

## QUARTERLY ACTIVITIES & CASHFLOW REPORT

### QUARTER ENDED 30 SEPTEMBER 2019

*Investor call at 8.30am AEDT, Wednesday 30 October 2019 to discuss Results and Business Outlook*

**Adelaide, Australia, 25 October 2019:** 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 30 September 2019 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

### Highlights for the Quarter

- **1<sup>st</sup> European commercial sale to Labor Dr Wisplinghoff**
- **Completion of MRSA analysis module clinical study**
- **CE Mark for APAS® Independence with MRSA analysis module**
- **APAS® Independence shipped to the United States for distributor evaluation**
- **Closing cash balance of \$8.67 million**

### Commercialisation and Operations

Over the past Quarter, several important milestones were achieved which unlock the European market for sale of the APAS® Independence, the second largest global market behind the United States, with over 350 laboratories meeting the APAS® target profile in Germany and the UK alone.

In September, clinical validation of the MRSA analysis module for the APAS® Independence was successfully completed. This clinical study which commenced in April 2019 in partnership with St Vincent's, Melbourne, compared the results generated by the APAS® Independence against a microbiologist's interpretation. The APAS® instrument with MRSA analysis module met the primary objective of the study, providing the necessary clinical validation for the technology.

To coincide with the completion of the MRSA clinical study, Conformité Européene or CE Mark self-certification was completed for the APAS® Independence and MRSA analysis module. Completion of the CE Marking for the instrument then enabled the APAS® Independence with MRSA analysis module to be sold in all member countries within the European Union.

Screening for MRSA or *golden staph* is much higher in the European Union than other regions, due to their requirements for greater infection control screening. Compounding this workload for European laboratories is the high negativity rate of MRSA, which can be over 95%. These factors mean that the APAS® technology which automatically removes negative plates from the workflow, can offer a major time and cost saving for these potential customers in Europe.

Following the end of the Quarter, the Company achieved the major milestone of the first European sale of an APAS® Independence to Labor Dr Wisplinghoff in Cologne, Germany. This is also the first sale of the instrument outside the home market of Australia. Labor Dr Wisplinghoff is the largest clinical laboratory in Germany and a globally recognised technology leader. The purchase was completed following integration into the laboratory workflow for routine clinical testing.

In late October 2019, the owner of Labor Dr Wisplinghoff, Prof. Hilmar Wisplinghoff, MD, was in Australia to collaborate with the Company on future product opportunities and technology enhancements. These activities reflect the views of Professor Wisplinghoff on the key role that the APAS® technology can play in the growing trend for laboratory automation

Outside of the European Union, the MRSA analysis module is also available for sale in Australia under the Company's existing TGA registration. The Company continues to engage with both public and private laboratories to target potential sales.

In July, an APAS® Independence was shipped to a United States based leading global healthcare manufacturer and distributor (the **Potential Distributor**) for assessment. The Potential Distributor is considering clinical performance, market

suitability, service requirements and alignment with their existing and complementary product portfolio prior to making a decision about whether to enter negotiations for a long-term distribution agreement. To date, the evaluation has progressed well, including a recent site visit at Hennepin County Medical Center where the Potential Distributor was able to view the APAS® instrument in a clinical setting and obtain direct user feedback on its performance.

The Company has also continued with its United States program of outbound sales calling to identify customers that meet the target profile for the APAS® Independence. In support of this program the Company has increased its attendance at conferences in the United States including the American Association of Clinical Chemistry in California, Infectious Disease Week in Washington and regional ASM events such as Southwestern Association for Clinical Microbiology in Oklahoma. Through this process the Company has now identified over 150 sales leads for direct follow up.

Brent Barnes, CEO and Managing Director said:

*"We are very pleased to achieve our first commercial sale in Europe following the end of the Quarter. This comes on the back of our key achievements enabling commercial sales for the European Union with the successful MRSA clinical study and subsequent CE Marking of the APAS® Independence.*

*We now have the instrument available for sale in all three of our key launch markets, the United States, Europe and Australia. We are continuing our dual sales strategy of targeting early direct sales and seeking to appoint distributors to add scale and infrastructure. Our work with the potential distributor in the United States is also promising and we look forward to providing updates on that in the near future."*

## Financial and Corporate

For the Quarter, the Company:

- had net cash outflows from Operations of \$0.81 million and cash outflows of \$0.69 million from Investing and Financing activities.
- The total net outflow of \$1.50 million for the quarter compares to the Company's forecast outflow of \$1.79 million as detailed in the June 2019 Quarterly Report. The lower than forecast spend is a result of the timing of funding provided to LBT's joint venture company, CCS.
- reported a cash balance of \$8.67 million as at 30 September 2019.

The forecast outflows for the quarter ending 31 December 2019 are \$1.69 million. In addition, the Company expects to receive \$1.11 million for its Research and Development Tax Incentive claim relating to the year ended 30 June 2019.

The Outflows from operating and investing activities in the Quarter and the forecast for the next quarter ending 31 December 2019, remain consistent with guidance provided of an average cash spend of \$1.5 million per quarter, net of an annual amount claimed for the Research and Development Tax Incentive.

## Future Outlook

The Company's technology development will focus on extending the number of analysis modules available for the APAS® Independence globally. This is an important process that increases the number of microbiology tests that can be run on the APAS® Instrument and therefore expands the clinical utility for our customers and the business case to support the purchase of the instrument. This internal capability is core to the Company's ongoing technology strategy that shareholders should expect to continue in the long term.

For the United States, the Company will prioritise finalisation of the regulatory submission for the MRSA analysis module 510(k) application to the United States Food and Drug Administration (FDA). The Company expects to finalise the application and submit to the FDA in the first quarter of 2020.

As part of the ongoing technical development for the APAS® technology, LBT will continue the development of its next analysis modules. These include a new analysis module for infection control screening for the detection of Vancomycin-resistant Enterococcus, as well as expanding the coverage of the Urine analysis module to include the European Union.

Above all else, the focus will remain on building the sales and marketing pipeline in the United States and Europe, and supporting the due diligence process being undertaken by potential distributors.

## Investor Conference Call

The Company will hold a conference call at **8.30am AEDT on Wednesday 30 October 2019** 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: 10002451**. Dial in numbers are as follows:

**Australian Toll Free: 1800 908 299**

New Zealand callers: 0800 452 795

Other callers: +61 2 9007 8048

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/LBT-10002451-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

LBT Innovations	Investor Enquiries
<b>Brent Barnes</b> Chief Executive Officer & Managing Director Tel: +61 8 8227 1555 E: <a href="mailto:info@lbtinnovations.com">info@lbtinnovations.com</a>	<b>David Allen / John Granger</b> Hawkesbury Partners Tel: +61 2 9103 9494 E: <a href="mailto:dallen@hawkesburypartners.com">dallen@hawkesburypartners.com</a>

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

LBT Innovations Ltd

**ABN**

95 107 670 673

**Quarter ended ("current quarter")**

September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (...3...months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(243)	(243)
(b) product manufacturing and operating costs	(161)	(161)
(c) advertising and marketing	(13)	(13)
(d) leased assets	0	0
(e) staff costs	(509)	(509)
(f) administration and corporate costs	(180)	(180)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	30	30
1.5 Interest and other costs of finance paid	(10)	(10)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other:		
Consulting income paid to LBT by the JV company, CCS	274	274
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(812)</b>	<b>(812)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...3...months) \$A'000
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(9)	(9)
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property (APAS)	(351)	(351)
	(e) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0	0
	(b) businesses (see item 10)	0	0
	(c) investments	0	0
	(d) intellectual property	0	0
	(e) other non-current assets	0	0
2.3	Cash flows from loans to other entities	(273)	(273)
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(633)</b>	<b>(633)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	0	0
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	(60)	(60)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(60)</b>	<b>(60)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...3...months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	10,175	10,175
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(812)	(812)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(633)	(633)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(60)	(60)
4.5	Effect of movement in exchange rates on cash held	0	0
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>8,670</b>	<b>8,670</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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	502	757
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (Term Deposits)	8,168	9,418
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,670</b>	<b>10,175</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

Current quarter \$A'000
186
0

- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Item 6.1 includes remuneration paid to the Directors including remuneration paid to the Chief Executive Officer.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	0
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	(273)
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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.

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	4,000	2,500
8.2 Credit standby arrangements	50	16
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Item 8.1 is 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 drawdown balance at a 2% margin above the SA Government cost of funds. The final drawdown of \$1.5 million is available through to 31 December 2019, subject to achievement of agreed milestones. After 31 December 2019, the drawdown amount at that point will convert to a principal and interest loan to be repaid over five years from the first drawdown date (May 2019). 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.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(294)
9.2 Product manufacturing and operating costs	(31)
9.3 Advertising and marketing	(26)
9.4 Leased assets	
9.5 Staff costs	(362)
9.6 Administration and corporate costs	(145)
9.7 Other (Loan to Clever Culture Systems (LBT's Joint Venture Company)	(502)
Residual capital raising costs	
Capital Expenditure	(2)
Intellectual Property (APAS)	(327)
<b>9.8 Total estimated cash outflows</b>	<b>(1,689)</b>

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

### 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.

Sign here:

  
.....  
Chief Financial Officer

Date: 25 October 2019

Print name: .....Ray Ridge.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.