

29 September 2017

Shareholder Update

Dear Shareholders,

As we close the September quarter and finalise our annual report, I'd like to share the latest investor update with you all.

The recent installation of APAS® Independence at St Vincent's Hospital in Melbourne and subsequent training of medical laboratory scientists as announced this week is a fantastic milestone for the company. Following on from the 10,000 patient international clinical trial, this independent market assessment by St Vincent's Hospital allows the company to review the instrument's performance in a busy diagnostic pathology setting from a potential customer. We expect to have feedback from St Vincent's operations on the performance of APAS® Independence during Q4 of this calendar year, and are very much looking forward to the feedback.

Sales activities for APAS® Independence remain on track to commence in our first global launch market of Australia at the end of 2017. It is expected that from this point, CCS will have product available to fulfil open sales orders and start generating revenue.

LBT Innovations and joint venture company Clever Culture Systems AG (CCS) are also actively seeking other independent evaluation sites while at the same time using these in situ centres of excellence to leverage sales.

A network of global excellence sites will support the sales process and will build awareness and demonstrate the capabilities of the instrument to our target market.

Expansion of sales and distribution for the US is expected to occur in the second half of CY 2018. CCS will submit a 510(k) supplement to demonstrate the functional equivalence of the APAS® Independence to the APAS® Compact manual loading instrument which received FDA clearance in October 2016.

In our previous shareholder update we anticipated that a distribution partner for global markets covering North America or Europe would be finalised for the APAS® Independence by September this year. While this has not been finalised, CCS are actively executing plans for potential distribution partners in conjunction with sourcing reference sites in Europe for APAS® Independence and all our underlying commercialisation activities continue as planned. CCS has formed a working partnership with a company, undisclosed at this time, to support the roll out of APAS® Independence in European countries. It is expected that a distribution agreement will be signed prior or around the time of first sales in European markets.

LBT previously announced that it had been appointed the distributor for APAS® Independence in Australia and New Zealand. This has had early success with the installation of the first instrument at St Vincent's Hospital, Melbourne.

Following a strategic review of potential options to recognise value from the sale or licence of the MicroStreak patents, the Directors have taken a decision to write off the carrying amount of the MicroStreak intangible assets. This has been effected together with the writing down of the unearned income related to the commercial ready grant.

This decision is reflected in the Statement of Income for the financial year ended 30 June 2017 as a net impairment expense of \$6.24m, being an after tax impact of \$4.52m.

MicroStreak was LBT’s foundational technology invented in 2004 and was successfully commercialised over subsequent years. From 2007-2015 the rights to LBT’s MicroStreak technology were exclusively licensed to French diagnostic company bioMérieux, which marketed MicroStreak as PREVI Isola. It is estimated that 450-500 PREVI Isola instruments were sold in about 30 countries. In 2015 the agreement was renegotiated in which LBT resumed all exclusive rights to MicroStreak and received a US\$5.5m finalisation payment.

Following many years of milestone, royalty and finalisation payments, the MicroStreak asset has been a success for LBT.

The placement of the novel WoundVue™ prototype at the Central Adelaide Local Health Network (CALHN) Vascular and Endovascular Services is an exceptional collaboration agreement for the company. CALHN will be using the prototype device in the clinical trial entitled “Predicting outcomes in patients with diabetic foot ulcers and effectiveness of interventions to improve outcomes.”

The principles behind the development of WoundVue™ are similar to that of the APAS® Independence inasmuch as both share core machine learning algorithms and both have been developed with a clinical focus. Currently there is a large unmet medical need for consistent evaluation of chronic wounds and we are looking forward to seeing how the WoundVue™ prototype performs in a clinical setting as this will drive development.

We were very happy to announce the recent appointments of Ray Ridge as our new CFO with Dr Glenn Haifer and Matthew Michalewicz as our new Non-executive Directors. These appointments strengthen and deepen the relevant commercial experience available to the company as we move towards product roll out and global sales.

I thank all shareholders again for your continued support of LBT and hope that this update gives you insight on our progress.

Yours faithfully,

Brent Barnes
CEO & Managing Director, LBT Innovations

About LBT Innovations

LBT Innovations (LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has two world class-leading products in microbiology automation: MicroStreak®, which provides automated culture plate streaking and Automated Plate Assessment System (APAS®). Based on LBT’s intelligent imaging and interpretative software, US FDA-cleared APAS® automates imaging, analysis and interpretation of culture plates following incubation. LBT has entered into a joint venture Clever Culture Systems AG (CCS) with Hettich Holding Participations- und Verwaltungs-GmbH to commercialise APAS® products. LBT’s third product WoundVue® is in early development; this is a proposed automated solution to assist in the management of chronic wounds.

CONTACTS

LBT Innovations	Media Relations
Brent Barnes Chief Executive Officer & Managing Director Tel: +61 (0)8 8227 1555 E: info@lbtinnovations.com	Sarah Kemter Monsoon Communications Tel: +61 (0)3 9620 3333 M: +61 (0) 407 162 530 E: sarahk@monsoon.com.au