LBT INNOVATIONS
ACN 107 670 673

APPENDIX 4E FULL YEAR REPORT
FINANCIAL YEAR ENDED 30 JUNE 2021
RESULTS FOR ANNOUNCEMENT TO THE MARKET

This information should be read in conjunction with LBT Innovations Ltd (**LBT** or the **Company**) 2021 Annual Financial Report.

	June 2021 $'000s	June 2020 $'000s	Change $'000s	Change %
Revenue	2,110	1,751	359	20.5%
Net profit / (loss)	(7,260)	(5,636)	(1,624)	(28.8%)
Total comprehensive income / (loss)	(7,434)	(5,591)	(1,843)	(33.0%)

Revenue

Revenue for the year ended 30 June 2021 was $2.11 million, an increase of 20.5% from the prior year. This Revenue comprised:

- $1.09 million consulting income - paid by CCS to LBT
- $0.68 million grant income
- $0.34 million other income - largely interest

LBT's principal source of revenue during the year is from the provision of consulting services by LBT to LBT's 50% owned joint venture company, Clever Culture Systems AG (CCS).

CCS recognised revenue of $1.28 million during the year, relating to the sale of three APAS® Independence instruments. This revenue is included in the CCS reported loss, and LBT recognises its 50% equity accounted share of the CCS loss (refer below).

Net profit / (loss) for the year

The Company's net loss for the year was $7.26 million. This comprised a loss before income tax of $9.50 million less an income tax benefit of $2.24 million. The income tax benefit includes a net R&D tax refund receivable of $0.87 million.

The loss before tax of $9.50 million is comprised of:

- $1.02 million other income, largely interest and grant income.
- $3.72 million for LBT's 50% share of $7.43 million loss reported by CCS. As noted above, the CCS reported loss for the year included sales revenue of $1.28 million relating to three instrument sales. The CCS reported loss also includes $3.10 million of non-cash expenses relating to the amortisation of its capitalised APAS® development costs;
- $3.31 million for total employee and consulting expenses, net of consulting income of $1.09 million received from CCS;
- $2.40 million of depreciation and amortisation expenses. $2.30 million relates to amortisation of the previously capitalised APAS® development costs, with amortisation having commenced following the first sale of an APAS® instrument in August 2018; and
- $1.09 million other expenses including general administration, marketing and legal expenses.

Dividends

It is not proposed to pay a dividend.

Net Tangible Assets per security

The net tangible assets per LBT share was 4.10 cents as at 30 June 2021, compared with 4.54 cents per share as at 30 June 2020.

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 commercialise LBT's APAS technology which is exclusively licensed to CCS for use in the culture plate process.

Audited Financial Statements

This report is based on the 2021 Annual Financial Report which has been audited by HLB Mann Judd Audit (SA) Pty Ltd.

LBT Innovations Ltd

ACN 107 670 673

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021

Annual Financial Report
30 June 2021

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Directors' Report

Your Directors present their report on LBT Innovations Ltd (**LBT** or the **Company**) for the year ended 30 June 2021 as at the date of this report.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Catherine Costello
Chair

Joanne Moss

Non-Executive Director, Chair-Elect (Commenced 1 July 2021)

Brenton Barnes

Chief Executive Officer and Managing Director

Simon Arkell

Non-Executive Director

Damian Lismore
Non-Executive Director

Caroline Popper
Non-Executive Director (retired 31 May 2021)

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Company Secretary

The names of the individuals holding the position of Company Secretary at any time during or since the end of the year are:

Raymond Ridge

Principal Activities

The principal activities of the Company during the financial year were those of researching, developing and commercialising innovative technologies for the healthcare and laboratory supply markets.

There were no significant changes in the nature of the Company's principal activities during the financial year.

Operating Results

LBT recorded a net loss for the year of $7.26 million (2020: $5.64 million).

Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid for the year ended 30 June 2021.

Review of Operations

In many respects the 2021 Financial Year was a difficult one for the Company with COVID-19 directly impacting the business. Despite this, the Company has made important progress that positions the Company for the easing of COVID-19 restrictions in the key markets of the US and the EU.

The Company, through its 50% owned joint venture Company, Clever Culture Systems AG (**CCS**), has expanded the global commercial roll out of the APAS® Independence. The Company made important steps towards building a scalable platform for future growth, by securing strategic partnerships and completing sales of the APAS® Independence to early adopters who will act as reference sites and industry opinion leaders.

Following two years of coordinated efforts to build industry awareness and enhance the APAS® Independence value proposition, the Company has now secured the key milestones of having a marketing partner for Europe, and is well advanced in negotiations for the appointment of a distributor for the United States, covering the two main markets for the Company's technology.

In July 2020, CCS appointed global leader in laboratory automation and diagnostics Beckman Coulter, Inc (Beckman Coulter) as its Marketing Partner for Europe, with an initial focus on France, Germany and the United Kingdom. This was followed by the appointment of oneservice™ as Managed Service Provider for the APAS® Independence who have successfully completed a number of installations of the technology during the Financial Year. The Beckman Coulter relationship has greatly expanded the European commercial footprint and provided access to a much larger base of potential customers.

During the Financial Year there were a growing number of laboratories evaluating and using the APAS® technology. In October 2020, CCS completed a sale of an APAS® Independence to Labor Dr Gärtner, Germany, a member of the Limbach Group of laboratories. Following this, a further two APAS® instruments were sold to the Health Services Laboratory, the UK-subsidiary of Sonic Healthcare Limited (ASX: SHL). The Health Services Laboratory is a state-of-the-art facility based in London's "MedCity" and will be an important reference site for the technology in the United Kingdom. In the United States, a Master Product Agreement was signed with AdventHealth, one of the largest hospital groups with facilities across nine states. This agreement provides pre-approved terms to sell the APAS® Independence across the AdventHealth network, with several laboratories already expressing interest to evaluate the technology.

As is customary in the sales process, each of these sales followed an evaluation process, where the laboratories assessed the performance of the APAS® technology to demonstrate the efficiencies able to be delivered to their operations. This is an important stage in the sales process for new technologies, enabling customers the opportunity to validate the expected return on investment prior to purchase. Encouragingly, there have been a growing number of evaluations commenced over the Financial Year, particularly in Australia, United Kingdom and United States.

To support these commercialisation efforts, the Company has been committed to adding new APAS® analysis modules for use on the instrument. These additional analysis modules increase the value proposition by enabling customers to process more clinical tests through the APAS® instrument. In the United States, the Company is awaiting FDA clearance for its MRSA analysis module for the detection of Methicillin Resistant Staphylococcus Aureus, or Golden Staph. In addition, a number of evaluation modules have been released for customers to trial as part of their evaluation process. This provides an opportunity for customers to test advanced versions of new technology features prior to the release of the final module as a regulatory cleared product.
As with many organisations, the Company has faced challenges from the ongoing COVID-19 global pandemic. In particular, the high demand for COVID-19 testing performed by laboratories around the world, along with regional travel and lockdown restrictions has made customer access challenging. These factors have contributed to slowing down the commercial progress the Company had expected make over the past year. For further information refer to Note 1 (f) of the Financial Statements.

Due to the uncertainty in global markets as a result of the pandemic, the Company took measures to strengthen its cash position and secure a stronger financial position for the Company. In July 2020, the Company completed an $8.0 million private placement, followed by a $0.4 million share purchase plan, raising a total of $8.4 million from new and existing shareholders.

In September 2020, LBT were awarded a further $0.8 million in matched funding under MTPConnect's Biomedical Translation Bridge program. The funding supports the development of the Company's APAS®-AMR analysis module, adding a new feature to the APAS® Independence for the reading of antimicrobial susceptibility tests, a test conducted by laboratories to determine antimicrobial resistant infections.

The Company finished the year with a cash balance of $9.62 million at 30 June 2021.

During the year, the Company also commenced a process of renewal for the Board of directors. In May 2021, Non-Executive Director Caroline Popper retired after 9 years on the Board, followed by the appointment in July 2021 of Joanne Moss as Non-Executive Director and Chair-Elect. The current Chair, Kate Costello, will manage an orderly transition of her role to Ms Moss, before also stepping down from the Board.

Financial Overview

The Company's net loss for the Financial Year was $7.26 million, comprising a loss before income tax of $9.50 million less an income tax benefit of $2.24 million. The tax benefit includes a net R&D tax refund receivable of $0.87 million.

The net loss before income tax of $9.50 million is comprised of:

- $1.02 million of other income, largely interest and grant income, and license fees paid from CCS to LBT for four analysis module licenses sold to end customers by CCS;
- $3.72 million for LBT's 50% share of the $7.43 million loss reported by CCS. The CCS reported loss included revenue of $1.28 million, relating to the sale of three instruments during the year. The CCS reported loss also included $3.1 million of non-cash expenses relating amortisation of its capitalised APAS® development costs;
- $3.31 million for total employee, and consulting expenses, net of consulting income of $1.09 million received from CCS;
- $2.40 million of depreciation and amortisation expenses. $2.30 million relates to amortisation of the APAS® development costs; and
- $1.09 million for general administration, finance and other expenses.

Financial Position

Net assets of the Company increased by $0.77 million from $24.11 million at 30 June 2020 to $24.88 million at 30 June 2021.

Cash on hand and at the bank increased to $9.62 million at 30 June 2021 ($7.10 million at 30 June 2020).

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Company during the year.

After Balance Date Events

There were no material subsequent events.

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 Beteiligungs- 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.

Environmental Issues

The Company's operations are not subject to significant environmental regulation under the laws of the Commonwealth and State.

Information on Directors

Information on Directors as at the date of this report is as follows.

Catherine Costello
Chair

Qualifications
Law Degree (University of Melbourne)

Experience
Kate Costello is qualified in law and an expert in corporate governance, board performance and strategy.

She is a professional, Non-Executive Director having sold her consultancy business, Governance Matters, in 2017. Prior to establishing Governance Matters, Kate earned a law degree from the University of Melbourne and worked in management at a commercial law firm.

Kate's board experience has spanned commercial, statutory and not-for-profit entities across diverse sectors: banking and finance, engineering, defence, biotech, entertainment, gaming, software, education, employment, housing and accommodation and professional services.

She currently Chairs LBT Innovations Ltd (ASX LBT) and the Adelaide Fringe, is a Director of Whittles Management Services Pty Ltd and Lanser Fund Services and a trustee of Adelaide Workers' Homes.

Kate is a Fellow of the Australian Institute of Company Directors.

Interest in Shares	1,290,272	Ordinary Shares
Interest in Options	Nil	
Third Party Holdings		
• Costello Consulting Pty Ltd as Director	1,393,004	Ordinary Shares
• HSBC Custody Nominees (Australia) Limited	666,667	Ordinary Shares
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Brenton Barnes
Chief Executive Officer and Managing Director

Qualifications
Master of Project Management (University of Adelaide)
Diploma of Commerce (Sydney Institute of Business and Technology)
Graduate, Australian Institute of Company Directors (Australian Institute of Company Directors)

Experience
Brent is a global business Executive and medical technology enthusiast. He has broad experience in regulated Class I, Class II and Class III medical devices (implantable devices and artificial intelligence automation in healthcare), and in 2016 became CEO and Managing Director of LBT.

Prior to this, Brent spent 11 years as a Senior Executive in a variety of roles at Cochlear Limited (ASX:COH), the global leader in implantable hearing devices. During his tenure with the company, he lived in the US, Singapore and Sydney, overseeing a range of global business functions. During this time, he was the Director Asia Growth Markets and Operations for Asia Pacific, growing the implantable hearing market across 12 countries in Asia over five years.

In addition to his roles with LBT, Brent is a Non-Executive Director of Connek Pty Ltd, a telecommunications company that sub-contracts specialist services to leading blue chip telecommunications companies working on the national rollout of Australia's National Broadband Network.

Interest in Shares	575,658	Ordinary Shares
Interest in Options		Options Expiring
	1,500,000	7 August 2026
	6,000,000	25 November 2025
Third Party Holdings		
• Barnes' Love Work Live	713,606	Ordinary Shares
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

Joanne Moss
Independent Chair-Elect and Non-Executive Director (appointed 1 July 2021)

Qualifications

Bachelor of Laws (University of Technology Sydney)

Master of Laws (University of New South Wales)

Certificate in Chinese Law and Legal Systems (East China University of Political Science and Law)

Experience

Joanne has significant experience as a Non-Executive Director and Committee Chair in the current med-tech landscape. She is currently a Non-Executive Director and Committee Chair of Ellume, an award-winning med-tech company that develops, manufactures and commercialises high-performance digital diagnostics for consumers, health professionals and laboratories. Ellume has secured major commercial partnerships with GlaxoSmithKline, Qiagen, and the US Department of Defence in coordination with the Department of Health and Human Services.

An accomplished industry representative, Joanne is a media trained corporate spokesperson, roundtable facilitator, lecturer and keynote speaker on innovation, technology, leadership, corporate governance and ESG.

Joanne was previously Chief Legal and Corporate Affairs Officer within a Fortune 500 brand. Prior to that, she was a Corporate Adviser and Dispute Resolution Lawyer within an international top-tier law firm.

Joanne has a deep understanding of the commercial drivers and pressure points of technologically disruptive organisations and the skillset required to oversee enterprise strategy around global commercialisation, scale up, partnerships and capital raising. Her prior executive experience in legal, risk, governance, compliance, privacy and stakeholder engagement allows her to ambitiously drive commercial objectives in a holistic, ethical and sustainable manner.

Interest in Shares	Nil	Ordinary Shares
Interest in Options[1]	Nil	Options Expiring
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

1. The Company has agreed to grant Ms Moss 1,250,000 options subject to shareholder approval at the upcoming AGM.

Simon Arkell
Non-Executive Director

Qualifications

MBA (Orfalea College of Business at Cal Poly San Luis Obispo)

Bachelor's degree in Economics (University of New Mexico)

Experience

Simon is currently co-founder and President of Deep Lens, a US based artificial intelligence company focused on the deployment of a well known digital pathology platform to pathology labs worldwide with a focus on the identification of patients to clinical oncology trials. Deep Lens is backed by Northpoint Ventures, Sierra Ventures, Rev1 Ventures and Tamarind Hill Partners.

Prior to Deep Lens, Simon was the GM of software platforms and analytics at Greenwave Systems, Inc. which acquired Predixion Software, the company Simon founded in 2009 and ran as CEO until its exit in September 2016. Predixion raised over $46 million from strategic and venture investors and was named a visionary for advanced analytics by Gartner in 2016.

Prior to Predixion, Simon was an Operating Partner with Triton Pacific Capital Partners, was President and COO of an Oracle consulting company with 600 employees in 10 countries, was a Principal with boutique investment banking firm, and in 1998 he co-founded Versifi Technologies, Inc. in Newport Beach, California, a venture backed leader in the enterprise content management space.

Simon is program Chairman for Megan's Wings, a children's cancer charity and serves on the boards of the President's Council and the Dean's Advisory Council for the Orfalea College of Business at Cal Poly San Luis Obispo where he holds an MBA. He also holds a Bachelor's degree in Economics from the University of New Mexico. Originally from Adelaide, South Australia, Simon is also a two-time Olympian for Australia in the pole vault, and from 1990-1996 broke nine Australian and two Commonwealth records while also winning the gold medal at the 1990 Commonwealth Games.

In 2015, Simon received the award for outstanding CEO for mid-sized companies at the Orange County Tech Alliance awards.

Interest in Shares[2]	Nil	
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

2. The Company has agreed with Mr Arkell to pay 25% of his Directors fees in shares from 1 April 2021 for four years, subject to annual shareholder approval at the Company's AGM.

Damian Lismore
Non-Executive Director

Qualifications

GAICD (Graduate Member of Australian Institute of Company Directors)

CA ANZ (Member of Chartered Accountants, Australia and New Zealand)

FCA (Fellow of Chartered Accountants in Ireland)

BA (Honours) Accountancy

Experience

Damian has held a number of Directorships and has extensive commercial, international and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his Executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards and business owners.

With a background in M&A, licensing and business financing, Damian has a track record in helping businesses grow. Damian is CFO of Scout Bio Inc, a Frazier Healthcare backed company, commercialising gene therapy products. Previously Damian was CFO at Nexvet Biophama plc, which attracted significant US institutional backing and listed on NASDAQ in 2015. The business evolved to have research capabilities in Australia, clinical operations in the US and manufacturing operations in Ireland. In 2017, following the successful completion of clinical trials for its lead program the business was acquired by Zoetis Inc. Damian was also CFO at Biota and was instrumental in securing and managing major licenses with global pharmaceutical companies and securing a major US grant that allowed the business to transition from the ASX to NASDAQ.

Damian broadens the board skillset with his global outlook, networks and strong commercial acumen.

Interest in Shares[3]	203,716	Ordinary Shares
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Control Bionics Limited	
Interest in Contracts	Nil	

3. The Company has agreed with Mr Lismore to pay 25% of his Directors fees in shares from 1 April 2021 for four years, subject to annual shareholder approval at the Company's AGM.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Raymond Ridge

Qualifications
Bachelor's Degree, Accounting and Finance at the University of South Australia, Member of the Institute of Chartered Accountants Australia and New Zealand, and a Certificated Member of the Governance Institute of Australia.

Experience
Ray has held Senior Management positions in finance, compliance and commerce across a range of industries. Ray is currently Company Secretary for two other ASX listed companies and was previously CFO and Company Secretary for ASX listed RHS Ltd.

Remuneration Report (Audited)

This report details the nature and amount of remuneration of each Key Management person of LBT and for the Executives receiving the highest remuneration.

Remuneration Policy

The Remuneration Policy of LBT has been designed to align Key Management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results.

The key objectives of the Nominations and Remuneration Committee are to appropriately and effectively attract and retain the best Executives and Directors to lead and manage the Company.

This Remuneration Policy was developed by the Nominations and Remuneration Committee and approved by the Board. The Remuneration Policy has been tailored to ensure alignment between management and shareholder interests through:

- Performance bonuses based on key performance indicators (KPIs), and
- Issue of options to the Directors and Executives to encourage the alignment of personal and shareholder interests.

The fixed remuneration component is determined with regard to market conditions, with advice from remuneration specialists as required, so that the Company can recruit and retain the best available talent.

The Nominations and Remuneration Committee is responsible for approving remuneration structures and processes for incentives, bonuses and options. The Nominations and Remuneration Committee is responsible for setting the Managing Director's annual key performance targets, and assessing/measuring annually the achievement of the Managing Director against those targets. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can decide changes to the Nominations and Remuneration Committee's recommendations. Any change must be justified by reference to measurable performance criteria.

The relationship between the Board's policy and the Company's performance in terms of earnings and shareholder wealth is illustrated by the following table that shows the gross revenue, profits/(losses), available cash and closing share prices on 30 June for the past five years. During the financial year, the Company's share price traded between a low of $0.071 and a high of $0.195.

	2021	2020	2019	2018	2017
Revenue	$2.11m	$1.75m	$2.90m	$5.96m	$5.92m
Net Profit / (Loss) for the Year	($7.26m)	($5.64m)	($4.35m)	($2.69m)	($5.13m)
Available Cash	$9.62m	$7.10m	$10.18m	$7.57m	$3.50m
Year-End Share Price	$0.076	$0.23	$0.115	$0.115	$0.25

In the year ended 30 June 2021, the following milestones were considered relevant in assessing the Company's performance:

- Execution of a Marketing Agent Agreement with Beckman Coulter Inc, to cover Germany, UK and France. This will be an important partnership, providing a footprint and direct market access in the EU by a global leading supplier, as COVID-19 restrictions ease in the EU. CCS is currently facilitating two instrument evaluations by potential clients referred by Beckman Coulter Inc.
- Progressing negotiations with potential distributors for the APAS® Independence in the United States.
- Completion of three instrument sales - one to Labor Dr Gärtner, Germany, a member of the Limbach Group of laboratories, and two instruments sold to the Health Services Laboratory, a UK-subsidiary of Sonic Healthcare Limited (ASX: SHL). The Health Services Laboratory is a state-of-the-art facility based in London's "MedCity" and will be an important reference site for the technology in the United Kingdom.
- Progressing the MRSA Analysis Module submission to the US FDA. The FDA's usual timelines were impacted by prioritisation of their resources to COVID-19 related vaccinations and treatments.
- The development of Urine Analysis Modules for the EU, released as evaluation modules ahead of regulatory clearance.
- $0.8 million awarded in matched funding under MTPConnect's Biomedical Translation Bridge program. The funding supports the development of the Company's APAS®-AMR analysis module, adding a new feature to the APAS® Independence for the reading of antimicrobial susceptibility tests, a test conducted by laboratories to determine antimicrobial resistant infections.
- A Master Product Agreement was signed with AdventHealth, one of the largest hospital groups in the United States, with facilities across nine states. This agreement provides pre-approved terms to sell the APAS® Independence across the AdventHealth network, with several laboratories already expressing interest to evaluate the technology.
- In July 2020, LBT completed a placement to raise $8 million before costs, ensuring the Company is appropriately resourced and funded during the uncertainty created by the COVID-19 pandemic.

The policy is designed to attract the highest caliber of Executives and reward them for performance that results in long-term growth in shareholder wealth.

2020 AGM

At the Company's AGM held on 25 November 2020, while the resolution relating to the adoption of the Remuneration Report was passed with greater than 50% of votes cast in favour of the resolution, the 40.15% of votes cast against the resolution constituted a first strike for the purposes of the Corporations Act 2001 (Cth). In response to matters raised by shareholders at the AGM, the Board has undertaken the following:

- Meetings were offered to a number of major shareholders to understand and receive direct feedback on issues underlying the 2020 Remuneration Report vote.
- Executed a Board renewal process with the retirement of Non-Executive Director, Dr Caroline Popper effective 31 May 2021, and the appointment of Ms Joanne Moss as Non-Executive Director and Chair-elect, together with the planned retirement of the existing Chair, Ms Kate Costello on or before the Company's 2021 AGM.
- Implementation of a policy of minimum shareholding requirements for all Directors. A policy was approved by the Board requiring all Non-Executive Directors to invest a minimum of one year's Directors fees in the acquisition of LBT shares. Director's may elect to acquire the minimum holding on market or may elect to have 25% of their gross Directors fees over a four-year period to be paid in LBT shares, subject to shareholder approval at the Company's AGM. The price of the shares issued will be determined by a monthly VWAP. The policy was implemented effective April 2021and is applicable to existing Directors, Messrs Arkell and Lismore, who have both elected to have 25% of their Directors fees paid in LBT shares and new Director appointments.

The LBT Board policy for determining the nature and amount of remuneration for senior Company Executives and Directors follows.

Executive Terms and Conditions

<u>CEO and Managing Director</u>

The remuneration for the CEO and Managing Director has four components:

- A salary package of $306,000 inclusive of statutory superannuation;
- Reimbursement of reasonable travel and accommodation between his residence in Sydney and LBT's Office in Adelaide;
- An STI comprising a maximum annual bonus of 30% of the CEO and Managing Director's annual salary package. The maximum bonus is currently $91,800. The proportion of the maximum bonus that is awarded each year is determined by the Board based on their assessment of the achievement of preset objectives. The objectives are set by the Board annually at the commencement of each financial year and are aligned with the Company's KPIs as noted above.
- An LTI that principally aligns with shareholder interests, in respect to growth in share price, to incentivise, retain and reward the CEO and Managing Director. The LTI comprises 6,000,000 share options to take up ordinary shares at an exercise price of $0.16 each and expire on 25 November 2025. The exercise price was based on the same price as the July 2020 placement. The options are available for initial vesting in three tranches of 2,000,000 each at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years. Any unvested options at 2023 or 2024 carry forward for retesting at the following year, subject to the higher share price performance hurdles in the later years. Any unvested options, following the assessment of the 30 June 2025 share performance hurdles, will lapse. Further details are provided in Note 17 of the Financial Statements.

During the year ended 30 June 2021, LBT engaged Wexford Hayes to benchmark the remuneration package of the Company's CEO and Managing Director against a selection of comparable companies. The key findings of the Wexford Hayes report were that 1) the fixed remuneration and short-term incentive is at a median level (P50) compared to peer ASX listed companies, and 2) an (LTI) Plan should be implemented for the CEO and Managing Director, consistent with peer ASX listed companies. In response to this recommendation, the Board prepared the above LTI that was approved by shareholders at the Company's AGM held on 25 November 2020.

The Board selected Wexford Hayes based on their experience and independence from the Company's executive team. The Board are satisfied that this was an impartial process, as it was undertaken by the Board direct with Wexford Hayes and the CEO and Managing Director was not directly involved in those consultations, nor was the CEO and Managing Director part of the Board's deliberations on setting the structure of the LTI. Wexford Hayes was paid a fee of $15,000 for their services in relation to this review. Wexford Hayes was not engaged for any other services by the Company during the year ended 30 June 2021. The most recent engagement of Wexford Hayes for other services was in relation to the recruitment for an Executive position in the year ended 30 June 2020.

<u>Executives</u>

All Executives receive a base salary, based upon performance, professional qualifications and experience, and superannuation, fringe benefits, options and performance incentives. The Managing Director reviews Executive packages annually with reference to the Company's performance, Executive performance, and comparable information from industry sectors and other listed companies in similar industries.

The Board, through the Nominations and Remuneration Committee, are currently finalising the terms of an STI and LTI structure for the Executive team for the year ended 30 June 2022, that will align with performance targets, consistent with the Company's and the Managing Director's objectives for adding shareholder value. The purpose of the STI and LTI for the Executive team is to align and motivate/reward individual performance in contributing to the Company's objectives and to assist with retention of Executives that are key to building shareholder value over the next five years.

All Staff

The Board implemented a framework for allocating options to all staff subject to annual review and Board approval on an annual basis. The objective of this process is to assist in motivating all LBT employees around the common LBT Company objectives of increasing shareholder value through an increasing LBT share price and to assist with retention. The approved framework provides for allocation to employees in four bands, depending on individual roles within the Company, with an exercise price at 35-40% above the prevailing market price for LBT shares at the time of the annual Board approval. The options vest immediately and have a five-year term. The options accumulate through the allocation annually, although all options lapse following cessation of employment. This process aligns the interests of option holders with those of shareholders and creates a direct relationship between remuneration outcomes and Company performance. Option holders will only benefit in circumstances where relevant milestones are met and there is a material increase in the underlying share price from the time of grant of the options.

Key Performance Indicators (KPIs):

KPIs are set annually:

- By the Board on recommendation from the Nominations and Remuneration Committee;
- To target areas the Board believes hold greater potential for business expansion and profit;
- To cover financial and non-financial as well as short and long-term goals; and
- Are usually based on budgeted figures for the Company and respective industry standards.

Performance in relation to KPIs is assessed annually, with minor quarterly reviews and bonuses being awarded depending on the number and difficulty of the KPIs achieved.

Following this assessment, KPIs are reviewed by the Nominations and Remuneration Committee in light of their desired and actual outcomes. The efficacy of the KPIs is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year. Where advisable, independent reports are obtained from external organisations. KPIs for the CEO and Managing Director are set in key result areas of Sales & Distribution, Finance, Partnering/Pipeline Development, Analysis Module Development and Corporate Strategy with an emphasis on achieving the Company's financial goals. Any bonus payment is negotiated in line with achievement of KPIs and is weighted towards financial outcomes.

Superannuation

Non-Executive Directors and Executives receive a superannuation guarantee contribution required by the government, which was 9.5% in the 2020/21 financial year, they do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Non-Executive Directors

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nominations and Remuneration Committee determines payments to Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate remuneration pool for Non-Executives Directors is $285,000, as approved by shareholders at the Company's 2007 AGM. Amounts in excess of this maximum, or a change to this maximum, are subject to approval by shareholders.

Fees for Non-Executive Directors are not linked to the performance of the Company to maintain independence.

To align Directors' interests with shareholder interests, newly appointed Non-Executive Directors are granted 500,000 options, with an exercise price set based on the market price of LBT Shares at the time of their appointment, with a ten year term and a two year vesting period. These options are an important component of attracting and retaining high caliber Directors. To strengthen alignment between Director's interests with that of shareholders, Directors are encouraged to hold shares in the Company. This was formalised as a Board policy in March 2021, requiring all Directors to acquire the equivalent of one year's Directors fees within the first four years of their term. Accordingly, Messrs Lismore and Arkell have agreed to set aside 25% of their gross Directors fees over the following four years, to be satisfied through the annual issuance of LBT ordinary shares, priced according to the average market value of the Company's shares traded on the ASX over the corresponding period of service (using an average monthly volume weighted average price), subject to shareholder approval annually.

Over the period 1 May 2020 to 31 July 2020, the Directors elected to reduce Directors' fees by 20%, as part of the wider cost savings initiatives implemented across the Company, to assist with the conservation of the Company's cash during the uncertainty created by the early stages of the COVID-19 pandemic.

Shares and Options

Shares provided to Directors and Executives are valued at the fair value of the services provided, or otherwise valued based on the market price of the shares provided, at the date of Board or shareholder approval to issue the shares, as applicable. Options granted to Directors and Executives are valued at their fair value using the Binomial option-pricing model, with the exception of 6 million options issued to the CEO and Managing Director in late 2020 for which the fair value was valued using the Monte Carlo simulation.

Key Management Personnel Remuneration

2021	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total	Proportion Performance Based
	$000	$000	$000	$000	$000	$000	
Directors							
Mr B Barnes (1) (2) (10)	317	38	25	7	73	460	24%
Mrs C Costello	62	-	20	-	-	82	-
Dr C Popper (3)	44	-	-	-	-	44	-
Mr S Arkell (4) (11)	42	-	-	3	26	71	-
Mr D Lismore (4) (11)	41	-	4	3	29	77	-
Other Key Management Personnel							
Mr P Bradley (2) (5)	203	-	20	6	4	233	-
Mr R Ridge (2) (5)	171	-	8	7	4	190	-
Total	**880**	**38**	**77**	**26**	**136**	**1,157**	

2020	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total	Proportion Performance Based
	$000	$000	$000	$000	$000	$000	
Directors							
Mr B Barnes (2) (6)	338	14	25	43	-	420	14%
Mrs C Costello	61	-	20	-	-	81	-
Mr S Mathwin (7)	3	-	13	-	-	16	-
Dr C Popper	47	-	-	-	-	47	-
Mr S Arkell (4)	44	-	-	-	37	81	-
Mr D Lismore (4)	43	-	4	-	36	83	-
Other Key Management Personnel							
Mr P Bradley (2) (8)	215	-	21	2	8	246	-
Mr D Hill (9)	6	-	-	-	-	6	-
Mr R Ridge (2) (8)	170	-	4	2	8	184	-
Total	**927**	**14**	**87**	**47**	**89**	**1,164**	

1. The Board determined the CEO and Managing Director bonus payment for the 2021 year of $37,638.
2. The Company reduced all eligible employees to a four-day working week under a COVID-19 JobKeeper directive, from Monday 1st June 2020 to 25 September 2020. As an alternative, employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for one day per week over that period. The issue price was $0.10 (10 cents). The shares were issued in two tranches, being 31 July and 2 October. Messrs Barnes, Bradley and Ridge all elected to participated in the offer. Mr Barnes' participation was subject to shareholder approval, and the shares were issued on 18 December 2020.
3. Dr C Popper retired on 31 May 2021.
4. The fair value of options issued to newly appointed Directors, following shareholder approval on 27 November 2019. The fair value of the options are expensed over the two year vesting periods.
5. Eligible employees received options via LBT's ESOP at an exercise price of $0.175 per share. These options will expire on 26 August 2025.
6. The Board awarded a bonus of $57,834. The CEO and Managing Director elected to receive $44,064 of the bonus in LBT shares comprising 275,400 shares at an agreed price per share of $0.16., with the remaining amount of $13,770 provided in cash. The cash and shares were recognised as an expense in the year ended 30 June 2020. The expense related to the shares component was recognised at the market value of the 275,400 shares at the closing price of $0.15 for LBT shares traded on the ASX the day prior to Board approval of the bonus. The shares were issued 24 December 2020, following shareholder approval at the AGM.
7. Mr S Mathwin retired on 30 October 2019.
8. Eligible employees received options via LBT's ESOP at an exercise price of $0.237 per share. These options will expire on 18 November 2024.
9. Mr D Hill retired on 10 February 2020.

10. The LTI comprises 6,000,000 share options to take up ordinary shares at an exercise price of $0.16 each and expire on 25 November 2025. The options are available for initial vesting in three tranches of 2,000,000 each at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years. Further details are provided earlier in the Remuneration Report and in Note 17 to the Financial Statements. The fair value of the options was calculated as $418,000, using a Monte Carlo simulation. The Monte Carlo simulation creates simulated share prices over the vesting period of the options, and then tests to determine if the share price hurdles are met. The expected option value is discounted to calculate a present value for each simulation, and the average of all simulations is then taken to provide a value for the options. In accordance with AASB 2 "Share based Payment", the $418,000 fair value of the options is being expensed over the vesting period through to 25 November 2025. The expense recognised through to 30 June 2021 is $72,000. Due to the vesting hurdles, these options are considered performance based.
11. The Board formalised a policy requiring all Non-Executive Directors to invest a minimum of one year's Directors fees within four years of joining the Board. Under this policy, Messrs Arkell and Lismore will set aside 25% of their gross monthly Directors fees from 1 April 2021 to be settled in LBT shares, subject to approval of shareholders at the Company's AGM each year. The number of LBT Shares to be issued in lieu of 25% of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of the Company's shares traded on the ASX.

This concludes the Remuneration Report, which has been audited.

Meetings of Directors

During the financial year to 30 June 2021, thirteen meetings of Directors were held. Attendances by each Director during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr B Barnes	13	13
Mrs C Costello	13	13
Mr S Arkell	13	13
Mr D Lismore	13	13
Dr C Popper (retired 31 May 2021)	12	11

During the financial year to 30 June 2021, six meetings of the Audit Committee were held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr D Lismore (Chair)	6	6
Mr S Arkell	6	6

During the financial year to 30 June 2021, two meetings of the Nominations and Remuneration Committee were held. Attendances by each member during the reporting period were:

	Number Eligible to Attend	Number Attended
Mr D Lismore (Chair) (appointed 21 June 2021)	1	1
Dr C Popper (Chair) (retired 31 May 2021)	1	1
Mrs C Costello	2	2

Indemnifying Officers or Auditor

The Company has paid a premium to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct, while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. The amount of premium has not been disclosed as it is confidential under the terms of the insurance policy.

Option Details

At the date of this report, the unissued ordinary shares of LBT under option are as follows:

Date of Expiry	Exercise Price	Number of Options	No of Shares due on Conversion
11/12/2023	$0.045	100,000	100,000
18/11/2024	$0.237	1,440,000	1,440,000
26/08/2025	$0.175	1,056,669	1,056,669
25/11/2025	$0.160	6,000,000	6,000,000
11/04/2026	$0.141	500,000	500,000
07/08/2026	$0.157	1,500,000	1,500,000
22/12/2026	$0.320	100,000	100,000
28/02/2027	$0.400	200,000	200,000
28/11/2029	$0.080	500,000	500,000
28/11/2029	$0.063	500,000	500,000
		11,896,669	11,896,669

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of the Company or any other body corporate.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceeding to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any proceedings during the reporting period.

Non-Audit Services

There were no fees for non-audit services paid/payable to the external auditors during the years ended 30 June 2021 and 30 June 2020.

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 16.

Rounding of Amounts

The Company has applied the relief available to it under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Accordingly, amounts in the financial statements have been rounded off to the nearest $1,000.

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

Catherine Costello	**Brenton Barnes**
Chairman	Chief Executive Officer and Managing Director

Dated at Adelaide this 26th day of August 2021.

HLB MANN JUDD

LBT INNOVATIONS LIMITED

ABN 95 107 670 673

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of LBT Innovations Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
26 August 2021

Jon Colquhoun
Director

Statement of Comprehensive Income/(Loss)

For the Year Ended 30 June 2021

	Note	2021 $000	2020 $000
License Fee Revenue	2	35	0
Revenue from Consulting Services to Joint Venture Company	2	1,088	1,162
Other Income	2	987	589
Consulting Expense	3a	(223)	(251)
Employee Benefits Expense	3b	(4,174)	(3,675)
Depreciation and Amortisation Expense		(2,399)	(2,431)
General Administration Expenses		(336)	(364)
Finance Costs		(116)	(112)
Other Expenses	3c	(649)	(569)
Share of Loss of Joint Ventures Accounted for using the Equity Method	9	(3,717)	(1,764)
Loss Before Income Tax		**(9,504)**	**(7,415)**
Income Tax Benefit	4	2,244	1,779
Net Loss for the Year		**(7,260)**	**(5,636)**
Other Comprehensive Income/(Loss)			
Items that may be Reclassified subsequently to Profit or Loss			
Foreign Currency Translation		(174)	45
Total Comprehensive Loss for the Year		**(7,434)**	**(5,591)**
Basic Loss per Share (cents per share)	19	(2.53)	(2.39)
Diluted Loss per Share (cents per share)	19	(2.53)	(2.39)

The accompanying notes form part of the financial statements.

Statement of Financial Position

As at 30 June 2021

	Note	2021 $000	2020 $000
Assets			
Current Assets			
Cash and Cash Equivalents	5	9,615	7,096
Trade and Other Receivables	6a	1,078	111
Current Tax Asset		874	726
Total Current Assets		**11,567**	**7,933**
Non-Current Assets			
Trade and Other Receivables	6b	-	370
Plant and Equipment	7	105	66
Right of Use Assets	8	1,974	6
Investments Accounted for using the Equity Method	9	-	-
Other Financial Assets	10	4,687	7,293
Deferred Tax Assets	20	2,534	1,539
Intangible Assets	11	14,822	16,558
Total Non-Current Assets		**24,122**	**25,832**
Total Assets		**35,689**	**33,765**
Current Liabilities			
Trade and Other Payables	12a	1,408	678
Lease Liabilities	13	179	11
Other Financial Liabilities	14a	997	949
Total Current Liabilities		**2,584**	**1,638**
Non-Current Liabilities			
Trade and Other Payables	12b	-	279
Lease Liabilities	13	1,743	-
Other Financial Liabilities	14b	1,985	2,973
Deferred Tax Liabilities	20	4,332	4,643
Provisions	15	165	120
Total Non-Current Liabilities		**8,225**	**8,015**
Total Liabilities		**10,809**	**9,653**
Net Assets		**24,880**	**24,112**
Equity			
Issued Capital	16	43,544	35,549
Reserves	17	1,297	1,276
Accumulated Losses		(19,961)	(12,713)
Total Equity		**24,880**	**24,112**

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the Year Ended 30 June 2021

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated Losses	Total
	$000	**$000**	**$000**	**$000**	**$000**
Balance at 30 June 2019	**895**	**192**	**35,565**	**(7,134)**	**29,518**
New Shares Issued	-	-	13	-	13
Options Granted as Remuneration	209	-	-	-	209
Options Exercised	(57)	-	-	57	-
Options Lapsed	(8)	-	-	-	(8)
Capital Raising Costs	-	-	(38)	-	(38)
Tax Effect Attributable to Capital Raising Costs	-	-	9	-	9
Other Comprehensive Income	-	45	-	-	45
Net Loss for the Year	-	-	-	(5,636)	(5,636)
Balance at 30 June 2020	**1,039**	**237**	**35,549**	**(12,713)**	**24,112**
New Shares Issued	-	-	8,368	-	8,368
Shares Issued as Remuneration	-	-	144	-	144
Options Granted as Remuneration	207	-	-	-	207
Options Exercised	-	-	-	-	-
Options Lapsed	(12)	-	-	12	-
Capital Raising Costs	-	-	(555)	-	(555)
Tax Effect Attributable to Capital Raising Costs	-	-	38	-	38
Other Comprehensive Income	-	(174)	-	-	(174)
Net Loss for the Year	-	-	-	(7,260)	(7,260)
Balance at 30 June 2021	**1,234**	**63**	**43,544**	**(19,961)**	**24,880**

The accompanying notes form part of the financial statements.

Statement of Cash Flows

For the Year Ended 30 June 2021

	Note	2021 $000	2020 $000
Cash Flows from Operating Activities			
Revenue from Customers		18	-
Revenue from Consulting Services to Joint Venture Company		883	1,247
Government Grants Received		557	247
Payments to Suppliers and Employees		(4,930)	(4,557)
Short-Term Lease Payments		(88)	(37)
Research and Development Tax Concession		826	1,110
Interest Received		61	135
Net Cash used in Operating Activities	18	**(2,673)**	**(1,855)**
Cash Flows from Investing Activities			
APAS Analysis Module Development (intangible asset)		(561)	(735)
Payments for Plant and Equipment		(73)	(36)
Payments for Right of Use Asset (office fit-out)		(38)	-
Loan Provided to Joint Venture Company		(1,070)	(1,690)
Net Cash used in Investing Activities		**(1,742)**	**(2,461)**
Cash Flows from Financing Activities			
Cash Proceeds from New Shares Issued		8,468	13
Loans Received		-	1,500
Loan Repayments		(925)	(139)
Repayment of Lease Principal		(54)	(75)
Capital Raising Costs		(555)	(62)
Net Cash provided by Financing Activities		**6,934**	**1,237**
Net Increase (Decrease) in Cash and Cash Equivalents		2,519	(3,079)
Cash and Cash Equivalents at Beginning of Year		7,096	10,175
Cash and Cash Equivalents at End of Year	5	**9,615**	**7,096**

The accompanying notes form part of the financial statements.

1. Statement of Significant Accounting Policies

The financial report covers LBT Innovations Ltd (**LBT** or the **Company**), a public company incorporated and domiciled in Australia and were authorised for issue on the 26 August 2021 by the Directors of the Company.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001.

The financial report of LBT complies with all International Financial Reporting Standards (IFRS) in their entirety and are presented in Australian dollars, which is LBT's functional and presentation currency.

Reporting Basis and Conventions

The financial 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.

Going Concern basis of Accounting

The Company's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. The future viability of the Company is largely dependent on its ability to raise capital to finance its operations. The Company's failure to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Company, the Company may be required to delay, reduce or eliminate research and development programs, reduce or eliminate commercialisation efforts, obtain funds through arrangements with collaborators or pursue merger or acquisition strategies. The Company believes that it has sufficient liquidity to prepare the financial statements on a going concern basis.

Accounting Policies

a. Income Tax

The current income tax benefit / (expense) is based on the (loss) / profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. Plant and Equipment

Plant and equipment is measured on the cost basis less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

1. Statement of Significant Accounting Policies cont.

Plant and Equipment cont.

Depreciation

The depreciable amount of all plant and equipment is depreciated on a straight-line basis over its useful life to the Company, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Per Annum
Plant and Equipment	5 – 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Any asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

c. Intangibles

APAS® Development Costs

Capitalised APAS® Development costs include software development, consulting and some internal salaries incurred from December 2013.

Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these costs can be reliably measured.

During the year ending 30 June 2019, the development was finalised for the APAS® Independence instrument together with the Urine Analysis module applicable to Australia.

Amortisation of the APAS® development costs have commenced from August 2018, being the month of the first sale of an APAS® Independence instrument. LBT have assessed the useful life of the instrument to be 8 years, based on a review of other similarly priced capital items involving new technology within the same culture plate process. The amortisation is calculated on a straight-line basis as being the most appropriate method to reflect the realisation of the future economic benefits arising from the development of the APAS® technology.

APAS® Analysis Module Development Costs

The APAS® Independence instrument will not function without the Analysis Module (AM) software. A separate AM needs to be developed for each particular specimen type and for the different particular type of culture plate media used. Different geographies globally utilise different culture plate media for the same specimen testing. A core group of AMs are required to ensure at least the two most common specimen tests are available on the most commonly used culture plate media used in each of the target markets. The development costs for these core group of AMs are required to realise the sales potential of the physical instrument. These development costs have been capitalised as a separate asset from August 2018 onwards.

License Fees and Option Fees

Licence fees and option fees are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Research Expenditure

Expenditure during the research phase of a project is recognised as an expense when incurred.

d. Financial Instruments

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

1. Statement of Significant Accounting Policies cont.

d. Financial Instruments cont.

Impairment - Financial Instruments

The company recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value the loss allowance is recognised in profit or loss.

Financial Assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial Liabilities

Financial liabilities are recognised at amortised cost less principal payments and amortisation.

e. Investment Accounted for Using the Equity Method

Investment in Joint Venture

LBT established a joint venture company, Clever Culture Systems AG (**JV Company**), with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. LBT has a 50% interest in the JV Company into which it has contributed CHF25,000 share capital and granted an exclusive licence to use its APAS® technology. Hettich Holding Beteiligungs- und Verwaltungs-GmbH (**Hettich**) also holds a 50% interest in the JV Company into which it has contributed CHF25,000 share capital and an initial shareholder loan of $4 million. Subsequent funding is being provided by LBT and Hettich equally as shareholder loans.

The investment in the JV Company is accounted for using the equity method in accordance with AASB 128 Investments in Associates & Joint Ventures. Under the equity method, the investment in the JV Company is initially recognised in the balance sheet of LBT at cost and adjusted for post-acquisition changes in LBT's share of net assets in the JV Company. The initial cost of the investment into the JV Company comprised the CHF25,000 share capital contribution together with the fair value of the licence granted to the JV Company to use its APAS® technology, being $1.51 million.

The continued adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil during the year ended 30 June 2019. Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of those shareholder loans are more in the nature of an 'equity' style risk.

Financial statements of the JV Company are aligned to the same reporting period as LBT and have been amended where the JV Company's accounting policies are inconsistent with that of LBT.

During the period ending 30 June 2021, LBT's 50% share of the change in net assets of the JV Company over that period was a loss of $3,717,000 (2020: $1,764,000). A further loss of $174,000 (2020: $45,000 gain) was included in comprehensive losses relating to the impact on LBT's share of net assets due to the movement in exchange rates over the period. The equity accounted loss, net of the foreign exchange impact, of $3,891,000 (2020: $1,719,000) was applied to reduce the carrying amount of LBT's investment and shareholder loans as follows:

- Investment $nil (2020: $nil, being the reduction in the carry value of the investment to $nil) - refer note 9.
- Shareholder loans $3,891,000 (2020: $1,719,000 being the remainder of the equity accounted loss after the investment had been reduced to $nil) - refer note 10.

As at 30 June 2021, the total carrying value of the investment in, and the loan to, the JV Company is $4.7 million (2020: $7.3 million).

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset. An impairment test is also performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

An impairment test compares the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Critical Accounting Estimates and Judgements

The Directors evaluate managements' estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates – Impairment

The carrying amount of $19.5 million (2020: $23.9 million) for the following assets are dependent on sufficient future cash flows generated through sales of the APAS® instrument and ongoing licence fees, received through LBT's 50% owned joint venture company, CCS, together with LBT's expected direct earnings through a share of the ongoing licence fees globally and distribution fees for sales in Australia and New Zealand:

- $4.7 million (2020: $7.3 million) loan to CCS, including accrued interest - refer note 10;
- $14.8 million (2020: $16.6 million) intangible assets, being the capitalised development costs for the APAS® instrument and development modules - refer note 11.

The Company first assesses the $4.7 million (2020: $7.3 million) loan to CCS as a financial asset pursuant to the requirements of Accounting Standard AASB 9 Financial Instruments (refer Note 1(d)). There has been no recognition of a credit loss provision on the basis of the assessed ability for CCS to repay the full value of the loan based on expected future profitability of CCS though sales of the APAS® instrument.

Following the assessment of the financial asset, the total carrying amount of the APAS® related assets of $19.5 million (2020: $23.9 million) are formally assessed against their estimated recoverable amount, consistent with Accounting Standard AASB 136 Impairment of Assets. The recoverable amount is assessed using a value-in-use calculation, comprising a forecast of cash flows associated with future sales of the APAS® instrument, discounted to net present value. The forecast incorporates various key assumptions outlined further below. For the purpose of the cash flow forecasts, the cash generating unit has been identified as comprising the Company in its entirety, including its 50% share of forecast cash flows from the joint venture company, CCS. The discounted cash flow forecast indicates a recoverable amount of $25.9 million (2020: $38.7 million). The assessed recoverable amount remains in excess of the carrying value of the APAS® related assets by $6.4 million (2020: $14.8 million). On this basis, Directors have concluded an impairment of the APAS® related assets is not required.

The reduction in the estimated recoverable amount from $38.7 million, for the impairment testing as at 30 June 2020, to $25.9 million for the impairment testing as at 30 June 2021, reflects the reduction in managements' estimated number of instrument sold over the forecast period, predominantly as a result of the impact of COVID-19 on the target market, being the pathology laboratories and hospitals. This is detailed further below.

COVID-19 Impact
In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. Many countries and localities have announced aggressive actions to reduce the spread of the disease, including limiting non-essential gatherings of people, suspending all non-essential travel, ordering certain businesses and government agencies to cease non-essential operations at physical locations and issuing quarantine requirements. In the year ended 30 June 2021, we saw the emergence of the Delta strain, with many countries experiencing second and third waves which surpassed the first wave. The estimated sales underlying the forecast cash flows for the recoverable amount estimate have been impacted by the COVID-19 pandemic.

COVID-19 significantly impacted the target market for the APAS® instrument, being pathology laboratories and hospitals. These pathology laboratories and hospitals being heavily focused on COVID-19 testing, reduced conventional testing and redeployment of resources, and in many cases implemented temporary expenditure restrictions. These impacts meant for much of the year customers were unavailable to showcase, evaluate or even discuss the technology. Restrictions on travel have impacted industry conferences, with only some of these occurring in a virtual format. This has delayed CCS being able to progress near term sales opportunities and previously identified sales leads which has impacted the number of instruments sold in the year ended 30 June 2021. But even more importantly, it has impacted the ability to generate new leads over the last 12 months, including those sales leads that we would have otherwise expected to have been generated in the EU through Beckman Coulter, Inc (appointed by CCS as marketing agent for Germany, France and the UK, in early July 2020). It is these new leads that form the basis of instrument sales over the next 18 months. COVID-19 has also contributed to delays in the expected timing of engaging a US Distributor. More recently, increasing vaccination rates have seen the return of some ability to engage with potential customers in person, particularly in the US

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

and some parts of the EU. Assuming the situation continues to improve, LBT believes that the timing of sales have been delayed approximately 12 months, compared to the assessment at 30 June 2020. The most significant impact of this is to push sales outside the forecast period through to 30 June 2027, for the purposes of the assessing the recoverable amount of the APAS related assets. As a result, total sales over that forecast period have reduced to 300 instruments.

However, despite these impacts from COVID-19, a number of key milestones have been achieved in the year ended 30 June 2021. Pleasingly these include the finalisation of three instrument sales, progressing an additional three new evaluation sites, the development of additional analysis modules which extend the utility of the instrument, and progressing negotiations of a distribution agreement fur the US and progressing the FDA submission for the MRSA analysis module in the US. Importantly these sales and contract negotiations have provided further validation of the Company's belief in the commercial opportunities for APAS.

The extent to which COVID-19 will impact our business, financial position and operating results cannot be predicted with certainty. The Company has implemented plans to contain operating costs to assist to manage cashflows through this period of increased uncertainty and will continue to monitor the impact of COVID-19 on all aspects of the business.

While the Directors are satisfied that management's cash flow forecast is achievable, there remains uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are significantly less than forecast, this could materially impair the $19.5 million (2020: $23.9 million) APAS® related assets recognised in the financial statements.

Assumptions

A description of the assumptions underlying the forecast cash flows is described below.

Sales Projections
Sales projections are based on a unit sales price of approximately USD300,000 ($400,000) per instrument and USD30,000 ($40,000) per annum ongoing licence fee with an expected minimum useful life of six years per instrument, less distributor fees ranging from 30% to 35%. The unit sales are based upon the targeted markets and prior experience in bringing a new medical device technology to the market, together with historical market knowledge for other devices in the culture plate process, involving new technology at a similar price per unit.

The forecast period is 6 years through to June 2027. Accounting Standard AASB 136 Impairment of Assets, clause 33(b) prescribes that "Projections based on budgets/forecasts shall cover a maximum period of five years, unless a longer period can be justified". The Directors believe that a 6-year period for the cash flow projections is considered appropriate on the basis of the following estimated timelines:

- To June 2022. Distributors are targeted to have been appointed and trained in all key geographies by the end of calendar year 2021. Estimated sales potential will only be achieved through distributors. The length of time anticipated to appoint distributors and achieve anticipated sales growth reflects that:
    - the APAS® instrument is a new technology. The near-term focus is to raise awareness of the instrument. There is only a modest amount of sales forecast in this period, with potential customers taking time to perform their own validations of this new technology;
    - it is anticipated that early sales will be aided by the Marketing Agent Agreement with Beckman Coulter, Inc, initially targeting the markets of Germany, the UK and France (refer ASX Announcement 7 July 2020);
    - even after marketing agent or distributor appointments in the key geographies, sales will initially be subject to the typical 12 month sales cycle of the APAS® instrument;
    - although the APAS® instrument is physically complete, the achievement of sales potential will require regulatory cleared Analysis Modules and/or Evaluation Modules to support testing by the instrument of at least two specimen types (Urine and MRSA), using the culture plates most commonly used in each of the US and the EU for those specimen types, and an Analysis Module for Anti-Microbial Resistance testing. The Company expects to have this core group of Analysis Modules developed by December 2022. Analysis Modules and Evaluation Modules will continue to be developed, which further increases the clinical utility of the instrument and increases the global market opportunity; and
    - reducing impact of COVID-19 through to June 2022, providing greater access to potential pathology customers.
- To June 2027. Beyond the first year of appointment of distributors in the key geographies, sales are assumed to significantly grow through the appointment of distributors in the key geographies to a peak of approximately 96 instrument sales per annum in the final year of the forecast period. The modelling for the impairment testing in the prior year, ended 30 June 2020, included peak sales of 180 instruments in that final year. As noted above, this reflects the delays encountered in the 2021 financial year due to COVID-19, which have resulted in some of the forecast sales being pushed outside of the forecast period through to 30 June 2027.

1. Statement of Significant Accounting Policies cont.

f. Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

Terminal Value
The terminal value is calculated based on a reduced ongoing sales projection of 20% of the year six peak sales, or 19 instruments per annum, with the installed base reducing over time to 115 units. A price earnings multiple of three times earning has been used, reflecting that the instrument would be late in its product life cycle at that point. Terminal value also includes the annual licence fee 'run-off' for the installed base at June 2027, assuming an average of five annual licence renewals per instrument following the year of sale.

Discount Rate
A nominal pre-tax discount rate of 20% has been used in the discounted cash flow modelling. This is unchanged from the prior reporting period ended 30 June 2020. This was based on the average longer-term Price-Earnings ratio of ASX listed entities, adjusted for management's view of a risk premium appropriate for LBT as a pre-revenue listed entity, at the current stage of commercialisation of the APAS® instrument.

Sensitivity of Assumptions

Sensitivity of the discounted cash flow forecast to separate changes in the above assumptions is provided as follows:

- the pre-tax nominal discount rate can be increased to 24% (2020: 27%) before the discounted cash flow forecast approximates the carrying value of $19.5 million (2020: $23.9 million); or
- the number of units sold can be reduced by 25% (2020: 26%) across the forecast period before the discounted cash flow forecast approximates the carrying value of $19.5 million (2020: $23.9 million); or
- the average sales price per instrument together with the ongoing license fee can be reduced by 15% (2020: 19%) before the discounted cash flow forecast approximates the carrying value of $19.5 million (2020: $23.9 million); or
- the assumed average number of analysis modules licensed per instrument per annum would need to reduce by 23% before the discounted cash flow forecast approximates the carrying value of $19.5 million. This was included in the sensitivity analysis for the first time for the year ended 30 June 2021.
- AUD:USD exchange rate could increase to 1.19 before the discounted cash flow forecast approximates the carrying value of $19.5 million. AUD:USD has the greatest impact on repatriation of profits to LBT in AUD, given the significance of the market size in the US. This was included in the sensitivity analysis for the first time for the year ended 30 June 2021.

g. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions.

h. Revenue Recognition

Revenue from Contracts with Customers

CCS currently undertakes all sales direct with end customers, except for the relatively small market of Australia/New Zealand where sales are recognised by LBT as the appointed distributor for CCS in that region. Moving forward, it is expected that CCS will progressively recognise sales in the US through a distributor.

In accordance with AASB 15, sales are recognised in CCS, or directly in LBT for Australia/New Zealand, by dividing the sales contracts into two performance obligations, each being a promise to transfer to the customer a good or service that is distinct. Revenue is then recognised when (or as) the Company satisfies each performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. The performance obligations are as follows:

- One year maintenance and support. Part of the total contracted sale price is attributed to this service based on the list price of $40,000 per annum for annual maintenance and support following the one-year 'free' maintenance and support included in the contract price. This portion of the contracted sales price is recognised as revenue over the course of that 12-month warranty period.
- The remainder of the contracted sales price is attributed to the sale of the instrument. The instrument was delivered, tested and handed over to the customer in August 2018. This portion of the contracted sales price is recognised as revenue once the instrument is delivered and installed at the customer site.

Whilst the instrument sales and end user license fees are recognised by CCS (other than Australia/New Zealand), CCS is required to pay LBT 6,000 CHF (approximately $8,860) per annum for each Analysis Module licensed to end customers. LBT recognises this as revenue when the end customer enters into the annual end user license agreement.

During the financial year ended 30 June 2021, LBT's joint venture company, CCS, sold three APAS® Independence instruments including Analysis Module licenses, recognising revenue of $1.3 million (refer Note 9 for LBT's equity accounting of its 50% share of CCS).

1. Statement of Significant Accounting Policies cont.

h. Revenue Recognition cont.

Revenue from Consulting Services provided to CCS

LBT's staff provide a number of services to CCS, such as general management of the joint venture company, management of the design and development of the APAS® instrument, management of the supplier of the instrument clinical trials, regulatory submissions, and some sales related activities outside of Australia including installation and support at potential customer sites and key opinion leader sites.

The costs of staff time are invoiced by LBT on a cost plus a standard mark-up for oncosts. The invoicing from the provision of services is recognised as revenue in the month the services are provided.

Revenue from Other Services provided to CCS

Costs incurred by LBT in the course of the provision of the above Consulting Services are invoiced to CCS at cost, on a monthly basis. Revenue is recognised in the month the costs are incurred.

Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

i. Share-Based Payments

Equity Settled Transactions

The Company currently has a Directors and Employee Share Option Plan in place to provide benefits to Directors and Executives in the form of share-payments whereby they render services in exchange for shares or rights over shares (equity-settled transactions).

The Company may also provide options to selected consultants in exchange for their services.

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted or in the case of options subject to shareholder approval, then fair value at the date of shareholder approval. The fair value is determined using the Binomial option pricing model. Although for more complex options that include market vesting conditions, the Company utilises a Monte Carlo simulation together with a net present value calculation.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party becomes fully entitled to the award (the vesting period).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the assets or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k. Foreign Currency Transactions and Balances

Foreign currency transactions during the year were converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date were converted at the rates of exchange ruling at that date.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income.

LBT's joint venture's transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the statement of financial position's date. Any resulting exchange differences are included in the comprehensive income statement. Non-monetary assets and liabilities, other than those measured at fair value are not retranslated subsequent to initial recognition.

In the financial statements, the assets and liabilities of LBT's non-Australian dollar functional currency joint venture are translated into Australian dollars at the rate of exchange at the statement of financial position's date.

1. Statement of Significant Accounting Policies cont.

l. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

m. Government Grants

Government grants, including JobKeeper payments, are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expenses are recognised as income over the periods necessary to match grants to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

n. Leases - the Company as lessee

At inception of a contract, the Company assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Company. However, all contracts that are classified as short-term leases (ie a lease with a remaining lease 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 commencement date. The lease payments are discounted at the interest rate implicit in the lease.

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 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 as mentioned above, any lease payments made at or before the commencement date, as well as 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.

o. Adoption of New and Revised Accounting Standards (issued but not yet effective)

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

AASB 17 Insurance Contracts
This new Standard introduces principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure all insurance contracts are accounted for in a consistent manner. The new Standard replaces AASB 4, AASB 1023 and AASB 1038.
AASB 17 takes the approach that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that fluctuate significantly over a long period of time.

As LBT does not provide insurance, this new Standard will have no impact on the Financial Statements of the Company.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current
The Standard amends AASB 101 Presentation of Financial Statements, specifically the paragraphs relating to the requirements for classifying liabilities as current or non-current. Importantly, the amendments do not change the existing requirements contained within AASB 101, but rather clarify them.
The amendments clarify:
- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification; and
- The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

This new Standard is not expected to have a material impact on the Financial Statements of the Company.

2. Revenue

	2021 $000	2020 $000
Revenue		
License Fee Revenue [1]	35	-
Revenue from Consulting Services to Joint Venture Company	1,088	1,162
Revenue	**1,123**	**1,162**
Other Income		
Interest from Joint Venture CCS	238	202
Other Interest	76	146
Government Grants[2]	676	247
Foreign Exchange Gain (Loss)	(3)	(6)
Total Other Income	**987**	**589**
Total Revenue	**2,110**	**1,751**

1. During the period, LBT's joint venture company, CCS, sold four annual licences for analysis modules developed by LBT. CCS is required to pay LBT 6,000 CHF (approximately $8,860) per annum for each analysis module licensed to end customers.
2. Grant Income comprises $382,000 JobKeeper, $50,000 PAYG cash boost, and $244,000 reimbursement owing in relation to the matched funding being provided by the Government under the BTB grant for the development of an analysis module for Antibiotic Sensitivity Testing. (ASX Announcement 3 September 2020). In the year ended 30 June 2020, Governments Grants comprised $162,000 JobKeeper, $50,000 PAYG cash boost, and $35,000 Job Accelerator Grant.

3. Loss for the Year

Loss Before Income Tax Benefit from Continuing Operations includes the following Items:

	2021 $000	2020 $000
(a) Consulting Expense Consulting Expense relates to International Market Research, Scientific and Professional Consulting.	**223**	**251**
(b) Employee Benefits Expense Cash Based Employee Benefits Expense includes Directors' Fees, Salaries and Wages, including Executive Bonuses. [1]	3,967	3,474
Share Based Payments (refer note 23) [2]	207	201
Total Employee Benefits Expense	**4,174**	**3,675**
(c) Other Expenses		
Short-Term Lease Payments and Outgoings	158	77
Travel and Accommodation	38	132
Sundry	453	360
Total Other Expenses	**649**	**569**
(d) Auditors' Remuneration Auditors' Remuneration is included in General Administration Expenses. The Auditor did not provide any Non-Audit Services to the Company during the Year.	**49**	**62**

1. Cash based employee benefits expenses includes $100,000 of employee salaries settled through the issuance of LBT shares (refer Note 16), with $74,000 expensed in the year ended 30 June 2021 and $26,000 expensed in the year ended 30 June 2020.
2. Share based payments relate to a total of $207,000 expensed in the period for options granted to employees and Directors (refer Note 17).

4. Income Tax

	2021 $000	2020 $000
(a) The Components of Tax Benefit Comprise:		
Current Tax	1,080	756
Deferred Tax - Origination and Reversal of Temporary Differences	1,164	1,023
Income Tax Benefit	**2,244**	**1,779**
(b) The Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss is Reconciled to the Income Tax as follows:		
Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss at 26% (2020: 27.5%)	2,471	2,039
Adjusted for the Tax Effect of:		
R&D Concession Claim	319	268
Capital Raising Costs	107	70
Non-Deductible Expenses	(1,004)	(612)
Other	351	14
Income Tax Benefit	**2,244**	**1,779**

5. Cash and Cash Equivalents

Cash on Hand and at Bank	837	478
Cash on Deposit	8,778	6,618
Total Cash and Cash Equivalents	**9,615**	**7,096**

6. Trade and Other Receivables

(a) Current		
Trade Receivables	666	52
Other Receivables	357	43
GST Refundable	55	16
Total Current Receivables	**1,078**	**111**
(b) Non-Current		
Trade Receivables	-	**370**
Total Non-Current Receivables	**-**	**370**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days, unless otherwise disclosed.

Current Trade Receivables includes an amount of $398,000 (2020: $370,000 Non-Current) due from the sale of an APAS® instrument in Australia (with LBT as distributor for CCS). The sale was recognised in the year ended 30 June 2019. As the contract provided for a payment plan over three years, the sales price is discounted to net present value at each financial reporting date.

Current Trade Receivables also includes $268,000 (2020: $52,000) receivable from LBT's joint venture company, CCS.

6. Trade and Other Receivables cont.

Credit Risk

All receivables are within agreed payment terms.
LBT has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 6 and Note 10. The class of assets described as "Trade and Other Receivables" (Note 6) and "Financial Assets" (Note 10) are considered to be the main sources of credit risk related to the Company.

On a geographical basis, the Company has credit risk exposures in Australia only, other than amounts owing from its 50% owned joint venture Company, CCS, incorporated in Switzerland.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date. As at 30 June 2021, the Company has determined that no credit loss provision is required.

7. Plant and Equipment

	2020 $000	2020 $000
Plant and Equipment at Cost	461	376
Less: Accumulated Depreciation	(356)	(310)
Total Plant and Equipment	**105**	**66**

Movements in Carrying Amount

Movements in carrying amounts of plant and equipment between the beginning and the end of the financial year were as follows:

Opening Balance	66	89
Additions	85	34
Disposals	-	-
Depreciation Expense	(46)	(57)
Closing Balance	**105**	**66**

8. Right of Use Assets

The Company's right of use assets comprise the lease of office space. During the year ended 30 June 2021, the company entered into a new lease, to consolidate its two office premises into one. The remaining term of the lease is 4.9 years, with an option to extend for a further five years.

This right of use assets calculation at 30 June 2021 consisted of a signed property lease for its sole office in Adelaide CBD, commencing 15 April 2021. This is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The rent increases on an annual basis by 3.5% or CPI whichever is the greater. An option exists to renew the lease at the end of the five-year term for an additional term of five years. In the year ended 30 June 2020, the right of use assets calculation consisted of a signed property lease for its head office in Adelaide CBD which ceased 31 July 2020 and was thereafter on a rolling monthly lease arrangement until the Company moved to its new office.

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.

8. Right of Use Assets cont.

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

	2021	2020
	$000	**$000**
(i) AASB 16 related amounts recognised in the Statement of Financial Position		
Leased Building	2,024	86
Less: Accumulated Depreciation	(50)	(80)
Right of Use Assets	**1,974**	**6**

Movements in Carrying Amount Movements in carrying amounts of Right of Use Assets between the beginning and the end of the year were as follows:		
Opening Balance	6	-
Recognised on Initial Application of AASB 16 (previously classified as an operating lease under AASB 117)	-	86
Recognised on Lease Commencement	2,024	-
Depreciation Expense	(56)	(80)
Closing Balance	**1,974**	**6**

(ii) AASB 16 related amounts recognised in the Statement of Statement of Comprehensive Income/(Loss)		
Depreciation Charge related to Right of Use Assets	(56)	(80)
Interest Expense on Lease Liabilities (under Finance Costs)	(5)	(2)
Short-Term Leases Expense	(112)	(37)
Low Value Assets Expense	-	-
(iii) Total Year Cash Outflows for Leases	(54)	(75)

9. Investments Accounted for Using the Equity Method

(a) Recognition of Carrying Amounts	**2021**	**2020**
	$000	**$000**
Investment in Joint Venture at Cost (Note 1 (e))	1,539	1,539
Foreign Currency Translation Reserve	192	192
Share of Cumulative Loss in Joint Venture	(1,731)	(1,731)
Closing Balance	**-**	**-**

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, and regulatory approvals for, 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 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 was 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 to note 10).

Financial statements of the joint venture Company are aligned to the same reporting period as LBT and have been amended where the joint venture company's accounting policies are inconsistent with that of LBT.

9. Investments Accounted for Using the Equity Method cont.

(b) Summarised Financial Information for Joint Ventures

Set out below is the summarised financial information for Clever Culture Systems AG (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.

Summarised Financial Position

	2021 $000	2020 $000
Assets		
Current Assets		
Cash and Cash Equivalents	321	217
Trade and Other Receivables	954	449
Inventory	747	1,058
Total Current Assets	**2,022**	**1,724**
Non-Current Assets		
Intangible Assets	12,854	17,474
Total Non-Current Assets	**12,854**	**17,474**
Total Assets	**14,876**	**19,198**
Current Liabilities		
Trade and Other Payables	407	129
Total Current Liabilities	**407**	**129**
Non-Current Liabilities		
Non-Current Financial Liabilities (Loans from Joint Venture Shareholders)	29,826	26,643
Total Non-Current Liabilities	**29,826**	**26,643**
Total Liabilities	**30,233**	**26,772**
Net Liabilities	**(15,357)**	**(7,574)**
LBT's Share (%)	50%	50%
LBT's Share of Joint Venture Net Liabilities	**(7,678)**	**(3,787)**

9. Investments Accounted for Using the Equity Method cont.

Summarised Financial Information for CCS cont.

Summarised Financial Performance

	2021 $000	2020 $000
Revenue (1)	1,277	164
Depreciation and Amortisation (2)	(3,101)	(2,532)
Interest Expense	(550)	(517)
Other Expenses	(5,060)	(643)
Loss After Tax from Continuing Operations	**(7,434)**	**(3,528)**
Other Comprehensive Income	-	-
Total Comprehensive Loss for the Year	**(7,434)**	**(3,528)**
Dividends Paid	-	-
LBT's Share of Joint Venture's Comprehensive Income/(Loss)	**(3,717)**	**(1,764)**
Foreign Currency Translation	**(174)**	**45**
Change in LBT's Share of Joint Venture Net Liabilities	**(3,891)**	**(1,719)**

1. Revenue relates to three APAS® Instruments sold during the year ended 30 June 2021 and license fees received for the analysis modules sold with the instruments.
2. Depreciation and Amortisation expense for the year ended 30 June 2021 included a $1.08 million write-off of capitalised research and development costs, associated with early stage alternate automated version of APAS®. CCS originally incurred the majority of these research and development costs prior to December 2017.

10. Other Financial Assets

Interest on Loan to Joint Venture	747	514
Loan to Joint Venture	11,618	10,566
Provision of Joint Venture Loss against Loan Receivable	(7,678)	(3,787)
Total Other Financial Assets	**4,687**	**7,293**

LBT has a 50% interest in a joint venture company, CCS with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. The purpose of the joint venture is to finalise the development of, and regulatory approvals for, LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology.

The above loan represents LBT's 50% contribution of the funding required by the joint venture company, CCS, to fund bringing the APAS® based products to market. During the year ending 30 June 2021, the loan balance increased by $1,052,000 to $11,618,000. The increase comprised cash funding provided of $1,070,000 less an unrealised foreign currency loss of $18,000 on $548,000 of the loan that is denominated in Euro (€347,000).

Interest accrues on the loan at 2% per annum. The total interest accrued to 30 June 2021 is $747,000.

Future profits of CCS will be applied to repay the loans, inclusive of accrued interest, 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® instruments sold through CCS.

Previous adjustments to the investment value from applying LBT's share of the reducing net assets in the joint venture company, resulted in the investment value being reduced to nil (refer Note 9). Consistent with Accounting Standard AASB 128, once the investment value was 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 year ending 30 June 2021, LBT's 50% share of the change in net assets of CCS was a loss of ($3,717,000), or ($3,891,000) including the foreign currency translation loss of ($174,000). The amount of ($3,891,000) was applied to increase the provision against the recoverability of the shareholder loan. The summarised financial information for CCS is provided in Note 9.

11. Intangible Assets

	2021	2020
	$000	$000
APAS® Development Costs (Note 1 (c))	18,491	18,491
Less: Accumulated Amortisation	(6,824)	(4,527)
	11,667	13,964
APAS® Analysis Module Development (Note 1 (c))	3,155	2,594
Less: Accumulated Amortisation	-	-
	3,155	2,594
Total Intangible Assets	**14,822**	**16,558**

Movements in Carrying Amount

	AM Development Costs	APAS® Development Costs	Total Intangible Assets
	$000	$000	$000
Balance 30 June 2019	**1,861**	**16,258**	**18,119**
Additions	733	-	733
Disposals	-	-	-
Amortisation Expense	-	(2,294)	(2,294)
Impairment	-	-	-
Balance 30 June 2020	**2,594**	**13,964**	**16,558**
Additions	561	-	561
Disposals	-	-	-
Amortisation Expense	-	(2,297)	(2,297)
Impairment	-	-	-
Balance 30 June 2021	**3,155**	**11,667**	**14,822**

12. Trade and Other Payables

	2021	2020
	$000	$000
(a) Current		
Trade Creditors and Other Payables	1,408	678
	1,408	**678**
(b) Non-Current		
Trade Creditors and Other Payables	-	279
Total Non-Current Trade and Other Payables	**-**	**279**

Current Trade Creditors and Other Payable includes $280,000 ($279,000 Non-Current as at 30 June 2020) for the transfer price payable by LBT to CCS for the purchase of the instrument sold by LBT, as the appointed distributor in Australia. CCS has granted LBT deferred payment terms, consistent with the deferred terms agreed between LBT and the end customer. The amount payable by LBT has been discounted to net present value. Refer note 6 for the corresponding receivable.

13. Lease Liability

The Company's Lease Liability comprises of the Company's lease of office space. The Company consolidated its two office premises into one in April 2021 and the remaining term of the lease is 4.9 years with an option to extend for a further five years (refer note 8 for further details). The lease liability has been calculated with the assumption that the lease will be extended to 2031. The Lease Liability as at 30 June 2020 comprised the rental for the remaining one month of the lease agreement and a provision for 'make good' obligations its head office in the Adelaide CBD.

	2021 $000	2020 $000
(a) Current Lease Liability	**179**	**11**
(b) Non-Current Lease Liability	**1,743**	**-**
Total Lease Liability	**1,922**	**11**

14. Other Financial Liabilities

	2021 $000	2020 $000
(a) Current		
Loan (1)	951	923
Unearned Income (3)	40	
Share-Based Liability for Employees (2)	6	26
Total Current Other Financial Liabilities	**997**	**949**
(b) Non-Current		
Loan (1)	1,985	2,939
Unearned Income (3)	-	34
Total Non-Current Other Financial Liabilities	**1,985**	**2,973**

1. On the 28 August 2018, LBT executed a loan facility agreement with the South Australian Government. The $4 million facility provided LBT with the ability to drawdown three instalments of $1 million, $1.5 million and $1.5 million, subject to the achievement of operational milestones. All three instalments have been drawn down. The interest rate for the loan is a 2% margin above the South Australian Government cost of funds and the South Australian Government have received a first ranking general security over the Company and its assets. The loan is being repaid through fixed quarterly repayments of $256,000 comprising principal and interest.
2. In the year ending 30 June 2021, the Board formalised a policy requiring all Non-Executive Directors to invest a minimum of one year's Directors fees within four years of joining the Board. Under this policy, Messrs Arkell and Lismore are setting aside 25% of their gross monthly Directors fees from 1 April 2021 to be settled in LBT shares, subject to approval of shareholders at the Company's AGM each year. The number of LBT Shares to be issued in lieu of 25% of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of the Company's shares traded on the ASX.

   In the year ending 30 June 2020, the Company reduced all employees to a four-day working week under the COVID-19 JobKeeper directive, effective from Monday 1st June 2020. As an alternative, employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for one day per week from 1 June 2020 to 25 September 2020. The issue price was set at $0.10 (10 cents). The liability at 30 June 2020 represents the amount owing to employees for services rendered to 30 June 2020, subsequently settled by the issuance of shares. The shares were issued in two tranches being 3 August 2020 and 9 October 2020.
3. Unearned income relates to the sale of an APAS® instrument through LBT as distributor for CCS in Australia/New Zealand and represents that portion of the contracted end customer price that is attributable to the first-year warranty period, including maintenance and support services. This part of the contracted price has been treated as a contract liability to provide these services in the future and will be recognised as revenue when these services have been provided (refer note 1(h)).

15. Provisions

	2021 $000	2020 $000
Non-Current		
Provision Long Service Leave	165	120
Total Non-Current Provisions	**165**	**120**

16. Issued Capital

	2021 $000	2020 $000
Issued and Paid Up Capital		
289,115,164 (2020: 235,339,786) Ordinary Shares Fully Paid	47,052	38,540
Less: Costs Associated with Capital Raising		
Opening Balance	(2,991)	(2,962)
Capital Raising Costs	(555)	(38)
Tax Effect of Capital Raising Costs	38	9
	43,544	**35,549**

Ordinary Shares	No.	No.
At the Beginning of the Reporting Period	235,539,786	235,339,786
New Shares Issued 14 November 2019 Pursuant to Options Exercised	-	200,000
New Shares Issued Placement 15 July 2020	50,000,000	-
New Shares Issued Employee Incentive Plan 4 August 2020 (1)	483,810	-
New Shares Issued Share Purchase Plan 17 August 2020	2,296,250	-
New Shares Issued Employee Incentive Plan 9 October 2020 (1)	423,049	-
New Shares Issued Employee Incentive Plan 18 December 2020 (1)	96,869	-
New Shares Issued MD's Annual Bonus 18 December 2020 (2)	275,400	-
At Balance Date	**289,115,164**	**235,539,786**

1. As part of cost reduction measures implemented as a response to the COVID-19 pandemic, the Company implemented a four-day work week between 1 June 2020 to 27 September 2020. Eligible employees were offered the ability to elect to continue to work a five-day working week, with the fifth day paid in shares. The offer price of $0.10 per share represented a 4% discount to the volume weighted average price for the five trading days prior to Board approval of the offer to employees on 29 April 2020. The shares were issued in two tranches on 4 August 2020 and 9 October 2020. A third issue, on 18 December 2020, related to the CEO and Managing Director's participation in the offer, being subject to shareholder approval at the Company's AGM on 25 November 2020. An expense of $100,00 is included in employee benefits expense, with $74,000 expensed in the year ended 30 June 2021 and $26,000 expensed in the year ended 30 June 2020. (Refer Note 3(b)).
2. As part of his remuneration, the CEO and Managing Director is eligible for a maximum annual cash bonus of 30%of his annual salary ($91,800), subject to achievement of performance targets set annually by the Board. For the year ended 30 June 2020, the Board awarded a cash bonus of $57,834. Mr Barnes elected to receive $44,064 of this cash bonus in LBT shares, at price per share of $0.16, being the same price as the July placement. The full amount of the bonus, including the $44,064 relating to the shares subject to shareholder approval, were accrued as an expense in the year ended 30 June 2020. The shares were issued on 18 December 2020, following shareholder approval at the AGM held on 25 November 2020.

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called. The Company decides all resolutions at a general meeting by a poll, consistent with ASX Corporate Governance Principles 4th edition.

Option Holders

Each option entitles the holders to subscribe for one ordinary share in the capital of the Company. Options do not have voting rights attached, however ordinary shares issued on conversion carry the same voting rights as described above.

Capital Management

Management controls the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern.
The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

The Company has fully drawn-down its $4 million loan facility provided by the South Australian government (refer note 14). There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

17. Reserves

	2021	2020
	$000	$000
Option Reserve (1)	1,234	1,039
Foreign Currency Translation Reserve (2)	63	237
Total Reserves	**1,297**	**1,276**

1. The option reserve represents the cumulative amortised value of share options issued as share based remuneration (refer Note 23).
2. Exchange rate differences arising on the translation of LBT's 50% share of the net liabilities of CCS from CHF to AUD.

Options Reserve

The following details the change in the number and value of options during the year:

	Number	Value
		$000's
Options Reserve Opening Balance 1 July 2020	4,990,000	1,039
Employee Options Granted (1)	1,056,669	80
MD Long Term Incentive Options Granted (2)	6,000,000	72
Director Options (3)	-	55
Options Lapsed (4)	(150,000)	(12)
Options Reserve Closing Balance 30 June 2021	**11,896,669**	**1,234**

The total of $207,000 for employee options granted, the CEO and Managing Director's LTI options and the Director options (items 1, 2 and 3 below) is included in the share-based payments expense for the year ended 30 June 2021 (refer to Note 3(b)).

1. 1,056,669 share options comprising 1,073,336 options granted to employees less 16,667 of these options lapsed immediately upon cessation of employment. The options were granted in accordance with the Employee Share Option Plan to take up Ordinary shares at an exercise price of $0.175 each. These options vested immediately and expire 31 August 2025.

   A fair value of $80,000 was calculated for these options using a binomial options valuation model. Key inputs into the model included a market price of the underlying shares of $0.13 on 25 August 2020 (being the day prior to the Board resolution to offer the options to employees), the historical share price volatility and a risk-free rate based on the Reserve Bank of Australia five-year Treasury Bonds on 25 August 2020. As the options vest immediately, the full fair value of $80,000 was expensed immediately.

2. LBT engaged a remuneration specialist, Wexford Hayes, to benchmark the salary package of the Company's CEO and Managing Director, Mr Brent Barnes against a selection of comparable companies. Based on the conclusions of the Wexford Hayes report, LBT's Board proposed a Long-Term Incentive (LTI) that principally aligns with shareholder interest, in respect to growth in share price, to potentially incentivise, retain and reward the CEO and Managing Director. The LTI was approved by shareholders at the Company's AGM held on 25 November 2020. The LTI comprises 6,000,000 share options to take up Ordinary shares at an exercise price of $0.16 each and expire on 25 November 2025. The exercise price was based on the same price as the July 2020 placement. The options are available for initial vesting in three tranches at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years as set out in the table below.

	30 June 2023	30 June 2024	30 June 2025
Upper benchmark (2,000,000 options)	$0.352	$0.457	$0.594
Lower benchmark (800,000 options)	$0.276	$0.332	$0.398

   The actual share price performance in each of the three years (for comparison to the share price performance hurdles) will be based on a Volume Weighted Average Price (VWAP) of the last 20 days in which the Company's shares were traded through to and including 30 June 2023, 2024 and 2025.

   Each tranche is a maximum of 2,000,000 options for achievement of upper benchmark, and 800,000 options for achievement of the lower benchmark. Where the actual 20 day VWAP is between the upper and lower benchmarks, the number of options vesting will determined based on a linear basis between the two benchmarks.

   Options not vested at 30 June 2023 and 2024 may be carried forward to the next year for re-testing against the next year's higher share price hurdles.

   To be eligible the CEO and Managing Director must remain employed by LBT at those testing dates.

17. Reserves cont.

As the 6,000,000 options are subject to market-based vesting conditions. the fair value of the options was calculated as $418,000, using a Monte Carlo simulation. The Monte Carlo simulation creates simulated share prices over the vesting period of the options, and then tests to determine if the share price hurdles are met. If the hurdle is not met, then the value attributed is zero. If the hurdle is met, then the expected option value is calculated on that day. The expected option value is discounted to calculate a present value for each simulation, and the average of all simulations provides the value for the options. Inputs into the Monte Carlo simulation included the share price at the date of shareholder approval of $0.125, share price volatility over the past four years of 93.52% and a risk free rate based on the historical data available from the Reserve Bank of Australia for 5 year Treasury Bonds. In accordance with AASB 2 "Share based Payment", the $418,000 fair value of the options is being expensed over the vesting period through to 25 November 2025. The expense recognised through to 30 June 2021 is $72,000.

3. It is the practice of the Company to issue 500,000 options to new Directors upon commencement, subject to shareholder approval. In the prior year ended 30 June 2020, 500,000 share options were granted to each of two Directors, Messrs Arkell and Lismore. The options have a two-year vesting period and an expiry date of 28 November 2029. The combined fair value of the options was calculated to be $151,153. In accordance with AASB 2 "Share based Payment", the fair value of the options is being expensed over the two-year vesting period. The amount expensed in the year ended 30 June 2021 is $55,000.

4. 150,000 options lapsed from the ESOP options issued in November 2019, due to cessation of employment. The fair value of these options had been previously calculated as $0.08 per option. Accordingly, $12,000 was removed from the options reserve.

18. Cash Flow Information

	2021	**2020**
	$000	**$000**
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Net Loss for the Year	(7,260)	(5,636)
Add Back Non-Cash Items		
Amortisation	2,297	2,294
Depreciation	102	137
Share Based Payments Expense / (Credit)	207	201
Share Based Liability for Employees	6	26
Unrealised Foreign Exchange (Gains) / Losses	3	6
Share of Joint Venture Loss using the Equity Method	3,717	1,764
Tax Effect Attributable to Capital Raising Costs	38	9
Interest Income on CCS Loan Income	(234)	(202)
Changes in Assets and Liabilities		
(Increase) / Decrease in Current Trade and Other Receivables	(967)	191
Decrease / (Increase) in Non-Current Trade and Other Receivables	370	(20)
(Increase) / Decrease in Deferred Tax Asset	(995)	(574)
(Increase) / Decrease in Current Tax Asset	(148)	284
Increase / (Decrease) in Current Trade and Other Payables	730	(20)
(Decrease) / Increase in Non-Current Trade and Other Payables	(279)	(29)
Increase / (Decrease) in Provisions	45	27
(Decrease) / Increase in Deferred Tax Liability	(311)	(389)
Decrease / (Increase) in the Above Related to Investing and Financing Activities	6	76
Cash Flow used in Operating Activities	**(2,673)**	**(1,855)**

19. Loss Per Share

	2021 $000	2020 $000
Reconciliation of Net Loss to Loss per Share		
Net Loss	(7,260)	(5,636)
Net Loss used in the Calculation of Basic Earnings per Share	(7,260)	(5,636)
Net Loss used in the Calculation of Diluted Earnings per Share	(7,260)	(5,636)
Weighted Average Number of Ordinary Shares Outstanding used in the Calculation of Basic and Diluted Loss per Share	286,568,643	235,465,265

The number of ordinary shares used in the calculation of Diluted Loss per Share is the same as the number used in the calculation of Basic Loss per Share in the year ended 30 June 2021 and the prior year ended 30 June 2020, as options are not considered dilutive as a loss was incurred in both years.

20. Tax

	2021 $000	2020 $000
(a) Assets		
Deferred Tax Assets Comprise:		
Accruals	12	28
Leave Entitlements	128	111
Capital Raising Costs	180	165
Lease Liabilities	480	3
Other	1,734	1,232
	2,534	**1,539**
(b) Liabilities		
Deferred Tax Liabilities Comprise:		
Deferred Income	-	11
Capitalised Development Expenditure	3,647	4,489
Lease Asset	498	2
Other	187	141
	4,332	**4,643**
(c) Reconciliations		
i Gross Movements		
The Overall Movement in the Deferred Tax Account is as follows:		
Opening Balance	(3,104)	(4,067)
Credit / (Charge) to Income Statement	1,268	1,024
Credit / (Charge) to Equity	38	(61)
Closing Balance - Net Deferred Tax Liability	**(1,798)**	**(3,104)**

20. Tax cont.

	2021	2020
	$000	$000
c) Reconciliations cont.		
ii Deferred Tax Assets		
The Movement in Deferred Tax Assets for Each Temporary Difference During the Year is as follows:		
Non-Deductible Accrued Expenses		
Opening Balance	28	36
(Charge) / Credit to Income Statement	(16)	(8)
Closing Balance	**12**	**28**
Provision for Leave		
Opening Balance	111	81
Credit / (Charge) to Income Statement	17	30
Closing Balance	**128**	**111**
Capital Raising Costs		
Opening Balance	165	226
Credit / (Charge) to Income Statement	(23)	-
Credit / (Charge) to Equity	38	(61)
Closing Balance	**180**	**165**
Lease Liabilities		
Opening Balance	3	-
Credit / (Charge) to Income Statement	477	3
Closing Balance	**480**	**3**
Other		
Opening Balance	1,232	622
Credit / (Charge) to Income Statement	502	610
Closing Balance	**1,734**	**1,232**
iii Deferred Tax Liabilities		
The Movement in Deferred Tax Liabilities for Each Temporary Difference During the Year is as follows:		
Capitalised Development Expenditure		
Opening Balance	4,489	4,919
(Credit) / Charge to Income Statement	(842)	(430)
Closing Balance	**3,647**	**4,489**
Deferred Income		
Opening Balance	11	28
(Credit) / Charge to Income Statement	(11)	(17)
Closing Balance	**-**	**11**
Lease Asset		
Opening Balance	2	0
Credit / (Charge) to Income Statement	496	2
Closing Balance	**498**	**2**

20. Tax cont.

	2021 $000	2020 $000
Other		
Opening Balance	141	85
Charge / (Credit) to Income Statement	46	56
Closing Balance	**187**	**141**

21. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Names and positions of key management personnel of LBT in office at any time during the financial year:

Directors

Mr B Barnes	Chief Executive Officer and Managing Director
Mrs C Costello	Independent Director – Non-Executive
Mr S Arkell	Independent Director – Non-Executive
Mr D Lismore	Independent Director – Non-Executive
Dr C Popper (retired)	Independent Director – Non-Executive

Key Management Personnel

Mr P Bradley	VP of Global Business Development (General Manager CCS)
Mr R Ridge	Chief Financial Officer and Company Secretary

Key Management Personnel (KMP) remuneration has been included in the remuneration section of the Directors' Report.

The totals of remuneration paid to KMP of the Company during the year was as follows:

	2021 $000	2020 $000
Short-Term Employee Benefits	918	941
Post-Employment Benefits	77	87
Share-Based Payments (Shares)	26	47
Share-Based Payments (Options)	136	89
Total KMP Compensation	**1,157**	**1,164**

Short-Term Employee Benefits

These amounts include fees and benefits paid to the Non-Executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other KMP.

Post-Employment Benefits

These amounts are the current year's superannuation contributions made during the year.

21. Related Party Transactions cont.

(b) Option Holdings

2021

Directors	Balance 01/07/20	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/21	Total Vested & Exercisable 30/06/21	Total Unvested 30/06/21
Mr B Barnes	1,500,000	6,000,000	-	-	7,500,000	1,500,000	6,000,000
Mrs C Costello	-	-	-	-	-	-	-
Dr C Popper (1)	-	-	-	-	-	-	-
Mr S Arkell	500,000	-	-	-	500,000	-	500,000
Mr D Lismore	500,000	-	-	-	500,000	-	500,000
Key Management Personnel							
Mr P Bradley (3)	700,000	50,000	-	-	750,000	750,000	-
Mr R Ridge (3)	100,000	50,000	-	-	150,000	150,000	-
	3,300,000	**6,100,000**	**-**	**-**	**9,400,000**	**2,400,000**	**7,000,000**

2020

Directors	Balance 01/07/19	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/20	Total Vested & Exercisable 30/06/20	Total Unvested 30/06/20
Mr B Barnes	1,500,000	-	-	-	1,500,000	1,500,000	-
Mrs C Costello	-	-	-	-	-	-	-
Dr C Popper	-	-	-	-	-	-	-
Mr S Arkell (2)	-	500,000	-	-	500,000	-	500,000
Mr D Lismore (2)	-	500,000	-	-	500,000	-	500,000
Mr S Mathwin (4)	-	-	-	-	-	-	-
Key Management Personnel							
Mr P Bradley (5)	600,000	100,000	-	-	700,000	700,000	-
Mr D Hill (5) (6)	-	50,000	-	(50,000)	-	-	-
Mr R Ridge (5)	-	100,000	-	-	100,000	100,000	-
	2,100,000	**1,250,000**	**-**	**(50,000)**	**3,300,000**	**2,300,000**	**1,000,000**

1. Dr C Popper retired on 31 May 2021.
2. Options issued to newly appointed Directors, following shareholder approval on 10 December 2019.
3. Eligible employees received options via LBT's ESOP at an exercise price of $0.175 per share. These options will expire on 26 August 2025.
4. Mr S Mathwin retired on 30 October 2019.
5. Eligible employees received options via LBT's ESOP at an exercise price of $0.237 per share. These options will expire on 18 November 2024.
6. Mr D Hill retired on 10 February 2020.

21. Related Party Transactions cont.

(c) Shareholdings

2021

Directors	Balance 01/07/20	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/21
Mr B Barnes (1) (3)	916,995	372,269	-	-	1,289,264
Mrs C M Costello	3,349,943	-	-	-	3,349,943
Dr C Popper (2)	300,000	-	-	-	300,000
Mr S Arkell (4)	-	-	-	-	-
Mr D Lismore (4)	203,716	-	-	-	203,716
Key Management Personnel					
Mr P Bradley (3)	94,754	72,371	-	-	167,125
Mr R Ridge (3)	66,667	93,578	-	-	160,245
Total	**4,932,075**	**538,218**	**-**	**-**	**5,470,293**

The 538,218 LBT shares were issued to the applicable above KMPs who had elected to receive LBT shares in lieu of cash otherwise owing as part of their normal remuneration.

2020

Directors	Balance 01/07/18	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/19
Mr B Barnes	916,995	-	-	-	916,995
Mrs C M Costello	3,349,943	-	-	-	3,349,943
Mr S P Mathwin (5)	3,367,492	-	-	102,000	3,469,492
Dr C Popper	300,000	-	-	-	300,000
Mr S Arkell	-	-	-	-	-
Mr D Lismore	203,716	-	-	-	203,716
Key Management Personnel					
Mr P Bradley	94,754	-	-	-	94,754
Mr D Hill (6)	-	-	-	-	-
Mr R Ridge	66,667	-	-	-	66,667
Total	**8,299,567**	**-**	**-**	**102,000**	**8,401,567**

1. For the year ended 30 June 2020, the Board awarded a cash bonus of $57,834. Mr Barnes elected to receive $44,064 of this cash bonus in LBT shares, at price per share of $0.16, being the same price as the July placement. 275,400 shares were issued on 18 December 2020, following shareholder approval at the AGM held on 25 November 2020.
2. The ending balance for Dr C Popper for the 2021 financial year is as at the date of her retirement being 31 May 2021.
3. As part of cost reduction measures implemented as a response to the COVID-19 pandemic, the Company implemented a four-day work week between 1 June 2020 to 27 September 2020. Eligible employees were offered the ability to elect to continue to work a five-day working week, with the fifth day paid in shares. The offer price of $0.10 per share represented a 4% discount to the volume weighted average price for the five trading days prior to Board approval of the offer to employees on 29 April 2020. The shares were issued in two tranches on 4 August 2020 and 9 October 2020. A third issue, being 96,869 shares on 18 December 2020, related to the CEO and Managing Director's participation in the offer following shareholder approval at the Company's AGM on 25 November 2020.
4. The Board formalised a policy requiring all Non-Executive Directors to invest a minimum of one year's Directors fees within four years of joining the Board. Under this policy, Messrs Arkell and Lismore are setting aside 25% of their gross monthly Directors fees from 1 April 2021 to be settled in LBT shares, subject to approval of shareholders at the Company's AGM each year. The number of LBT Shares to be issued in lieu of 25% of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of the Company's shares traded on the ASX.
5. The ending balance for Mr S Mathwin for the 2020 financial year is as at the date of his retirement, being 30 October 2019.
6. The ending balance for Mr D Hill for the 2020 financial year is as at the date of his retirement, being 10 February 2020.

21. Related Party Transactions cont.

(d) Directors' Related Entity Transactions with the Company

There were no related entity transactions throughout the year.

(e) Joint Venture Related Entity Transactions with the Company

LBT has a 50% interest in a joint venture company, CCS. The interest in CCS is accounted for in these financial statements of LBT using the equity method of accounting. For details of interests held in joint ventures, refer to Note 9.

Transactions with CCS during the year were as follows:

- Revenue for consulting services provided $1,088,000 (2020: $1,162,000);
- Additional funds provided to CCS as a loan to be repaid from future profitability $1,070,000 (2020: $1,690,000) - Refer Note 10; and
- Interest accrued on the loan to CCS of $233,000 (2020: $202,000) - Refer Note 10.

22. Financial Risk Management

(a) Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, and accounts receivable, borrowings and payable. The Company does not invest in any derivative instruments.

i) Treasury Risk Management

The Board has established an investment policy that is reviewed on a regular basis.

The Board receives regular reports to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, while minimising potential adverse effects on financial performance.

ii) Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest Rate Risk

Interest rate risk is managed with a mixture of short-term fixed and floating rate deposits. At 30 June 2021 $8.8 million (2020: $6.6 million) of the Company's cash was held in short-term deposits with a fixed interest rate.

As at 30 June 2021, the Company had drawn down its $4 million loan facility provided by the South Australian government (refer note 14). The first two instalments under the Facility totalling $2.5 million converted to a standard principal and interest loan in February 2020 and are being repaid through fixed quarterly repayments of $0.16 million through to February 2024. The final $1.5 million instalment immediately converted to a separate principal and interest loan, increasing the fixed quarterly repayments by a further $0.1 million through to February 2024.

Foreign Currency Risk

The Company can be exposed to fluctuations in foreign currencies arising from the receipts of milestone, license, loan and royalty payments in currencies other than the Company's measurement currency. At balance date, the Company had exposure in one of the loans to Clever Culture Systems of €346,527 ($548,302) (2020: $567,054) with interest on these loans totaling €34,551 ($54,669) (2020: $44,191).

Liquidity Risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash deposits are maintained.

Credit Risk

The Company manages credit risk by reviewing exposures and ensuring it maintains sufficient cash deposits to meet its operational needs and potential contributions of additional funding to its joint venture partner, CCS. The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with a credit rating of 'A' long term (Standard and Poors rating) are used; and
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing.

LBT has a loan to its 50% owned joint venture company of $11,618,000 (2020: $10,566,000), together with accrued interest of $747,000 (2020: $514,000). A provision has been made against these loans of $7,678 (2020: $3,787) (refer Note 10). At balance date, the Board considers this net amount to be recoverable. LBT may need to continue to contribute to fund the joint venture operations until the joint venture becomes profitable. Any future profits of CCS will be first applied to repay the loans to both LBT and CCS' other joint venture shareholder, Hettich Holding Beteiligungs- und Verwaltungs-GmbH. Other than CCS, LBT does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

22. Financial Risk Management cont.

(b) Financial Instrument Composition and Maturity Analysis

The tables below provides the amounts related to the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate %		Floating Interest Rate $ 000		Within 1 Year $ 000		1 to 5 Years $ 000		Over 5 Years $ 000		Non-Interest Bearing $ 000		Total $ 000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Financial Assets														
Cash and Cash Equivalents	0.2%	0.9%	9,610	7,091	-	-	-	-	-	-	5	5	9,615	7,096
Receivables	2.0%	2.0%	-	-	-	-	4,687	7,293	-	-	1,043	438	5,730	7,731
Total Financial Assets			9,610	7,091	-	-	4,687	7,293	-	-	1,048	443	15,345	14,827
Financial Liabilities														
Trade Payables	0%	0%	-	-	-	-	-	-	-	-	1,573	1,077	1,573	1,077
Lease Liabilities	3.4%	5.2%	-	-	179	11	706	-	1,037	-	-	-	1,922	11
Employee Shares	0%	0%	-	-	-	-	-	-	-	-	6	26	6	26
Loan	2.8%	2.8%	-	-	951	923	1,985	2,939	-	-	-	-	2,936	3,862
Total Financial Liabilities			**-**	**-**	**1,130**	**934**	**2,691**	**2,939**	**1,037**	**-**	**1,579**	**1,103**	**6,437**	**4,976**

All current trade payables are expected to be paid within four months of balance date.

(c) Net Fair Values

The net fair values of all current financial assets and liabilities approximate their carrying value.

(d) Sensitivity Analysis

The Company has performed a sensitivity analysis to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 30 June 2021, the effect on profit and equity after tax as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2021	**2020**
	$000	**$000**
Change in Profit		
- Increase in Interest Rate by 1.5%	91	55
- Decrease in Interest Rate by 1.5%	(91)	(55)
Changes in Equity		
- Increase in Interest Rate by 1.5%	91	55
- Decrease in Interest Rate by 1.5%	(91)	(55)

23. Share-Based Payments

Grant Date	Expiry Date	Exercise Price	Balance 30 June 2020	Granted	Forfeited	Balance 30 June 2021
11 December 2013	11 December 2023	$0.045	100,000	-	-	100,000
31 January 2016	22 December 2026	$0.320	100,000	-	-	100,000
9 May 2016	11 April 2026	$0.141	500,000	-	-	500,000
18 November 2016	7 August 2026 *	$0.157	1,500,000	-	-	1,500,000
1 March 2017	28 February 2027	$0.400	200,000	-	-	200,000
27 November 2019	28 November 2029 *	$0.080	500,000	-	-	500,000
27 November 2019	28 November 2029 *	$0.630	500,000	-	-	500,000
28 November 2019	18 November 2024	$0.237	1,590,000	-	(150,000)	1,440,000
31 August 2020	26 August 2025	$0.175	-	1,073,336	(16,667)	1,056,669
18 December 2020	30 June 2023 **	$0.160	-	2,000,000	-	2,000,000
18 December 2020	30 June 2024 **	$0.160	-	2,000,000	-	2,000,000
18 December 2020	30 June 2025 **	$0.160	-	2,000,000	-	2,000,000
			4,990,000	**7,073,336**	**(166,667)**	**11,896,669**

* Options issued to Directors upon commencement cannot be exercised until the second anniversary after the grant date. Any options held at the date a Director ceases to be an officer automatically lapse within 90 days unless the Board approves an extension. Accordingly, it is considered that these options do not fully vest until such time as they can be exercised. In accordance with AASB 2 "Share-based Payment", the fair value of the options has been (are being) expensed over the vesting period. Historical volatility has been the basis for determining expected share price volatility.

** Options are available for initial vesting in three tranches at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years as set out in the table below (Refer Note 17 for further details):

	30 June 2023	30 June 2024	30 June 2025
Upper benchmark (2,000,000 options)	$0.352	$0.457	$0.594
Lower benchmark (800,000 options)	$0.276	$0.332	$0.398

The total of $207,000 for was recognised for share-based payments expense in relation to options granted in the year ended 30 June 2021 (refer Note 3(b). Refer Note 17 for further details in relation to options granted, lapsed or exercised during the year ended 30 June 2021.

The options outstanding at 30 June 2021 had a weighted average exercise price of $ 0.166 (2020: $0.175) and a weighted average remaining contractual life of 4.7 years (2020: 6.5 years). Exercise prices range from $0.040 to $0.450 (2020: $0.040 to $0.450). The weighted average fair value of options granted during the year was $0.162 (2020: $0.175).

	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
	2021	$	2020	$
Outstanding at the Beginning of the Year	4,990,000	0.200	2,600,000	0.168
Granted	7,073,336	0.162	2,690,000	0.175
Forfeited	(166,667)	0.231	(100,000)	0.237
Exercised	-	-	(200,000)	0.065
Expired	-	-	-	-
Outstanding at Year End	**11,896,669**	**0.166**	**4,990,000**	**0.175**
Exercisable at Year End	**4,896,669**	**0.194**	**3,990,000**	**0.200**

24. Segment Reporting

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

(b) Revenue by Geographic Region

	2021	2020
	$000	$000
Australia	987	588
Switzerland	1,123	1,425
Total Revenue	**2,110**	**2,013**

(c) Assets by Geographical Region

The Company holds a 50% interest in the joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. At balance date, the carrying value of the Company's interest in the joint venture is $4.7 million (2020: $7.3 million) as represented by the balance of the loan account less a provision (refer note 10). The joint venture is based in Switzerland.

(d) Major Customers

LBT recognised $1,088,000 (2020: $1,162,000) service fees during the financial year from its joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH.

LBT recognised $233,000 (2020: $202,000) interest income accruing on the shareholder loans provided to CCS.

LBT recognised 50% of the joint venture losses of $3,717,000 (2020: $1,764,000).

Net Income (excluding joint venture losses) from Clever Culture Systems AG accounted for 63% (2020: 78%) of external revenue.

25. Credit Standby Arrangements

The Company has a credit standby facility of $50,000. This facility was used to the extent of $13,236 at balance date.

26. Events After the Balance Sheet Date

There were no material subsequent events.

27. Company Details

The registered office and principal place of business of the Company is:
16 Anster Street
Adelaide SA 5000
Phone: +61 8 8227 1555
Website: www.lbtinnovations.com

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
   - comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
   - give a true and fair view of the financial position as at 30 June 2021 and of the performance for the year ended on that date of the Company;
2. The CEO and Managing Director and Chief Finance Officer have each declared that:
   - the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   - the financial statements and notes for the financial year comply with the Accounting Standards; and
   - the financial statements and notes for the financial year give a true and fair view;
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Board has received assurance from the CEO and Managing Director and the Chief Financial Officer that the declaration is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

This declaration is made in accordance with a resolution of the Board of Directors.

Chief Executive Officer and Managing Director
Brenton Barnes

Chair
Catherine Costello

Dated at Adelaide this 26th day of August 2021.

HLB MANN JUDD

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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of LBT Innovations Limited ("the Company") which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income/(loss), the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 1(f) in the financial report, which states:

"While the Directors are satisfied that management's cash flow forecast is achievable, there remains uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are significantly less than forecast, this could materially impair the $19.5 million APAS® related assets recognised in the financial statements."

Our opinion is not modified in respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How our audit addressed the key audit matter
Impairment of Intangible Assets and APAS Related Assets Refer Note 11 Intangible Assets ($14.8m), Note 10 Financial Assets ($4.7m) and Note 1(f) Impairment of Assets	

The impairment of Intangible Assets and APAS Related Assets is a Key Audit Matter as:
 	
• The Company's Intangible Assets and APAS Related Assets totalled $19.5m representing the capitalised development costs in respect of APAS.
• Under Australian Accounting Standards, an entity shall assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset.
• As impairment indicators did exist during the reporting period the Company is required to test for impairment by comparing its recoverable amount with its carrying value.
 	
The impairment testing process is complex and highly judgemental and is based on assumptions and estimates that are affected by expected future performance and market conditions.
	Our procedures included but were not limited to the following:
	
	• obtained the impairment assessment and impairment model prepared by management and approved by the Audit and Risk Committee, and performed the following;
	  ◦ tested the mathematical accuracy of the model;
	  ◦ evaluated and assessed the key assumptions and estimates used in the model;
	  ◦ performed sensitivity analysis on the key assumptions and assessed the effect on the carrying value
	• gained an understanding of the marketing activities being undertaken in respect of APAS.
	• assess the appropriate discount rate based on the current market standing of the APAS Instrument and future plans to sell and distribute this product.
	• considered the adequacy of the financial report disclosure regarding impairment and the carrying value for APAS

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's Director's Report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

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matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of LBT Innovations Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Jon Colquhoun
Director

Adelaide, South Australia
26 August 2021