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QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 30 SEPTEMBER 2020

Investor call at 9.00am AEDT, Wednesday 28th October 2020 to discuss Results and Business Outlook

Adelaide, Australia, 27 October 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 September 2020 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Established strategic partnerships for European Market growth: Beckman Coulter and oneservice**
- **Sale of APAS® Independence to the Limbach Group, Germany**
- **APAS® Independence evaluations ongoing: The Doctors Laboratory, UK and The Royal Adelaide Hospital, Australia**
- **$0.75 million funding awarded for development of APAS®-AMR analysis module**
- **$8.4 million raised through private placement and share placement plan**
- **30 September 2020 cash balance of $13.7 million**

Commercialisation

European Market Update

At the beginning of the Quarter, LBT announced two significant strategic partnerships for the commercialisation of the APAS® Independence in Europe. Through its 50% owned joint venture company, Clever Culture Systems (**CCS**), the Company has entered a Marketing Agent agreement with global clinical diagnostics leader Beckman Coulter, Inc (**Beckman Coulter**), and appointed oneservice AG (**oneservice)** as its Service Provider. Partnering with internationally recognised brands is core to the strategy of establishing scale and increased market reach which is critical to generating material sales of APAS® Independence and represents a highly positive milestone.

Throughout the Quarter, detailed product training and strategic sales planning was conducted with the European Sales Team of Beckman Coulter to onboard the APAS® Independence within their existing product portfolio. A number of sales and marketing assets have been created, including APAS® Independence product information live on the Beckman Coulter website. The response from the Beckman Coulter sales team has been encouraging. Joint customer visits by CCS and Beckman Coulter have been completed, with the APAS® Independence presented in a package alongside Beckman Coulter's existing workstation automation products.

In July 2020, the placement of an APAS® Independence for clinical evaluation was completed at the Health Services Laboratory in London, a subsidiary of Sonic Healthcare Limited (ASX: SHL). The placement was conducted through oneservice with training and installation completed remotely through virtual communication. This process went extremely smoothly, with the APAS® Independence operational within two days, demonstrating the ease with which the technology can be adopted into new laboratories. The success of the installation at this prestigious laboratory, which acts as a technology leader within the United Kingdom, showcases CCS' effective installation methodology which will be rolled out in support of future sales globally.

On 12 October 2020, LBT announced the sale of an APAS® Independence with MRSA analysis module to the Limbach Group based in Germany. This followed a successful 6-month evaluation of the instrument as part of the sales process by Labor Dr Gärtner. The sale includes a 5-year software licence for the MRSA analysis module as well as an ongoing service contract for the instrument and was conducted through the Company's direct sales channel. The Limbach Group is the largest network of laboratories in Germany, operating more than 30 laboratories with Labor Dr Gärtner as one of the most prominent and efficient laboratories in Southern Germany, offering a full suite of diagnostic services.

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Other Markets

LBT has continued its approach to building market awareness and focussed sales efforts targeting early adopters through our local sales representatives in the United States and Australia. The travel restrictions due to COVID-19 has continued to make face-to-face customer meetings more challenging, resulting in the continued use of digital channels to engage with customers. Other marketing efforts included an update of the CCS website with additional content and case studies to further demonstrate the clinical value of the APAS® Independence: www.cleverculturesystems.com

In the United States, the sales team has created a digital showroom to demonstrate the APAS® instrument and recently completed a series of 15-minute webinars titled, *"Optimize skilled microbiologists' time with AI"*. The series was well attended with over 40 participants registering for the events and proved a successful way of reaching out to customers at this time.

On the domestic front, LBT has recently completed the placement for evaluation of an APAS® Independence at SA Pathology in The Royal Adelaide Hospital, based in South Australia. With the large number of COVID-19 testing being required, SA Pathology are investigating technology solutions that can assist with their routine testing to free up resources for the critical COVID-19 tests. The APAS® instrument has been installed alongside SA Pathology's existing total lab automation equipment, the largest installation in the Southern Hemisphere, to address the need for routine MRSA screening.

Operations & Technology Development

Technology development for the Quarter focussed on expanding the availability of APAS® analysis modules. LBT has continued to progress the clinical study for the VRE analysis module with the data collection phase for the study completed and over 1,600-plate images captured. LBT has worked with its reference site partner, St Vincent's Hospital, Melbourne, who have provided the clinical microbiologist interpretation of the plates to be used as the reference standard for analysis with the results generated by the APAS® Independence.

In September, LBT was awarded $0.75 million under MTPConnect's Biomedical Translation Bridge (**BTB**) program for the development of the new APAS®-AMR analysis module to be used for antimicrobial susceptibility testing (**AST**). The funding enables LBT to accelerate the development of the module which will open up new analytical capabilities for the reading of AST culture plates for laboratories, enabling the more efficient reporting of antimicrobial resistance results to clinicians.

From a regulatory perspective, there has been ongoing dialogue and work to address additional data requests from the United States FDA for the MRSA analysis module 510(k) submission.

Managing COVID-19 Impacts

At a macro level, there remains continued pressure on laboratories worldwide to conduct increasing COVID-19 testing in addition to their normal routine clinical testing which is also increasing. In response to this, laboratory and hospital administrators have been prioritising COVID-19 related procurement. The impact is that laboratory staff remain extremely busy and it is difficult to secure customer meetings in addition to the travel restrictions which further limit face-to-face appointments.

Importantly, LBT has been able to adapt and rely on an established global footprint which includes relationships with customers, channel partners and key opinion leaders that existed prior to the COVID-19 global pandemic. LBT has also innovated its service delivery model to progress new customer evaluations at a time when international travel is impossible. This has been supported by online/video product training and webinars, that have been crucial to train newly established sales teams and increase reach to customers. The recent commercialisation achievements demonstrate an ability to effectively manage the ongoing uncertainty relating to the COVID-19 pandemic.

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Financial and Corporate

Successful capital raise and share purchase plan completed

During the Quarter, an $8.4 million capital raising was completed at $0.16 per share, consisting of $8.0 million by way of a Placement on 9 July 2020 and a Share Placement Plan of $0.4 million in July 2020. The funds will be used to support sales activities in Europe with Beckman Coulter, as well as commercial activities in the United States and the ongoing APAS® analysis module development.

Quarterly cashflows and cash at bank

For the Quarter, the Company had:

- net cash outflows from Operating and Investing activities of $1.0 million, or cash outflows of $1.3 million when government grants are excluded. This is consistent with the prior quarter;
- net cash inflows from Financing activities of $7.6 million, being $8.4 million from the capital raising and SPP less costs of the capital raise of $0.6 million and quarterly SAFA loan repayments of $0.2 million;
- total net cash inflows for the Quarter of $6.6 million; and
- a reported cash balance of $13.7 million as at 30 September 2020.

Cashflows for the Quarter include related party payments of $0.1 million to Directors, comprising the Managing Director's salary and Non-Executive Directors' fees.

Future Outlook

The next 6 months provide an exciting opportunity for LBT. After completing the in-depth sales training with Beckman Coulter, the foundations have been laid to support Beckman Coulter in their marketing efforts for the APAS® Independence in Europe. LBT expects Beckman Coulter to achieve greater regional market penetration, enabling access to far greater customer accounts than was possible previously, including extending sales activities into France. CCS's European Sales Executive is currently working side-by-side with the Beckman Coulter team to identify and pursue these new sales opportunities.

The sales team will also be working closely with a number of laboratories who are undertaking ongoing evaluations of the technology, to seek to convert these opportunities.

LBT's development focus will be on expanding the current team to accelerate the development of the new APAS®-AMR analysis module. With the funding provided by the BTB program, LBT is now bringing forward the development activities for this module, helping LBT deliver the technology to customers in a shortened timeframe.

LBT also expects to progress documentation to support the questions received from the US FDA 510(k) submission and remains confident of a positive outcome, likely to occur in the first quarter of calendar year 2021.

Brent Barnes, CEO and Managing Director said:

"It has been extremely rewarding to participate in the sales training of the APAS® Independence with the Beckman Coulter team. It is clear they are motivated by the prospect of adding the APAS® Independence to their product portfolio and see it as a real differentiator in the market. With global travel restrictions in place due to COVID-19, it's fantastic to have an expanded sales force in Europe to gain access to more customers than we would have otherwise been able to."

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Investor Conference Call – by Zoom

The Company will hold a conference call at **9.00am AEDT on Wednesday 28th October 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_y22qPbj5Smu2V31rUl2PjA

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 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. Beckman Coulter have also been appointed as Marketing Agent in Europe to assist in facilitating sales. 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

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Appendix 4C

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

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Name of entity	
LBT Innovations Ltd	
ABN	**Quarter ended ("current quarter")**
95 107 670 673	September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (..3....months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development	(31)	(31)
	(b) operating costs	(61)	(61)
	(c) advertising and marketing	(5)	(5)
	(d) leased assets	(10)	(10)
	(e) staff costs	(883)	(883)
	(f) administration and corporate costs	(152)	(152)
1.3	Dividends received (see note 3)		
1.4	Interest received	15	15
1.5	Interest and other costs of finance paid	(27)	(27)
1.6	Income taxes paid		
1.7	Government grants and tax incentives	317	317
1.8	Other (Receipts JV Company, CCS) Consulting Income	293	293
1.9	**Net cash from / (used in) operating activities**	**(544)**	**(544)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(2)	(2)
	(d) investments		
	(e) intellectual property	(152)	(152)
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (..3....months) $A'000
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	(323)	(323)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(477)**	**(477)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,416	8,416
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(578)	(578)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(229)	(229)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Repayment of lease principal)	(6)	(6)
3.10	**Net cash from / (used in) financing activities**	**7,603**	**7,603**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,096	7,096
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(544)	(544)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(477)	(477)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (..3....months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,603	7,603
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	**Cash and cash equivalents at end of period**	**13,678**	**13,678**

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	160	478
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (term deposits)	13,518	6,618
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**13,678**	**7,096**

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	(141)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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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	3,633	3,633
7.2	Credit standby arrangements	50	17
7.3	Other (please specify)	0	0
7.4	**Total financing facilities**	3,683	3,650

7.5	**Unused financing facilities available at quarter end**	33

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)	(544)
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,678
8.3	Unused finance facilities available at quarter end (item 7.5)	33
8.4	Total available funding (item 8.2 + item 8.3)	13,711
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	25

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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:

8.6.2 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:

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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: .....27 October 2020.....

Authorised by: .....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.

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