

QUARTERLY ACTIVITIES & CASHFLOW REPORT QUARTER ENDED 30 SEPTEMBER 2022

Adelaide, Australia, 31 October 2022: 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 2022 (the **Quarter**). All financial results are in Australian dollars and are unaudited.

Key Highlights

- **LBT delivers positive operating cash flow for the Quarter of \$0.4 million**
- **Two APAS® Independence sales completed during the Quarter. Sales revenue of \$0.5 million**
- **Updated Product Pipeline Strategy announced, expanding application of APAS® technology**
 - **\$1.5 million funding for benchtop APAS® instrument through MTPConnect's CTCM program**
 - **Successful APAS® Pharma proof-of-concept completed with multinational pharmaceutical company**
- **LBT launches Entitlement Offer seeking to raise \$3.5 million to support sales growth**
- **30 September 2022 cash balance of \$2.8 million plus \$1.9 million in near term receivables**

Commercialisation & Product Development

Sales and Distribution

During the Quarter, LBT's wholly owned subsidiary Clever Culture Systems (**CCS**) completed a further two APAS® Independence sales, one each in Europe and the United States respectively. This brings the total number of sales to seven for the calendar year.

United States – Thermo Fisher drive lead generation activities through regional microbiology conferences

CCS completed the sale and shipment of the fifth APAS® Independence instrument to its United States Distributor, Thermo Fisher Scientific, Inc (**Thermo Fisher**). This completed the delivery of the initial purchase orders raised in March 2022.

Thermo Fisher has continued to be highly active in generating new sales leads through attendance at regional microbiology conferences. The APAS® Independence was presented and showcased at the regional American Society of Microbiology annual meetings in Kansas City, Missouri (SWACM, 7-8 September 2022) and La Jolla, California (SCASM, 20-22 October 2022). CCS's US Sales Executive also worked closely with the Thermo Fisher sales teams to support customer engagement at the conferences and assist in progressing sales opportunities through the sales funnel.

In August, Thermo Fisher hosted an educational webinar titled, "*New Perspectives on the Automated Microbiology Laboratory: Realising the Potential of Artificial Intelligence*". The webinar, presented by LBT's Research and Scientific Directors, highlighted the technical considerations when applying artificial intelligence to microbiology and was extremely well attended.

Europe – Direct sale completed to the LADR Group in Germany

CCS's EU Sales Executive continues to work closely with the Company's European Marketing Agent, Beckman Coulter, Inc (**Beckman Coulter**) to identify new sales leads and progress existing opportunities in the region.

During the Quarter, CCS completed the sale and shipment of an APAS® Independence with Urine, MRSA and VRE analysis modules to the LADR Group in Germany. The LADR Group operates a network of over 80 laboratories throughout Germany, including over 19 reference laboratories.

The sale was completed following a 6-week customer evaluation of the technology, with the data from the evaluation presented by the laboratory at the annual German Society of Hygiene and Microbiology conference (DGHM, Luebeck, September 18-20). This included a high-profile lecture session from LADR Director, Dr Tobias Kramer comparing the APAS® Independence to manual plate reading.

Operations and Product Pipeline

In August, LBT announced an updated product strategy for the APAS® Independence focussed on extending the existing APAS® technology platform to bring automated plate reading to all laboratories – both clinical and non-clinical. The strategy is focussed on leveraging the existing investment in the APAS® imaging and artificial intelligence platform to create new APAS® instruments and applications that increase the overall market opportunity available for the technology.

Product Development

LBT has completed a successful proof-of-concept exercise with a major pharmaceutical company to validate the use of the APAS® technology for microbial quality control processes (**APAS® Pharma**) as part of sterility monitoring during pharmaceutical manufacturing. The performance of APAS® Pharma met all of the target end points for the proof-of-concept, and the results were presented to pharmaceutical industry leaders from BioPhorum's Alternative and Rapid Microbiology Methods working group. The Company has continued to engage with the industry and received positive interest at the recent Parenteral Drug Association Microbiology conference held in Washington (PDA Micro, 10-12 October 2022).

The Company has also been awarded \$1.5 million funding from the Australian Government's Medical Research Future Fund (**MRFF**) initiative through MTPConnect's Clinical Translation and Commercialisation Medtech (**CTCM**) program to support the development of a new smaller benchtop APAS® instrument (**APAS® Compact**). The CTCM was a competitive program with the project assessed based on its technical and commercial merit as well as how it addresses a genuine unmet need in the market.

Financial & Corporate

\$3.5 million Entitlement Offer – Funding to support sales growth and finalisation of core analysis modules

This month LBT announced that the Company will be conducting a pro-rata non-renounceable entitlement offer to existing eligible shareholders (**Offer**). The Company is seeking to raise \$3.5 million (before costs) through the offer of 1 new fully paid ordinary share (New Share) in the capital of the Company for every 6 fully paid ordinary shares held by eligible shareholders at an issue price of \$0.065 per New Share, plus 1 free attaching option for every 3 New Shares subscribed for.

The Company intends to use the proceeds of the Offer to support expected sales growth in the United States and Europe and the finalisation of the core offering of analysis modules to extend the utility of the APAS® Independence for its clinical customers.

Please refer to the Prospectus for full details of the Offer:

https://www.lbtinnovations.com/wp-content/uploads/Rights_Issue_Prospectus.pdf

Quarterly Cashflows and Cash at Bank

For the Quarter, the Company had:

- net cash inflows from Operating and Investing activities of \$0.3 million which included \$1.7 million in receipts from customers;
- net cash outflows from Financing activities of \$0.3 million, reflecting the quarterly loan repayments for the SAFA loan;
- total net cash inflows for the Quarter of \$0.01 million; and

- a reported consolidated cash balance of \$2.8 million as at 30 September 2022.

Cash on hand is supplemented by \$1.9 million in near term receivables as at 30 September 2022, all expected to be received in the next quarter ended 31 December 2022. This amount comprises trade debtors relating to recent sales and the estimated FY22 Research & Development Tax Incentive claim which was received on 25 October 2022. In addition, the cash balance will be supplemented by any additional funds raised through the above Entitlement Offer.

Cashflows for the Quarter include related party payments of \$104,000 to Directors, comprising the Managing Director's salary and Non-Executive Directors' fees. This amount excludes \$38,000, being the amount of Directors' fees where Directors have elected to receive payment in the form of LBT Shares (subject to approval at the Company's next AGM), in lieu of cash that would have otherwise been paid during the Quarter.

Future Outlook

The Company continues to prioritise the commercialisation of the APAS® Independence in the United States and Europe. Through the CCS Sales Executives, the Company are working closely with its channel partners to support their sales strategy and actively progress sales opportunities. Additional sales training modules and tools have been developed and will be rolled out to reinforce the initial training program completed with the Thermo Fisher sales teams.

APAS® Pharma represents an exciting opportunity for the Company to expand its technology into a new market segment. The initial proof-of-concept study and discussions with key opinion leaders has provided confidence that the APAS® Pharma technology addresses a real unmet need in that industry. LBT plan to engage with partners to build upon the initial proof-of-concept and develop a pathway to commence formal product development.

The Company will also formally kick-off the APAS® Compact project under the CTCM program. The project will adopt a phased approach, with the first stage focussed on executing further market research to define specific product requirements, validate Project cost estimates, and confirm the strength of the business case.

Brent Barnes, CEO and Managing Director said:

“As a Company we are maturing to an expected phase of sales growth for our APAS® Independence product led by channel partners. Our updated product pipeline highlights our mission to deliver automated plate reading to all laboratories, as well as expanding into the pharmaceutical microbiology segment, with the potential development of the APAS® Compact presenting an exciting opportunity to increase the addressable market to smaller laboratories in both industry segments .

We are targeting raising \$3.5 million to support the Company through its next phase of growth and remain disciplined in our capital management, focussed on building the Company in a sustainable manner.”

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 culture plate specimen processing. The Company's second product, the Automated Plate Assessment System (APAS® Independence) uses LBT's intelligent imaging and machine learning software to automate the imaging, analysis and interpretation of culture plates following incubation. The technology remains the only US FDA-cleared artificial intelligence technology for automated culture plate reading and is being commercialised through LBT's wholly owned subsidiary Clever Culture Systems AG (CCS). Channel partners for the sale and distribution of the APAS® Independence are in place for the United States (Thermo Fisher Scientific, Inc; Exclusive Distributor) and selected countries in Europe (Beckman Coulter, Inc; Marketing Agent).

INVESTOR ENQUIRIES

LBT Innovations
Brent Barnes Chief Executive Officer & Managing Director Tel: +61 8 8227 1555 E: info@lbtinnovations.com

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")

September 2022

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	1,735	1,735
1.2 Payments for		
(a) research and development	(63)	(63)
(b) operating costs & manufacturing	(367)	(367)
(c) advertising and marketing	(26)	(26)
(d) short term leases		
(e) staff costs	(926)	(926)
(f) administration and corporate costs	(139)	(139)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
1.5 Interest and other costs of finance paid	(32)	(32)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	170	170
1.8 Other		
1.9 Net cash from / (used in) operating activities	357	357
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(1)	(1)
(d) investments		
(e) intellectual property	(66)	(66)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3....months) \$A'000
(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		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(67)	(67)

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		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(239)	(239)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (Repayment of lease principal)	(43)	(43)
3.10 Net cash from / (used in) financing activities	(282)	(282)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,788	2,788
4.2 Net cash from / (used in) operating activities (item 1.9 above)	357	357
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(67)	(67)

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)	(282)	(282)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,796	2,796

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	2,636	1,328
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (term deposits)	160	1,460
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,796	2,788

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	(104)
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.

The amount at item 6.1 excludes \$38,000, being the amount of Directors' fees where Directors have elected to receive payment in the form of LBT Shares, in lieu of cash payment otherwise owing during the quarter (subject to approval of shareholders at an AGM).

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	2,225	2,225
7.2	50	9
7.3		
7.4	Total financing facilities	2,234
7.5	Unused financing facilities available at quarter end	41
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.	
<p>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 November 2024. The Company has provided the SA Government with a first ranking general security.</p> <p>Item 7.2 is a corporate credit card facility which is paid off in full each month.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1	357
8.2	2,796
8.3	41
8.4	Total available funding (item 8.2 + item 8.3)
	2,837
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)
	N/A
<p>* The result of the calculation presented at item 8.5 is not an appropriate indicator of the number of quarters funded by existing cash resources, given the net operating cash flows were positive, as a result of \$1.7m receipts from customers and \$0.2m received from government grants. Further, the calculation does not include other cash commitments under investing and financing activities. Adjusting for these, the result of the calculation provided at item 8.5 is approximately 1.5 quarters before sales and other cash inflows. The future net cashflows is dependent on the level of sales achieved by the Company.</p> <p><i>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.</i></p>	

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: The Company expects total cash outflows, before receipts from customers, to be similar to the current quarter of \$1.9m. Actual net cash flows will be dependent on the level of cash inflows from customers. As at 30 September 2022, the Company has \$1.9m in near term receivables expected to be received in the next Quarter.

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: The Company announced a non-renounceable rights issue on 25 October 2022, seeking to raise up to \$3.5m before costs of the rights issue. Following the close of the rights issue, the Company will seek to place any shortfall in rights issue entitlements not taken up by shareholders.

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: The Company expects to continue its operations through available cash at the end of the quarter of \$2.8m, together with \$0.6m of trade debtors and a \$1.2m Research and Development Tax Incentive which was received on 25 October 2022. Additional funding is also expected to be provided through the rights issue or through the subsequent placement of any shortfall, together with future sales.

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: 31 October 2022

Authorised by: the Board of Directors
 (Name of body or officer authorising release – see note 4)

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.