LBT INNOVATIONS
ACN 107 670 673

LBT Innovations Ltd

ACN 107 670 673

APPENDIX 4D HALF YEAR RESULTS

Interim Financial Report For the Half Year ended 31 December 2019

(Previous corresponding period being the Half Year ended 31 December 2018)

This information should be read in conjunction with the 30 June 2019 Annual Report and any public announcements made by LBT Innovations Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Half Year	December 2019 $'000s	December 2018 $'000s	Change $'000s	Change %
Revenue from ordinary activities	762	1,779	(1,017)	(57%)
Profit / (Loss) from ordinary activities after tax attributable to members	(3,103)	(1,672)	(1,431)	(86%)
Total Comprehensive income / (loss)	(3,123)	(1,593)	(1,530)	(96%)

Revenue

Total revenue for the Half Year ended 31 December 2019 of $0.76 million comprised:

- $0.58 million Consulting income
- $0.18 million Interest income

LBT Innovations Limited's principal source of revenue for the period is the provision of consulting services by LBT staff to LBT's joint venture company Clever Culture Systems AG (**CCS**).

Compared to the prior Half Year period ended 31 December 2018, total revenue has reduced by $1.02m or 57%. The prior Half Year period included additional revenue from CCS of $0.82 million associated with finalisation of the research and development of the physical APAS® instrument, and $0.30 million revenue for the sale of the first APAS® instrument in Australia.

Profit after tax

The net loss after income tax was ($3.10) million comprising a loss before income tax of ($4.02) million less an income tax benefit of $0.92 million.
The loss before income tax of ($4.02) million comprised:

- $0.76 million in total revenue, as noted above.
- ($1.22) million for depreciation and amortisation. ($1.15m) of this amount relates to amortisation of the APAS® related development costs.
- ($0.96) million for LBT's 50% share of the loss of its joint venture company, CCS.
- ($1.86) million for total employee expenses.
- ($0.74) million other expenses including general administration, and consulting expenses.

Compared to the prior Half Year period ended 31 December 2018, the loss before income tax has increased from ($2.43) million to ($4.02) million. The increased costs of ($1.59) million is largely driven by non-cash items which have increased ($1.23) million, due to ($0.78) million reduction of employee costs capitalised to the balance sheet and ($0.45) million increase in depreciation and amortisation, options issued and the 50% equity accounted share of the CCS loss.

LBT has recognised a current tax asset of $1.36 million, of which $1.11 is attributable to the 2019 R&D tax incentive received in January 2020.

Dividends

It is not proposed to pay a dividend.

Net Tangible Assets per security

The net tangible assets per share was 5.42 cents as at 31 December 2019, compared with 6.59 cents per share as at 30 June 2019.

Control Gained or lost over entities

Not applicable.

Dividend or distribution reinvestment scheme

Not applicable.

Details of associates and joint venture entities

LBT has a 50% interest in a joint venture with Hettich AG, conducted through Clever Culture Systems AG incorporated in Switzerland. The interest in the joint venture is held directly by LBT. The purpose of the joint venture is to jointly commercialise LBT's APAS® technology which is exclusively licensed to CCS for use in the culture plate process.

DIRECTORS REPORT

Your directors submit the financial report of the Company for the Half Year ended 31 December 2019.

Directors

The names of directors in office at any time during or since the end of the Half Year are:

Catherine Mary Costello (Chair of the board)

Brenton Barnes (Chief Executive Officer)

Stephen Paul Mathwin, retired 30 October 2019

Caroline Popper

Simon Arkell

Damian Lismore

Company Secretary:

Daniel Hill, retired 10 February 2020

Ray Ridge, appointed 10 February 2020

Review of Financials

The net loss after income tax was ($3.10) million comprising a loss before income tax of ($4.02) million less an income tax benefit of $0.92 million. The loss before income tax of ($4.02) million comprised:

- $0.76 million in total revenue.
- ($1.22) million for depreciation and amortisation.
- ($0.96) million for LBT's 50% share of the loss of its joint venture company, CCS.
- ($1.86) million for total employee expenses.
- ($0.74) million other expenses including general administration, and consulting expenses.

Compared to the prior Half Year period ended 31 December 2018, the loss before income tax has increased from ($2.43) million to ($4.02) million. The increased loss of ($1.59) million is largely driven by non-cash items which have increased ($1.23) million, as a result of less employee costs being capitalised to the balance sheet, and an increase in depreciation and amortisation, options issued to employees and the two new directors, and the 50% equity accounted share of the CCS loss.

The net assets of the Company have decreased by ($2.9) million from 30 June 2019 to $26.6 million at 31 December 2019, in line with the ($2.9) million reduction in the Company's cash position. The closing cash position at 31 December 2019 was $7.3 million, compared to $10.2 million at 30 June 2019.

Cash utilisation in the Period was applied to fund LBT's net operating expenses of ($1.6) million, ($0.3) million for the continued development of additional analysis modules, ($0.9) million for LBT's 50% share of funding its joint venture company, CCS, and ($0.1) million for costs associated with the June 2019 capital raise.

The Company has a $2.5 million loan provided by the South Australian Government which is repayable in quarterly instalments of principal and interest though to May 2024.

LBT recognised a current tax asset of $1.36 million, of which $1.11 million is attributable to the 2019 Research and Development Tax Incentive received in January 2020.

Review of Operations

The key highlights and significant events for the Half Year and up to the date of this Directors Report:

- The Company received CE Mark for the APAS® Independence and associated MRSA analysis module. CE Mark for the technology enables sale of the APAS® instrument with MRSA analysis module to all member countries within the European Union.
- Following CE Mark for the APAS® Independence, the first sale of an APAS® Independence outside of Australia was made to Labor Dr Wisplinghoff in Cologne, Germany. The sales contract was executed by CCS, and remains subject to pre-conditions which are expected to be fulfilled by 31 May 2020. Labor Dr Wisplinghoff is the largest single clinical laboratory in Germany and recognised as a global technology leader.
- In Europe, the European Sales Executive is initially focussing on the UK and German markets, with an estimated addressable market of 340 laboratories, and is in active sales discussions with approximately 25 of these laboratories,. This sales process remains long with many the laboratories requiring a trial of the instrument prior to a purchase decision.
- In the United States, with an estimated addressable market of 1,500 laboratories, a targeted outbound sales campaign has identified over 190 qualified sales leads. In early 2020, a United States based sales executive with extensive background in laboratory automation was appointed, having previously worked with Johnson & Johnson and Beckman Coulter in the United States. The primary focus is to contact these qualified sales leads to further progress the sales process.
- In addition to the direct sales activities, work commenced an evaluation process with a global healthcare company for the potential distribution of the APAS® Independence. This potential distributor advised during the Half Year, that they had completed their assessment of the instrument's reliability and customer feedback. They have requested further information relating to workflow and laboratory information management system connectivity. It is expected that these discussions and evaluations will progress, but timing is difficult to estimate.

Future Developments and Prospects

The Company is active in advancing its product roadmap to develop and gain regulatory clearance for additional analysis modules and provide additional customer interfaces, which in turn will increase the APAS® instrument's utility and the customer value proposition. These activities will include:

- preparing the documentation dossier required to submit a 510(k) application to the United States Food and Drug Administration during the March 2020 quarter, to obtain regulatory clearance for the MRSA analysis module in the United States.
- advanced work on a new infection control module for the screening of Vancomycin-resistant enterococcus, or VRE. The module is complementary to the recently released MRSA analysis module, assisting laboratories provide effective antimicrobial services to their clients. Technical completion of the VRE analysis module is expected in the second half of 2020 and will then progress to clinical validation.
- a number of software enhancements to address matters raised by the Company's key opinion leaders and the potential distributor. These relate primarily to useability of the instrument. Technical development, verification and validation testing will occur in the March 2020 quarter, with an updated release of instrument software being available early in the June 2020 quarter. New software releases will be made going forward as part of a typical product lifecycle development process.
- development of a new software platform that facilitates easy connection between the APAS® Independence and customers Laboratory Information Management System (**LIS**). The software platform is being developed with middleware vendor, Data Innovations (**DI**). DI have a software platform or middleware interface that communicates between the many instruments within a laboratory and their LIS, so that new instruments can be more easily integrated. DI are in 85 countries worldwide and in the United States have products installed in approximately 65% of all laboratories. A prototype of the DI driver for the APAS® Independence is expected to be delivered during March 2020 quarter. Following this, the Company will work with DI to perform customer testing before the official global release scheduled early in the second half of 2020.

Rounding of Amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the Half Year ended 31 December 2019.

Signed in accordance with a resolution of the Board of directors.

Catherine Costello
Chairman

Brent Barnes
Chief Executive Officer

Dated at Adelaide this 27th day of February 2020.

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of LBT Innovations Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
27 February 2020

Jon Colquhoun
Director

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Interim Financial Report

31 December 2019

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Statement of Comprehensive Income/(Loss)

For the Half Year ended 31 December 2019

	Note	31/12/19 $000	31/12/18 $000
Revenue	2	0	299
Cost of goods sold		0	(222)
Gross Profit		**0**	**77**
Revenue from consulting services to JV company	2	584	503
Revenue from other services to JV Company	2	0	820
Other revenue	2	178	157
Consulting expense	3a	(143)	(94)
Employee benefits expense	3b	(1,856)	(879)
Depreciation and amortisation expense		(1,216)	(980)
General administration expenses		(257)	(130)
Finance costs		(57)	(5)
Other expenses	3c	(288)	(1,034)
Share of loss of joint ventures accounted for using the equity method	6	(964)	(862)
Loss Before Income Tax		**(4,019)**	**(2,427)**
Income tax benefit		916	755
Net Loss for the Half Year		**(3,103)**	**(1,672)**
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(20)	79
Total Comprehensive Loss for the Half Year		**(3,123)**	**(1,593)**
Basic loss per share (cents per share)		(1.33)	(0.83)
Diluted loss per share (cents per share)		(1.33)	(0.83)

The accompanying notes form part of the financial statements.

Statement of Financial Position

As at 31 December 2019

	Note	31/12/19 $000	30/06/19 $000
Assets			
Current Assets			
Cash and cash equivalents		7,260	10,175
Trade and other receivables		169	302
Current tax asset	13	1,361	1,010
Total Current Assets		**8,790**	**11,487**
Non-Current Assets			
Trade and other receivables		359	350
Property plant and equipment		73	89
Right of use assets	4	47	0
Investments accounted for using the equity method	6	0	0
Financial assets	5	7,180	7,115
Deferred tax assets		1,313	965
Intangible assets	7	17,255	18,119
Total Non-Current Assets		**26,227**	**26,638**
Total Assets		**35,017**	**38,125**
Current Liabilities			
Trade and other payables		703	698
Lease liabilities		49	0
Financial liabilities		1,122	271
Total Current Liabilities		**1,874**	**969**
Non-Current Liabilities			
Trade and other payables		260	250
Financial liabilities		1,412	2,263
Deferred tax liabilities		4,815	5,032
Provisions		104	93
Total Non-Current Liabilities		**6,591**	**7,638**
Total Liabilities		**8,465**	**8,607**
Net Assets		**26,552**	**29,518**
Equity			
Issued capital	8	35,540	35,565
Reserves	9	1,192	1,087
Accumulated losses		(10,180)	(7,134)
Total Equity		**26,552**	**29,518**

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the Half Year ended 31 December 2019

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated Losses	Total
	$000	$000	$000	$000	$000
Balance at 1 July 2018	**924**	**114**	**30,855**	**(2,784)**	**29,109**
New shares issued	0	0	0	0	0
Options granted as remuneration	66	0	0	0	66
Options lapsed	(56)	0	0	56	0
Capital raising costs	0	0	0	0	0
Other comprehensive income	0	79	0	0	79
Net loss for the Half Year	0	0	0	(1,672)	(1,672)
Balance at 31 December 2018	**934**	**193**	**30,855**	**(4,400)**	**27,582**
Balance at 1 July 2019	**895**	**192**	**35,565**	**(7,134)**	**29,518**
New shares issued	0	0	13	0	13
Options granted as remuneration	182	0	0	0	182
Options lapsed	0	0	0	0	0
Options exercised	(57)	0	0	57	0
Capital raising costs	0	0	(38)	0	(38)
Other comprehensive income	0	(20)	0	0	(20)
Net loss for the Half Year	0	0	0	(3,103)	(3,103)
Balance at 31 December 2019	**1,020**	**172**	**35,540**	**(10,180)**	**26,552**

The accompanying notes form part of the financial statements.

Statement of Cash Flows

For the Half Year ended 31 December 2019

	Note	31/12/19 $000	31/12/18 $000
Cash Flows from Operating Activities			
Revenue from consulting services to JV company		655	1,365
Payments to suppliers and employees		(2,361)	(2,980)
Short term lease payments		(22)	0
Research and development tax concession		0	1,892
Interest received		90	68
Net Cash provided by / (used in) Operating Activities		**(1,638)**	**345**
Cash Flows from Investing Activities			
Research and development (intangible asset)		(283)	(1,339)
Payments for plant and equipment		(17)	(13)
Loan provided to JV company		(890)	(855)
Net Cash used in Investing Activities		**(1,190)**	**(2,207)**
Cash Flows from Financing Activities			
Cash proceeds from new shares issued		13	0
Repayment of lease principal		(38)	0
Capital raising costs		(62)	0
Net Cash provided by Financing Activities		**(87)**	**0**
Net decrease in cash and cash equivalents		(2,915)	(1,862)
Cash and cash equivalents at beginning of year		10,175	7,572
Cash and Cash Equivalents at end of Half Year		**7,260**	**5,710**

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. Accounting Policies

The Half Year financial statements are a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by LBT Innovations Ltd during the Half Year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX listing rules.

The Half Year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Half Year report does not include full disclosures of the type normally included in an annual financial report.

The condensed interim financial report was approved by the Board of Directors on 27 February 2020.

The accounting policies applied by the Company in this condensed interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2019 and the corresponding interim reporting period, other than the following accounting policies which have been applied for the first time in the Half Year ended 31 December 2019.

(a) Changes in Accounting Policies

Effective 1 July 2019, the Company has adopted the new accounting standard AASB 16: Leases. The Company has adopted the transition provisions available in AASB 16, Appendix C paragraph 5(b) and therefore the changes in the Company's accounting policies have not impacted the prior year financial statements.

The impact of the adoption of this Standard and the respective accounting policies is disclosed further below.

This note describes the nature and effect of the adoption of AASB 16: Leases on the Company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Company as Lessee

At the inception of a contract, the Company assesses if the contract is a lease or contains a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Company where the Company is a lessee. However, all contracts that are classified as short-term leases (ie a lease with a term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Company as Lessor

As the Company has no contracts as a lessor, the provisions of AASB 16 relating accounting for lease contracts as a lessor are not applicable.

Initial Application of AASB 16 Leases

The Company has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying AASB 16 recognised at 1 July 2019. In accordance with AASB 16 the comparatives for the 2018 reporting period have not been restated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. Accounting Policies cont.

The Company has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117 Leases, where the Company is the lessee.

Lease liabilities are measured at the present value of the remaining lease payments. The Company's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments.

The right-of-use assets for the leases have been measured and recognised in the statement of financial position as at 1 July 2019 at the same amount as the lease liability.

The following practical expedients have been used by the Company in applying AASB 16 for the first time:

- leases that have remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same was as short-term leases.
- the use of hindsight to determine lease terms on contracts that have options to extend or terminate.

The difference of $105,000 between the lease liability ($86,000) as at 1 July 2019 and the discounted operating lease commitments as at 30 June 2019 ($191,000) represents short-term leases which are expensed on a straight-line basis.

The Company's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 4.58%.

The $9,000 difference between the undiscounted amount of operating lease commitments at 30 June 2019 of $200,000 and the discounted operating lease commitments as at 1 July 2019 of $191,000 is due the discounting of the operating lease commitments at the Company's incremental borrowing rate.

(b) Impairment of non-financial assets

The Company assesses impairment regularly and formally at the end of each reporting period by evaluating the conditions and events specific to the Company that may be indicative of impairment triggers.

For the Half Year period ended 31 December 2019, the Company has determined that there are no impairment triggers attributable to its non-financial assets that would require a formal impairment test.

A formal impairment test was last undertaken 30 June 2019, in relation to the carrying value of assets reliant on the future sales of the APAS® instrument, being the loan to CCS (Note 5) and intangible assets (Note 7). The combined value of these assets at 31 December 2019 is $24.4 million (30 June 2019: $25.2 million).

The Annual Report for the year ended 30 June 2019 contains further details of the impairment test and key assumptions used. While the directors are satisfied that management's cash flow forecast is achievable, there remains a significant uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are less than forecast, this could significantly impair the $24.4 million (30 June 2019: $25.2 million) APAS® related assets recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

2. Revenue

	31/12/19 $000	31/12/18 $000
Revenue from contracts with customers	0	299
Revenue from consulting services to JV company	584	503
Revenue from other services to JV Company (1)	0	820
Revenue	**584**	**1,622**
Foreign exchange gain (loss)	(9)	3
Interest income	187	154
Other revenue	**178**	**157**
Total Revenue	**762**	**1,779**

(1) The prior Half Year ended 31 December 2018 included $0.82 million invoiced by LBT, under contract to LBT's 50% owned joint venture company CCS, for services associated with finalisation of the physical APAS® instrument. Corresponding expenses of $0.76 million were incurred by LBT in the provision of these services in the prior Half Year ended 31 December 2018 (refer Other expenses, Note 3(c)). As the engineering design and development of the physical APAS® instrument was completed by 30 June 2019, there is no comparable services income or expenses in the current Half Year ended 31 December 2019.

3. Profit for the Year

Profit before income tax from continuing operations includes the following items

	31/12/19 $000	31/12/18 $000
(a) Consulting expense Consulting expense relates to international market research, scientific and professional consulting	**143**	**94**
(b) Employee benefits expense Cash based employee benefits expense includes directors' fees, salaries and wages, including executive bonuses (1)	1,674	812
Share based payments	182	67
Total employee benefits expense	**1,856**	**879**
(c) Other Expenses		
Rent	42	38
Travel and accommodation	67	77
External research and development (2)	0	761
Sundry	179	158
Total Other Expenses	**288**	**1,034**
(d) Auditors' remuneration	**29**	**34**

Auditors' remuneration is included in General administration expenses.
The auditor did not provide any non-audit services to the Company during the Half Year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

3. Profit for the Year Cont.

(1) The employee benefits expense has increased from $0.81 million in the Half Year ended 31 December 2018 to $1.67 million for the Half Year ended 31 December 2019. The increase is largely a result of a reduction in the amount of employee costs capitalised as an intangible asset ($1.06 million for 31 December 2018 compared to $0.28 million for 31 December 2019). Gross employee benefits expense (before capitalisation) has only increased by $0.08 million compared to the prior corresponding Half Year.
(2) The prior Half Year ended 31 December 2018 included $0.76 million incurred by LBT in the course of providing services to LBT's joint venture company CCS, associated with finalisation of the physical APAS® instrument. Corresponding income of $0.82 million was invoiced to CCS for the provision of these services in the prior Half Year ended 31 December 2018 (refer Revenue from other services to JV Company, Note 2). As the engineering design and development of the physical APAS® instrument was completed by 30 June 2019, there is no comparable services income or expenses in the current Half Year ended 31 December 2019.

4. Right of Use Assets

The Company's Right of use assets comprise the lease of office space. This lease has a remaining term of 13 months from the date of initial application of AASB 16 on 1 July 2019.

Options to extend or terminate
The Company's lease contains an option to extend. The extension option is only exercisable by the Company. The extension option is included in the calculation of the lease liability and right to use asset only to the extent management are reasonably certain to exercise that option.

Variable lease payments
The company does not have any variable lease payments.

	31/12/19 $000
(i) AASB 16 related amounts recognised in the Statement of Financial Position	
Leased building	87
Less: accumulated depreciation	(40)
Right of Use Assets	**47**
Movements in Carrying Amount Movements in carrying amounts of Right of use assets between the beginning and the end of the Half Year were as follows:	
Opening balance	0
Recognised on initial application of AASB 16 (previously classified as an operating lease under AASB 117)	87
Depreciation expense	(40)
Closing balance	**47**
(ii) AASB 16 related amounts recognised in the Statement of Statement of Comprehensive Income/(Loss)	
Depreciation charge related to right of use assets	40
Interest expense on lease liabilities (under Finance costs)	1
Short term leases expense	(22)
Low value assets expense	0
(iii) Total Half Yearly cash outflows for leases	(38)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

5. Financial Assets

	31/12/19 $000	30/06/19 $000
Interest on loan to joint venture	407	312
Loan to joint venture	9,825	8,871
Provision: joint venture losses	(3,052)	(2,068)
Total financial assets	**7,180**	**7,115**

LBT has a 50% interest in a joint venture company, CCS. The purpose of the joint venture is to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology.

The above loan is LBT's 50% contribution of the additional funding required by CCS. Future profits of CCS will be applied to repay the loans to both LBT and CCS' other joint venture shareholder, Hettich Holding Beteiligungs- und Verwaltungs-GmbH. Therefore, recoverability of the loan is dependent on sufficient future profitability of APAS® instrument sold through CCS.

Previous adjustments to the investment value, from applying LBT's 50% equity share of the reducing net assets in the joint venture company, resulted in the investment value being reduced to nil (refer Note 6). Consistent with Accounting Standard AASB 128, once the investment value is reduced to nil, LBT's share of further reductions in the net assets of the joint venture company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk.

During the Half Year ending 31 December 2019, LBT's 50% share of the change in net assets of CCS was a loss of ($964,000), or ($984,000) including the foreign currency translation loss. The amount of ($984,000) was applied to increase the provision against the recoverability of the shareholder loan.

6. Investments Accounted for Using the Equity Method

	31/12/19 $000	30/06/19 $000
(a) Recognition of Carrying Amounts		
Investment in joint venture at cost	1,539	1,539
Foreign currency translation reserve	192	192
Share of cumulative loss in joint venture	(1,731)	(1,731)
Closing balance	**0**	**0**

LBT has a 50% interest in a joint venture company, CCS. The interest in the joint venture is held directly by LBT. The purpose of the joint venture is to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology.

The voting power held by LBT is 50%.

Previous adjustments to the investment value from applying LBT's 50% share of the reducing net assets in the joint venture company resulted in the investment value being reduced to nil. Consistent with Accounting Standard AASB 128, once the investment value is reduced to nil, LBT's share of further reductions in the net assets of the joint venture company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk (refer Note 5).

(b) Summarised Financial Information for Joint Ventures

Set out below is the summarised financial information for the joint venture company CCS. Unless otherwise stated, the disclosed information reflects the amounts presented in the financial statements of CCS, in accordance with Australian Accounting Standards. The following summarised financial information reflects the adjustments made by LBT when applying the equity method, including adjustments for any differences in accounting policies between LBT and the joint venture.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. Investments Accounted for Using the Equity Method cont.

(b) Summarised Financial Information of CCS cont.

Summarised Financial Position

	31/12/19 $000	30/06/19 $000
Assets		
Current Assets		
Cash and cash equivalents	163	233
Trade and other receivables	388	297
Inventory	1,023	855
Total Current Assets	1,574	1,385
Non-Current Assets		
Intangible assets	17,986	18,795
Total Non-current Assets	17,986	18,795
Total Assets	19,560	20,180
Current Liabilities		
Trade and other payables	218	347
Total Current Liabilities	218	347
Non-Current Liabilities		
Non-current financial liabilities (loans from JV shareholders)	25,445	23,968
Total Non-Current Liabilities	25,445	23,968
Total Liabilities	25,663	24,315
Net Assets / (liabilities)	(6,103)	(4,135)
LBT's share (%)	50%	50%
LBT's share of joint venture's net assets/ (liabilities)	(3,052)	(2,068)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

6. Investments Accounted for Using the Equity Method cont.

(b) Summarised Financial Information for CCS cont.

Summarised Financial Performance

	31/12/19 $000	31/12/18 $000
Revenue	0	0
Depreciation and amortisation	(1,231)	(1,270)
Interest income	0	0
Interest expense	(242)	(252)
Other expenses	(456)	(202)
Loss after tax from continuing operations	(1,929)	(1,724)
Other comprehensive income	0	0
Total comprehensive loss for the year	(1,929)	(1,724)
Dividends paid	0	0
LBT's share of joint venture's comprehensive income/(loss)	**(964)**	**(862)**

As of the date of signing of this financial report, the audit of CCS for the year ended 31 December 2019 is not complete.

7. Intangible Assets

	31/12/19 $000	30/06/19 $000
APAS® development costs	18,491	18,491
Less: accumulated amortisation	(3,378)	(2,233)
	15,113	16,258
APAS® analysis module development	2,142	1,861
Less: accumulated amortisation	0	0
	2,142	1,861
Total intangible assets	**17,255**	**18,119**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

8. Issued Capital

	31/12/19	30/06/19
	$000	**$000**
Issued and paid up capital		
235,539,786 (30 June 2019: 235,339,786) ordinary shares fully paid	38,540	38,527
Less: costs associated with capital raising		
Opening balance	(2,962)	(2,682)
Capital raising costs	(38)	(356)
Tax effect of capital raising costs	0	76
Total	**35,540**	**35,565**

Ordinary shares	No.	No.
At the beginning of the reporting period	235,339,786	200,927,025
New shares issued 14 November 2019 pursuant to options exercised	200,000	0
New shares issued 11 June 2019	0	34,412,761
At balance date	**235,539,786**	**235,339,786**

9. Reserves

	31/12/19	30/06/19
	$000	**$000**
Option reserve of valuation of share options(1)	1,020	895
Foreign currency translation reserve	172	192
Total Reserves	**1,192**	**1,087**

(1) The option reserve represents the amortised value of outstanding share options issued as share based remuneration.

The following details the change in the number of options during the Half Year period:

Opening balance 1 July 2019	2,600,000
Employee options exercised	(200,000)
Employee options issued	1,690,000
Director Options issued, pursuant to shareholder approval	1,000,000
Balance 31 December 2019	5,090,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

10. Dividends

There have been no dividends declared or paid during the period of this report.

11. Segment Reporting

(a) The Company operates in one business segment, conducting researching, developing and commercialising innovative technologies.

(b) Revenue by geographic region

	31/12/19 $000	31/12/18 $000
Australia	178	158
Switzerland	584	1,621
Total revenue	762	1,779

(c) Assets by geographic region

The Company holds a 50% interest in the joint venture company CCS. At balance date, the carrying value of the Company's interest in the joint venture is $7.18 million as represented by the balance of the loan account less a provision (refer note 5). The joint venture is based in Switzerland.

(d) Major customers

LBT recognised $0.58 million in service fees during the financial year from its joint venture company, CCS. LBT recognised 50% of the joint venture losses of ($0.96 million). Net Income (excluding LBT's equity accounted share of joint losses) from CCS accounted for 77% of revenue.

12. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting period.

13. Subsequent Events

On the 22 January 2020, the Company received $1.1 million in respect to the Research and Development Tax Incentive related to the tax year ended 30 June 2019. This amount had been recognised as a receivable at 31 December 2019, comprising part of the $1.36 million Current tax asset in the Statement of Financial Position.

Other than the matter noted above, there were no further subsequent events.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of LBT Innovations Ltd, we state that:

In the opinion of the directors:

The financial statements and notes set out on pages 8 to 20 are in accordance with the Corporations Act 2001, including:

complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and giving a true and fair view of the financial position as at 31 December 2019 and the performance for the Half Year ended on that date. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

CATHERINE COSTELLO
CHAIRMAN

BRENTON BARNES
CHIEF EXECUTIVE OFFICER

Dated this 27th day of February 2020

Independent Auditor's Review Report to the Members of LBT Innovations Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LBT Innovations Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of LBT Innovations Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the LBT Innovations Limited financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

We draw attention to Note 1(b) of the financial report, which states:

"*While the directors are satisfied the management's cash flow forecast is achievable, there remains a significant uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are less than forecast, this could significantly impair the $24.4 million (30 June 2019: $25.2 million) APAS® related assets recognised in the financial statements".*

Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Jon Colquhoun
Director

Adelaide, South Australia
27 February 2020