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NEWS RELEASE

LATTICE BIOLOGICS LTD. REPORTS THIRD QUARTER 2016 HIGHLIGHTS New core product sales increase 205% quarter over quarter

August 29, 2016 - Scottsdale, AZ - Lattice Biologics Ltd. ([TSX-V: LBL](#)) ([OTCBB: BLVKF](#)) ("Lattice Biologics" or the "Company") announces financial results for the third quarter ended June 30, 2016:

Third Quarter Financial Results (all figures denoted in USD):

The Company strategy of focusing its sales on its new cutting edge and recently launched acellular dermis and putty product lines has been successful with 70 new surgeons added to the Company's client base during the first three quarters of fiscal 2016. The higher margin acellular dermal products sales grew 355% quarter over quarter and DBM putty's sales grew 135% quarter over quarter. The product launches have been well received by surgeons and the Company continues to expect expanded adoption of its products by the new surgeons. Lattice Biologics' total revenue was \$972,320 in the three months ended June 30, 2016 compared to \$914,556 in the three months ended June 30, 2015, an increase of 6% year over year growth, as shown in the following quarter sales table:

	<u>Jun-30</u> <u>2016</u>		<u>Mar-31</u> <u>2016</u>		<u>Dec-31</u> <u>2015</u>		<u>Sep-30</u> <u>2015</u>		<u>Jun-30</u> <u>2015</u>	
ADM dermis.....	\$ 220,365	23%	\$ 48,336	5%	\$ 51,430	5%	\$ 92,659	9%	\$ 53,544	6%
DBM putty.....	246,235	25%	104,856	10%	50,856	5%	21,175	2%	8,984	1%
Bone scaffold....	505,603	52%	847,326	84%	954,496	89%	918,983	89%	840,033	92%
Other.....	117	0%	6,457	1%	8,872	1%	4,348	0%	11,995	1%
Total revenue....	<u>\$ 972,320</u>	100%	<u>\$ 1,006,975</u>	100%	<u>\$ 1,065,654</u>	100%	<u>\$ 1,037,165</u>	100%	<u>\$ 914,556</u>	100%

"I am extremely pleased with our efforts to recruit new surgeons, significantly advance our R&D efforts for the precision cancer diagnostic tool, and repositioning our strategic product mix by launching seven new products this quarter that fill unmet clinical needs for our surgeons," states CEO Guy Cook. "We have the most adaptable and responsive development team I've ever been part of in biologics. I am very proud of all of the Lattice team members that help drive innovation. This responsiveness and positive surgeon feedback will enable Lattice to meet its financial objectives in the near term."

Also during the first three quarters of fiscal 2016, Lattice Biologics increased its total number of direct hospital approvals from 18 to over 200, including preferred vendor status with the Veterans Health Administration, while several new hospital approvals are pending.

The Company continues to make significant improvements on the balance sheet, and is working with creditors to convert certain balances to equity for working capital purposes. The Company completed a \$500,000 USD private placement on August 8th, 2016.

Lattice Biologics maintains its commitment to honoring the gift of donation by implementing a strong quality control environment for the recovery and processing of donors. Due to unexpectedly high demand from recent product launches, and an expected new private label partnership with a national spinal implant company, Lattice Biologics is in the process of quadrupling its throughput capacity. Throughput capacity at the current facility is approximately \$60-70mm/year.

As indicated above, the Company continues efforts to diversify the sales mix across the new higher margin product lines added in 2015 and 2016.

2016 Business Update:

The Company remains focused on raising additional capital to: assist with its working capital constraint; fulfill open purchase orders; launch of the Company's new product lines; and support R&D efforts. Appropriate working capital conditions will allow the Company to expand current operations by accepting and processing a greater number of donors each month and also to launch new higher-margin product lines. If Lattice Biologics is successful in its financing efforts, the Company expects to be cash flow positive by the second quarter of fiscal 2017.

Furthermore, Lattice Biologics is proactively working to complete key additions to its Scientific Advisory Boards (SABs) which are comprised of strategic Key Opinion Leaders (KOLs) in each of the Company's targeted surgical specialties. These professionals play a significant role in influencing industry perception and opinion and can be instrumental in the recruitment of new surgeon partners and generation of critical clinical data.

Lattice Biologics Ltd.

Guy Cook,
Chief Executive Officer
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About Lattice Biologics Ltd.:

Lattice Biologics recently completed its RTO, becoming a publically traded company on January 4, 2016 and is traded on the TSX-V under the symbol: LBL. The Company is an emerging personalized/precision medicine leader in the field of cellular therapies and tissue engineering, with a focus on bone, skin, and cartilage regeneration.

Lattice Biologics develops and manufactures biologic products to domestic and international markets. The Company's products are used in a variety of surgical applications.

Lattice Biologics maintains its headquarters, laboratory and manufacturing facilities in Scottsdale, Arizona as well as offices in Toronto Ontario. The facility includes ISO Class 1000 and ISO Class 100 clean rooms, and specialized equipment capable of crafting traditional allografts and precision specialty allografts for various clinical applications. The Lattice Biologics team includes highly trained tissue bank specialists, surgical technicians, certified sterile processing and distribution technicians, and CNC operators who maintain the highest standards of aseptic technique throughout each step of the manufacturing process. From donor acceptance to the final packaging and distribution of finished allografts, Lattice is committed to maintaining the highest standards of allograft quality, innovation, and customer satisfaction.

Lattice Biologics maintains all necessary licensures to process and sell its tissue engineered products within the U.S. and internationally. This includes Certificates to Foreign Governments from the U.S. Food and Drug Administration (FDA) and registrations for 29 countries, which allow the export of bone, tendon, meniscus, ligament, soft tissue, and cartilage products outside of the U.S.

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Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management as of the date such statements are made, are inherently subject to significant business, economic and

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