

FOR IMMEDIATE RELEASE



Media Contact:

Cheryl Farmer, CFO
Lattice Biologics Ltd.
(TSX-V: LBL) (OTCBB: LBLTF)
16701 N 90th Street, Suite# 101
Scottsdale, AZ 85260
480-563-0800 Office
News@LatticeBiologics.com
www.LatticeBiologics.com



Guy Cook, CEO,
Lattice Biologics Ltd.



Cheryl Farmer, CFO,
Lattice Biologics Ltd.

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NEWS RELEASE

LATTICE BIOLOGICS LTD. REPORTS FOURTH QUARTER AND YEAR END 2016 HIGHLIGHTS

New core product sales increase 147% fourth quarter over fourth quarter

January 30, 2017 - Scottsdale, AZ - Lattice Biologics Ltd. ([TSX-V: LBL](#)) ([OTCBB: LBLTF](#)) ("Lattice Biologics" or the "Company") announces financial results for the fourth quarter and year ended September 30, 2016:

Highlights:

- DBM Putty growth 620% Q4 2016 over Q4 2015
- Acellular Dermal Products growth 41% Q4 2016 over Q4 2015
- Upgrade to OTCQB® Listing expected January 31, 2017
- Launch of New Amniotic Fluid products; AmnioBoost and AmnioBlast
- New International markets; Dominican Republic and Columbia
- Retired \$700,000 USD in debt to equity in Q1 2017
- 3 new provisional patents in 2016 and 2017

2016 Business Update:

The Company remains focused on raising additional capital to: assist with its working capital constraint; fulfill open purchase orders; launch 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 to launch new higher-margin product lines. 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.

"I am extremely pleased with our efforts to recruit new surgeons, significantly advance our R&D efforts, increase our patent portfolio with 3 new patents in 2016, and reposition our strategic product mix by launching seven new products this year 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 a 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 goals in the near term."

Also during fiscal 2016, Lattice Biologics increased its total number of direct hospital approvals and gained preferred vendor status with the Veterans Health Administration.

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 raised \$1,233,000 USD pursuant to private placements during fiscal year ended September 30, 2016. For the first quarter 2017, approximately \$700,000 USD of debt was converted to equity from various vendors, further improving the liability section of the balance sheet.

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. The Company has significantly expanded its processing throughput, and has substantial inventory reserves to meet customer demand.

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

Fourth Quarter and year end Financial Results (all figures denoted in USD):

The product launches have been well received by surgeons and the Company continues to replace unprofitable legacy contracts and focus on the newer higher margin products. Lattice Biologics' total revenue was \$732,905 in the four months ended September 30, 2016 compared to \$1,037,165 for the four months ended September 30, 2015, a decrease of 29%, as shown in the following quarter sales table:

	<u>Sep-30</u> <u>2016</u>		<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>		<u>Mar-31</u> <u>2015</u>	
ADM dermis.....	\$ 130,575	18%	\$ 220,365	23%	\$ 48,336	5%	\$ 51,430	5%	\$ 92,659	9%	\$ 53,544	6%	\$ 15,110	1%
DBM putty.....	151,071	21%	246,235	25%	104,856	10%	50,856	5%	21,175	2%	8,984	1%	84,392	8%
Bone scaffold.....	411,131	56%	505,603	52%	847,326	84%	954,496	89%	918,983	89%	840,033	92%	956,592	90%
Other.....	40,128	5%	117	0%	6,457	1%	8,872	1%	4,348	0%	11,995	1%	9,701	1%
Total revenue.....	<u>\$ 732,905</u>	100%	<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%	<u>\$ 1,065,795</u>	100%

The following table sets out selected unaudited financial information, prepared in accordance with IFRS. The information contained herein is drawn from interim financial statements of the Company for each of the following quarterly periods ending:

	Sep-30 2016	Jun-30 2016	Mar-31 2016	Dec-31 2015	Sep-30 2015	Jun-30 2015	Mar-31 2015
Revenue.....	\$ 732,905	\$ 972,320	\$ 1,006,975	\$ 1,065,654	\$ 1,037,165	\$ 914,556	\$ 1,065,795
Total cost of sales including depreciation.....	558,396	744,094	818,884	839,787	800,669	743,300	896,222
Gross profit.....	174,509	228,226	188,091	225,867	236,496	171,256	169,573
Operating costs (i).....	1,265,023	836,955	965,394	800,650	859,641	722,889	676,498
EBITDA (ii).....	(1,069,525)	(577,075)	(763,988)	(561,468)	(604,732)	(533,221)	(488,513)

Certain adjustments have been made to the quarterly information for the first three quarters of the fiscal year ended September 30, 2016, as compared to data contained in the quarterly filings for such quarters. These changes relate to certain adjustments for cost of sales and operating costs that were not recognized until the fourth quarter of such fiscal year.

- (i) Operating costs are defined as all general and administrative costs, professional fees, rent, salaries and benefits, sales and marketing, and utilities expenses.
- (ii) EBITDA is defined as gross profit less operating costs (as defined above).

Lattice Biologics Ltd.

Guy Cook,
Chief Executive Officer
Telephone No: (480) 563-0800

About Lattice Biologics Ltd.:

Lattice Biologics Ltd. is an emerging precision medicine leader in the field of cellular therapies and tissue engineering, with an emphasis on bone, skin, and cartilage regeneration. As a manufacturer of the highest quality allografts, Lattice is focused on next generation products to improve surgical outcomes.

Versatile allografts for a variety of surgical applications:

- Enhancing fusion in spine surgery
- Enhancing breast reconstruction post mastectomy for breast cancer patients
- Sports medicine indications, including ACL repair
- Promotion of bone regeneration in foot and ankle surgery
- Promotion of cranial healing following neurosurgery
- Enhancing wound repair in burn victims
- Subchondral bone defect repair in knee and other joint surgeries

The Company is currently exploring new technologies in regenerative and personalized medicine:

- **All natural amniotic fluid supplement for arthritic joints**
 - [Demonstrates lasting pain relief and improved outcomes in the largest clinical study of its kind](#)

- **[Personalized Cancer Diagnostics](#) - revolutionary high-throughput precision chemotherapy screening**
 - [See study details](#)

Lattice Biologics operates headquarters, laboratory and manufacturing facilities in Scottsdale, Arizona as well as offices in Toronto Ontario. The Company 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.

Lattice Biologics ([TSX-V: LBL](#)) (OTCBB: [LBLTF](#)) became a publicly traded company on January 4, 2016.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Cautionary Statement on Forward-Looking Information:

Certain information contained in this news release constitutes "forward-looking statements" within the meaning of the 'safe harbour' provisions of Canadian securities laws. All statements herein, other than statements of historical fact, are to be considered forward looking. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "planned", "potential", "future", "expected", "could", "possible", "goal", "intends", "will" or similar expressions. Forward-looking statements in this news release include, without limitation: information pertaining to the Company's strategy, plans, or future financial performance, such as statements with respect to future revenues or products, and other statements that express management's expectations or estimates of future performance. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Lattice to be materially different from those expressed or implied by such forward-looking statements.

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 competitive uncertainties and contingencies. The factors and assumptions that could prove to be incorrect, include, but are not limited to: that market prices will be consistent with expectations, the continued availability of capital and financing, and that general economic, market and business conditions will be consistent with expectations. The forward-looking statements are not guarantees of future performance. We disclaim any obligation to update or revise any forward-looking statements, except as required by law. Readers are cautioned not to put undue reliance on these forward-looking statements.

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