

28 August 2015

LBT INNOVATIONS MARKET UPDATE

Over the past few months as we have been negotiating with bioMérieux over the future of PREVI® Isola - our MicroStreak® automated culture plate streaking system - I have been repeatedly struck by the deep loyalty and confidence of our shareholders, who have remained steadfastly focused on the long-term prospects of our growing product portfolio.

With the signing of the new agreement, announced on 27 August, we are now able to shape a new future for MicroStreak while at the same time progressing the commercialisation of our automated culture plate reader, APAS® (the Automated Plate Assessment System).

The signing of a new non-exclusive license agreement with bioMérieux signals a new chapter for MicroStreak®. The cash injection of USD\$5.5 million (approximately AUD\$7.7 million at current exchange rates) will also significantly finance LBT's medium-term plans, taking us much closer to the time that we believe that APAS and MicroStreak can start generating recurring revenue in their own right.

The LBT Board has carefully reviewed the company's immediate priorities as: (1) the commercialisation of APAS through our Clever Culture Systems (CCS) Joint Venture; (2) investigating new market opportunities and re-establishing production of MicroStreak products; and (3) partnering to initiate the product development phase for our Woundvue® concept. We have prepared the following brief update on each of these projects.

APAS advances towards commercial product

The clinical trial program for the manual version of APAS has progressed well at TriCore Reference Laboratories in New Mexico USA. The data collection phase is currently nearing completion. Our APAS team will spend the next two months analysing the results and preparing our 510(k) *de novo* submission to the U.S. Food and Drug Administration (FDA).

While we have been proving the core APAS technology for the FDA, work has been progressing in Europe under the stewardship of Hettich AG, to integrate the manual APAS system with the latest culture plate handling robotics. The resulting automated laboratory instrument will be known as APAS Independence®. Early next year, our JV Company, CCS, plans to file an FDA 510(k) supplement (required for all new versions of products for sale in the US) and apply for CE Marking to gain market entry in Europe for APAS Independence.

APAS will be brought to market through Clever Culture Systems, which was established with Hettich in mid-2013. Discussions with potential marketing partners in recent months have continued to explore a range of options involving major global diagnostics companies, as well as regional distribution relationships. FDA approval for the manual version of APAS is considered the key milestone leading to signing with a licensing partner or partners.

APAS's intelligent ability to discriminate between clinically significant and non-significant microbial growth received a highly encouraging response from delegates during this year's international microbiology conferences. Demonstrations of APAS software and a 3D-printed prototype APAS Independence drew enthusiastic feedback at the annual meetings of the American Society for Microbiology (ASM) in New Orleans and the European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in Copenhagen. It was widely agreed that APAS's technological capabilities should provide marketing partners with a 'first in class' technology, creating time, cost and quality benefits for end-user laboratories.

With completion of the plate-handling aspects of the technology due in the coming months, we are confident of having APAS Independence ready for the 2016 international conference season, with commercial manufacturing to start in the second half of 2016.

LBT has also identified a number of complementary product innovations and line extensions, which have the capability to extend the innovation market edge for APAS in the global market place

bioMérieux returns MicroStreak and enters into a new licence agreement

The signing of an 11-year non-exclusive license deal on MicroStreak essentially frees up LBT to re-launch our foundational plate-streaking technology on our own terms. bioMérieux will continue to support its 400-plus PREVI Isola installed customer base through to 2026. This new agreement hands back to LBT all of the technology rights, including the right to manufacture and re-license the MicroStreak to other distributors. In addition, bioMérieux will pass to LBT all of the manufacturing specifications and technological improvements it has developed for MicroStreak over the past seven years.

Our goal is naturally to get MicroStreak back into the global marketplace as quickly as possible. To this end, we have developed a strong business case for continuing and expanding the manufacturing and distribution of MicroStreak. We are presently investigating our options and have commenced discussions with a number of companies regarding new licensing opportunities.

With the continuing positive response from existing customers, coupled with an increasingly buoyant global automation market, we are positive about the prospects for this widely admired modular technology. As bioMérieux's PREVI Isola sales were largely focused on Europe, there remains solid potential for MicroStreak in the United States, as well as in China and the emerging markets of Asia.

Woundvue: A new chapter for LBT's intelligent imaging platform

The AUD\$250,000 grant awarded to LBT late last year by BioSA enabled LBT to undertake independent international market research into our next proposed intelligent imaging product, Woundvue. The conceptual model of Woundvue is for a handheld device that offers nurses and clinicians a simple and reliable way to capture, analyse and report on the status of chronic wounds, which can be linked directly to hospital information systems.

An independent US-focused market research study, recently presented to the LBT Board, confirmed the viability of our approach. The survey focused on key end users – primarily nurses dealing with chronic wounds often linked to debilitating diseases like diabetes. It helped to evaluate practical clinical needs in a variety of wound care settings, as well as the physical and analytical capabilities that will be required to make Woundvue a significant diagnostic tool. This market survey is a critical part of LBT's ongoing strategic planning to diversify our portfolio and develop products that answer very specific healthcare needs with nominal direct competition.

LBT recently contracted an experienced vascular nurse practitioner to work alongside the researchers who are developing the backbone algorithms for Woundvue at the University of Adelaide's Australian Centre for Visual Technologies (ACVT). A report will be presented to the LBT Board in October with recommendations for the further development of this concept.

LBT is also exploring several avenues for funding the future development of Woundvue, including partnering with Australian and international medical companies and institutional investors, as well as further grant applications.

Summary

LBT Innovations' primary focus remains on the commercialisation of APAS and MicroStreak. The upfront payment of USD\$5.5 million from the new bioMérieux license deal, places LBT Innovations in a much stronger position towards becoming a market innovation-driven business with several sustainable product revenue streams.

The company has a keen eye to the future with several APAS line extensions and new products for the microbiology market under evaluation. The potential new application of our intelligent imaging platform for the wound care market will firmly cement LBT's future as a healthcare innovator with growing market relevance and penetration.

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CEO