationship with Hettich are both operating extremely well, and that LBT received \$3.00 million this year as major development milestones were met.

Development expenses have increased in the past year, as LBT prepared the core APAS technology for clinical trials. These expenses were offset by a small capital raising, which generated \$2.02 million towards the cost of these trials and the early-stage development of LBT's third product, Woundvue™.

It seems that every year, I report to shareholders that the past year has been the most important in LBT's history. But this year, it is more true than ever, with significant progress towards the commercial launch of APAS, a resurgence in sales of PREVI Isola by our French licensee, bioMérieux and the initiation of the Woundvue development project. I will discuss each of these briefly and then Lusie Guthrie will provide you with more details in her presentation.

As noted, the company's key focus over the past financial year has been on the ground-breaking culture-plate reading and reporting system, APAS. LBT hopes to be soon announcing the results of the first two clinical trials of APAS in Melbourne and Adelaide. This is nothing short of a company-making moment for LBT. Within the next calendar year, LBT aims to have secured approval from the US Food and Drug Administration, after clinical trials are completed at a major medical centre in the United States. This will open up a world of opportunity, not only for APAS but for LBT's broader Intelligent Imaging technology platform – and will add increased value to your company.

The success of APAS is critical for LBT in many respects. It was MicroStreak that first put LBT on the map, a product that we licensed exclusively to bioMérieux. This technology is now helping that company build its brand and expand its reputation as a global diagnostics leader. With APAS, LBT stands at the forefront of an entirely new technology in microbiology automation – a technology that should improve the efficiency and accuracy of hundreds of microbiology laboratories around the world.

Because APAS is a brand new technology, which has not previously been subjected to clinical trials, running these trials has been a complex challenge. LBT has been in discussions with the FDA for much of the past 18 months on how to run the clinical trials in the United States. After the results of the Australian trials have been evaluated by our scientific team, the US trials will begin – most likely in the first quarter of next year. As I have mentioned, approval by the FDA will add substantial value to LBT, as no company in the world has yet received FDA approval for this type of application.

In Europe, meanwhile, things are moving briskly ahead with the development of the first concept prototypes of the APAS machines. Peter Bradley, LBT's VP of Business Development, recently returned from a review of operations at the Hettich plant, and reports progress with the development of two instruments – a benchtop plate-reader using the APAS software, and an auto-incubator that incorporates APAS into a more sophisticated plate-processing solution.

Discussions continue with worldwide diagnostics companies interested in distributing APAS globally on behalf of Clever Culture Systems. LBT looks forward to updating you on these potentially significant negotiations, which should add another robust revenue stream and another high-profile partner to our emerging commercial portfolio.

As our excellent relationship continues to grow with Hettich Switzerland, I have great confidence in the prospects that lie ahead for LBT in 2015 – including the potential for an APAS demonstrator prototype instrument to be displayed at the 25th ECCMID Congress, the world's largest infectious diseases congress, which will take place in Copenhagen in six months' time.

The other big financial news for us during 2013-14 was the improved sales performance of PREVI Isola, the plate-streaker developed by bioMérieux using LBT's MicroStreak technology. After progress slowed in 2013, principally due to financial uncertainty in Europe, PREVI Isola enjoyed a much healthier market this year – selling more units in the first six months of 2014 than in the whole of the previous year.

This puts LBT in a strong position to exceed the royalty threshold in the original license agreement and to secure beneficial terms for the next three-year phase of the agreement, which is due to begin in first quarter 2015. As most of you will recall, the original agreement is based upon sales of applicators for the PREVI Isola and runs until 2028, and LBT has recently initiated negotiations with bioMérieux on the next phase of the deal. LBT looks forward to informing you of these terms as soon as the discussions are concluded.

While the development of APAS has dominated LBT's news flow over the past year, I am delighted to report on some progress with LBT's third potential product, Woundvue – a hand-held device that promises to apply the same rigorous image interpretation technology to the management of chronic wounds. Like APAS, Woundvue will be an entirely new product, which will require significant time, energy and resources to develop. The potential health and financial benefits of this product are extremely promising. Chronic wound care is a rapidly growing global market, already is estimated to be worth US\$60 billion annually.

In the past month, Woundvue has succeeded in attracting a \$250,000 Industry Development grant from the South Australian bioscience agency, BioSA. This is a significant vote of confidence in the potential of the device to bring real change to the wound care market, and of course to help Adelaide stamp another mark on the medical innovation map. But it is early days, and LBT has much to do. LBT is extremely grateful to the South Australian Government for this important contribution, which will enable LBT to better understand the market, to establish the freedom to operate and patent clearances, and – critically – to create a 'test bed' for developing a prototype algorithm system. LBT looks forward to updating you on the progress of this exciting new product at regular intervals during the year ahead.

The steady progress that LBT has made over the past year is a testament to the vision and leadership of Lusia Guthrie and her dedicated management team. I would like to extend a particular welcome to the two newest members of the team: Quality Assurance Manager, Julie Winson, who has already made an enormous contribution to the success of the APAS clinical trials; and the new CFO, Daniel Hill, whose financial expertise will be an asset as LBT grows in the future. The Board would also like to thank Jamie Dreckow for doing such an excellent job as LBT's initial CFO.

With the continuing commitment of your Board and senior management, supported by a growing team of talented partners and consultants, I am confident that the coming year will provide even more good news, as LBT continues to grow into its role as an Australian innovation leader. Thank you all most sincerely for your support during the past year, and we look forward to another year of steady growth and continuing achievement.

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About LBT Innovations

LBT Innovations (LBT) is an Australian developer of clinical and diagnostic technology. Based in Adelaide, South Australia, the Company has two breakthrough products in microbiology automation: PREVI® Isola, which provides automation of culture plate streaking, and APAS®, a breakthrough in automated culture plate imaging, interpretation and reporting. LBT also has a third product in development, Woundvue™, a proposed automation solution to assist in the management of chronic wounds.

LBT has an exclusive global licence agreement with French diagnostics company bioMérieux to manufacture and market PREVI® Isola. LBT receives ongoing royalty payments for PREVI Isola, which has been installed in clinical laboratories around the world. LBT's APAS® technology (Automated Plate Assessment System) is nearing market. Based on LBT's innovative intelligent image interpretative platform, APAS specifically addresses the automated imaging, analysis and interpretation of culture plates following incubation. LBT has entered into a Joint Venture with Hettich AG Switzerland to drive the commercial development and global distribution of APAS instrumentation and software products.

For more information, see www.lbtinnovations.com

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