

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDED 30 JUNE 2020

Investor call at 9.00am AEST, Wednesday 5th August 2020 to discuss Results and Business Outlook

Adelaide, Australia, 29 July 2020: 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 June 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **First sale of APAS® Independence in the United States to Hennepin County Medical Center**
- **Johns Hopkins presents data from independent evaluation of APAS® Independence**
- **US FDA Clearance for MRSA analysis module delayed**
- **Appointment of Beckman Coulter as Marketing Agent for Europe in July 2020**
- **First placement of APAS® Independence, state-of-the-art UK lab in July 2020**
- **30 June 2020 cash balance of \$7.1 million**
- **A further \$8 million funds raised through a placement in July 2020 to scale up sales activities**

Commercialisation

Marketing agent and in-field customer support established in Europe

Over the past Quarter, there has been long-awaited progress building out key partnerships and infrastructure in Europe to establish a scalable distribution model for the APAS® Independence in the region. Most importantly, in July 2020, the appointment of Beckman Coulter, Inc (**Beckman Coulter**) as Marketing Agent significantly extends customer reach within Europe and also extends sales activities into France which is a new European market for the APAS® Independence. Beckman Coulter are a global leader in clinical diagnostics with a leading market share in Europe. Through the established three-year Marketing Agent agreement, Beckman Coulter will promote the APAS® Independence within their suite of workstation automation solutions and provide qualified customer introductions to CCS's European Sales Executive to finalise the sale.

More recently, LBT appointed oneservice AG (**oneservice**) as the Managed Services Provider for the APAS® Independence in Europe and the United States. oneservice will provide instrument installation and in-field maintenance services for each APAS® instrument and as a result, provide a platform for local customer support for international markets.

Together these partnerships add considerable scale to commercialisation efforts in Europe. LBT's 50% owned joint venture, CCS, have been active in the region with a European Sales Executive expanding on the pipeline of sales opportunities. With the appointment of Beckman Coulter and oneservice, this European Sales Executive's efforts will now be focused on the conversion of opportunities into sales. Importantly, this hybrid distribution model provides CCS strong benefits from the trusted brand and expertise of these global partners, whilst maintaining its own direct in-market customer relationships which ensures dedicated focus on APAS® Independence sales.

Progress made in other markets

The Quarter saw the first sale of an APAS® Independence in the United States to Hennepin County Medical Center (**HCMC**) in Minneapolis. Over the past two years HCMC has been acting as a centre of excellence for the APAS® technology, supporting the development of new analysis modules in addition to being an advocate for APAS® Independence. The sale was completed following connection of the APAS® Independence to the HCMC Laboratory Information Management System using the Data Innovations or DI middleware driver, a key step enabling the technology to be used routinely within this laboratory. The successful middleware connection establishes a blueprint for many other US laboratories who also use the

DI middleware driver, estimated to be around 65% of all US laboratories.

The impact of COVID-19 has meant that the opportunity for face-to-face meetings with customers has been restricted and in many cases customers are too busy for a robust conversation, giving feedback they are interested in APAS® however requesting to reconnect at a future date once things have settled down. Whilst the need for laboratories to establish critical COVID-19 testing infrastructure certainly slowed down progress with customers in the first half of 2020, more recently the Company is seeing an overall improvement, where routine screening volumes have significantly improved and in some cases are back to normal levels. Going forward, there remains uncertainty due to COVID-19 and the Company continues to use digital platforms, such as Zoom meetings to engage with customers wherever possible.

Operations & Technology Development

On the 30th of June, the results of the Johns Hopkins independent evaluation of the APAS® Independence with MRSA analysis module were presented as an ePoster at the American Society of Microbiology's (ASM) 2020 conference: ASM Microbe Online. The results were extremely positive and demonstrated the ability of the APAS® Independence to accurately identify culture plates for the presence of MRSA. Importantly the APAS® Independence achieved no false negative results and was able to identify a further 3 positive MRSA samples previously missed by the microbiologists.

During the Quarter, LBT received notification that its 510(k) application for clearance of the APAS® Independence with MRSA analysis module to the United States Food and Drug Administration (FDA) was on hold pending the provision of additional information and there are 180-calendar days to respond to all of the matters raised. LBT has already held a teleconference with the FDA staff to discuss this feedback and a formal response is in the process of being prepared in accordance with the required timeframe. The matters raised by the FDA do not impact the existing FDA clearance for the APAS® Independence with Urine analysis module and as a result, LBT and CCS do not expect any impact to existing sales opportunities in 2020.

LBT has also progressed the development of its APAS® technology, with the commencement of a clinical study for the Vancomycin-resistant enterococcus or VRE analysis module. LBT has also deployed an early version of its APAS®-anti-microbial Resistance (AMR) analysis module to its reference site in Germany, Labor Dr Wisplinghoff for testing. The APAS®-AMR is a new technology development enabling the APAS® instrument to be used for Antibiotic Susceptibility Testing, or AST's, extending the number of laboratory tests that can be processed through the instrument.

Financial and Corporate

Company financial position strengthened

During the Quarter and early July 2020, the Company made significant strides to strengthen its cash position. In May, the Company completed a drawdown of \$1.5 million, being the final instalment from its South Australian government loan facility. This was followed by the completion of an \$8 million private placement at the beginning of July which also saw new institutional investors join the register. Together these funds will enable LBT to maximise the commercial opportunity of the APAS® Independence in Europe and the United States as well as support the ongoing development of new APAS® analysis modules. The cash runway for the business now extends into 2022.

A Share Placement Plan (SPP) has also been offered to existing eligible Shareholders of LBT providing the opportunity to subscribe for new LBT shares at the same price of \$0.16 per share as the private placement. The SPP is targeted to raise \$1 million.

In response to the uncertain global market conditions arising from the COVID-19 pandemic, the Company implemented a number of measured cost reduction initiatives during the Quarter. This included the implementation of a 4-day working week and Employee Incentive Plan, allowing eligible employees to elect to work their standard hours and receive 20% of their standard salary in LBT shares. This was an important initiative to maintain the Company's operational and commercial momentum whilst conserving cash.

Quarterly cashflows and cash at bank

For the Quarter, the Company had:

- net cash outflows from Operating and Investing activities of \$1.1 million, or cash outflows of \$1.3 million when excluding government grants, which is below the recent quarterly expenditure rate of \$1.5 million;
- net cash inflows from Financing activities of \$1.3 million, related to the third drawdown of the South Australian Government loan facility less the first of the quarterly repayments;
- total net cash inflows for the Quarter of \$0.2 million;
- a reported cash balance of \$7.1 million as at 30 June 2020.

The Company's cash position was further strengthened during July through a placement which raised \$8.0 million before costs, and an SPP is in progress with applications closing 7 August 2020.

Cashflows for the Quarter include related party payments of:

- \$0.1 million to Directors, including the Managing Director's salary and Non-Executive Directors' fees; and
- \$0.4 million to the Company's joint venture CCS, being LBT's required 50% funding contribution, provided to CCS as a shareholder loan.

Future Outlook

Commercialisation of the APAS® Independence continues to be the number one priority for the Company. Encouragingly, border restrictions in Germany have now eased and the European Sales Executive has been able to get back out on the road to meet with customers face-to-face. Our technical teams will also spend time supporting the customer evaluation of the APAS® Independence at the Health Services Laboratory in London, addressing any questions they have during the process.

Managing the onboarding process of Beckman Coulter as Marketing Agent in Europe will be a critical focus to launch the APAS® Independence as an expanded product offering to Beckman Coulter customers throughout Germany, France and the UK. An initial sales kick-off teleconference was held with a number of Beckman Coulter's sales reps across Europe to begin the process of training them on the APAS® technology. Additional sales training has already been scheduled, utilising both virtual training in addition to a face-to-face demonstration of the instrument at the APAS® Independence reference site in Germany. Key customers of both CCS and Beckman Coulter have been informed of the new relationship and it's expected that joint meetings will occur with specific customers commencing as early as this coming quarter. In parallel, joint marketing materials, business plans and account plans will be created by the parties.

While the sales process remains a lengthy one, both companies are focused on establishing a robust foundation of marketing deliverables to ensure more customers throughout Europe are aware of the APAS® technology. This is the start of what is expected to be an extremely positive partnership.

In the United States, a platform has been established for delivering virtual demonstrations of the APAS® technology via teleconference. Specifically, this means an APAS® Independence has been setup in a showroom with video technology established for the US based Sales Executive to conduct live demonstrations of the instrument. This will be an important sales and service capability while face-to-face meetings with laboratories are still restricted and enables new customers to see the technology in action.

From a technology perspective, LBT is focused on the formal response to the FDA for the MRSA analysis module. The Company expects to be successful in achieving FDA clearance, however the additional information requested will delay this approval. It is expected the full 180-calendar days will be required to respond, which is the end of November 2020.

Brent Barnes, CEO and Managing Director said:

"We have made exciting progress over the last Quarter and into early July, with the completion of our first sale in the United States and appointment of Beckman Coulter as Marketing Agent in Europe. It took us considerable time and effort for Beckman Coulter to be comfortable in placing their brand alongside the APAS® Independence. We believe the sales structure

in Europe will provide a template for success in other regions, where we form partnerships with trusted global brands to increase sales opportunities, whilst maintaining direct customer relationships through our regional sales executives.

I would also like to thank the new and existing Shareholders for their support of the Company in the recent capital raise. The Company is now in a fantastic position and I believe we are both well placed and well-funded to execute on our goals.”

Investor Conference Call – by Zoom

The Company will hold a conference call at **9.00am AEST on Wednesday 5th August 2020** to discuss the Company’s activities, financial results for the Quarter and the business outlook. The Company’s CEO and Managing Director, Brent Barnes, will host the call.

All attendees must register to attend the call. Please register using the link below. After registering, you will receive a confirmation email about joining the webinar including options to attend via computer or telephone.

https://zoom.us/webinar/register/WN_3QVMMowXQfaLBvkG55xCcw

A Q&A session will be held at the end of the conference call, in order to participate in this, you will need to join the conference via computer.

A recording of the call will be available on the Investor Centre section of the Company’s website for 60 days after the call.

Approved for release by the Chair of the LBT Board.

– 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
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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

LBT Innovations Ltd

ABN

95 107 670 673

Quarter ended ("current quarter")

June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (....12...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(63)	(166)
(b) product manufacturing and operating costs	(57)	(496)
(c) advertising and marketing	(3)	(43)
(d) short term & low value leases	(6)	(37)
(e) staff costs	(845)	(3,382)
(f) administration and corporate costs	(124)	(742)
1.3 Dividends received (see note 3)		
1.4 Interest received	17	135
1.5 Interest and other costs of finance paid	(19)	(86)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	227	1,357
1.8 Other (Receipts JV Company, CCS) Consulting Income	308	1,247
Expense reimbursements	80	358
1.9 Net cash from / (used in) operating activities	(485)	(1,855)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(9)	(36)
(d) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...12...months) \$A'000
(e) intellectual property	(235)	(735)
(f) other non-current assets		
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities	(353)	(1,690)
2.4 Dividends received (see note 3)		
2.5 Other		
2.6 Net cash from / (used in) investing activities	(597)	(2,461)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options	0	13
3.4 Transaction costs related to issues of equity securities or convertible debt securities	0	(62)
3.5 Proceeds from borrowings	1,500	1,500
3.6 Repayment of borrowings	(139)	(139)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Repayment of lease principal)	(25)	(75)
3.10 Net cash from / (used in) financing activities	1,336	1,237

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6,842	10,175
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(485)	(1,855)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...12...months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(597)	(2,461)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,336	1,237
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	7,096	7,096

5. Reconciliation of cash and cash equivalents 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	478	1,224
5.2 Call deposits	0	0
5.3 Bank overdrafts	0	0
5.4 Other (Term Deposits)	6,618	5,618
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,096	6,842

6. Payments to related parties of the entity and their associates

- | | Current quarter
\$A'000 |
|---|------------------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | (134) |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | (353) |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Item 6.1 relates to Cash remuneration paid to the Directors, including remuneration paid to the Managing Director.

In addition to this, during the quarter, \$388,000 was received from Clever Culture Systems AG (CCS); a joint venture company that is owned 50/50 between LBT Innovations and Hettich Holding Beteiligungs-und Verwaltungs-GmbH. This consists of \$308,000 consulting income for LBT staff providing services to CCS and \$80,000 expense reimbursements (with the corresponding expense of \$80,000 included within item 1.2(b)).

Item 6.2 LBT's 50% share of funding CCS, provided as a loan.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,861	3,861
7.2 Credit standby arrangements	50	7
7.3 Other (please specify)	0	0
7.4 Total financing facilities	3,911	3,868

7.5 **Unused financing facilities available at quarter end** 43

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Item 7.1 relates to a loan facility provided by the South Australian Government. The loan is a principal and interest loan, at an interest rate of 2.8% and being repaid by fixed quarterly instalments of \$256,000 through to 21 May 2024. The Company has provided the SA Government with a first ranking general security.

Item 7.2 is a corporate credit card facility which is paid off in full each month.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9) – excluding government grants and tax incentives	(712)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	7,096
8.3 Unused finance facilities available at quarter end (Item 7.5)	43
8.4 Total available funding (Item 8.2 + Item 8.3)	7,139
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	10

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 29 July 2020

Authorised by: ...By the Chair of the LBT Board.....

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.