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**LBT** INNOVATIONS

ABN 95 107 670 673

# LBT Innovations Ltd

ABN 95 107 670 673

## APPENDIX 4D HALF YEAR RESULTS

Interim Financial Report for the half year ended 31 December 2021

(Previous corresponding period being the half year ended 31 December 2020)

This information should be read in conjunction with the 30 June 2021 Annual Report and any public announcements made by LBT Innovations Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

| Half Year  | December 2021<br>\$000 | December 2020<br>\$000 | Change<br>\$000 | Change<br>%  |
|--|------------------------|------------------------|-----------------|--------------|
| Revenue from Ordinary Activities <sup>(1)</sup>                            | 450                    | 644                    | (194)           | (30%)        |
| Profit / (Loss) from Ordinary Activities After Tax Attributable to Members | (3,772)                | (3,268)                | (504)           | (15%)        |
| <b>Total Comprehensive Income / (Loss)</b>                                 | <b>(3,835)</b>         | <b>(3,127)</b>         | <b>(708)</b>    | <b>(23%)</b> |

**Revenue**

Revenue from Ordinary Activities for the half year ended 31 December 2021 (Half Year) was \$0.45 million, comprising:

- \$0.41 million consulting income - paid to LBT Innovations Limited (LBT) by Clever Culture Systems AG (CCS) whilst CCS was a 50% owned company (LBT completed the acquisition of the other 50% equity interest in CCS from Hettich Holding Beteiligungs- und Verwaltungs-GmbH (Hettich) on 31 December 2021); and
- \$0.04 million comprises the sale of three annual licences for analysis modules developed by LBT (CCS was required to pay LBT 6,000 CHF (approximately \$9,000) per annum) and maintenance and support income for one instrument.

**Net Profit / (Loss) for the Year**

The Group's net loss for the Half Year was (\$3.77) million. This comprised a loss before income tax of (\$4.79) million less an income tax benefit of \$1.02 million.

The loss before tax of (\$4.79) million comprises:

\$0.45 million revenue from ordinary activities;

\$0.41 million other income, largely interest and grant income;

(\$1.28) million of depreciation and amortisation expenses, predominantly the amortisation of the APAS® development costs;

(\$0.55) million provision for LBT's 50% share of the loss of its joint venture company, CCS;

(\$0.97) million revaluation of LBT's original 50% equity interest in CCS and shareholder loans, based on the fair value of the 50% equity interest and shareholder loans acquired from Hettich;

(\$2.21) million for total employee and consulting expenses; and

(\$0.64) million other expenses including general administration, marketing and legal expenses.

Compared to the prior half year period ended 31 December 2020, the loss before income tax has decreased from (\$4.84) million to (\$4.79) million.

LBT has recognised a current tax asset of \$1.36 million, of which \$0.82 is attributable to the 2021 R&D tax incentive received in February 2022.

**Dividends**

It is not proposed to pay a dividend.

**Net Tangible Assets per Security**

The net tangible assets per LBT share was 1.42 cents as at 31 December 2021, compared with 4.10 cents per share as at 30 June 2021.

**Control Gained or Lost over Entities**

LBT previously held a 50% interest in a joint venture company, CCS. On 31 December 2021, LBT acquired the other 50% equity interest in CCS from Hettich Holding Beteiligungs- und Verwaltungs-GmbH (Hettich). CCS is a 100% owned subsidiary of LBT as of 31 December 2021.

**Dividend or Distribution Reinvestment Scheme**

Not applicable.

**Details of Associates and Joint Venture Entities**

As noted above, LBT previously held a 50% interest in a joint venture company, CCS, incorporated in Switzerland. CCS was formed to commercialise LBT's APAS® technology which is exclusively licensed to CCS for use in the culture plate process. LBT equity accounted for its 50% interest in the joint venture through until 31 December 2021, when LBT gained 100% ownership and control of CCS.

(1) The December 2020 comparative was restated to be consistent with the classification of Revenue from Operating Activities for the period ending 31 December 2021.

## DIRECTORS REPORT

Your Directors submit the consolidated financial report for LBT Innovations Limited (LBT) and its 100% owned subsidiary Clever Culture Systems AG (CCS) (together, the Group) for the half year ended 31 December 2021 (the Half Year).

### Directors

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

Joanne Moss (Chair of the Board - commenced 1 July 2021 and assumed the role as Chair on 1 October 2021)  
Catherine Costello (Retired 30 September 2021)  
Brenton Barnes (Chief Executive Officer and Managing Director)  
Simon Arkell  
Damian Lismore  
Brian O'Dwyer (Commenced 4 October 2021)

Company Secretary:

Raymond Ridge

### Review of Financials

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The net loss after income tax was (\$3.77) million, comprising a loss before income tax of (\$4.79) million less an income tax benefit of \$1.02 million. The loss before income tax of (\$4.79) million comprises:

- \$0.86 million in total revenue;
- (\$1.28) million for depreciation and amortisation;
- (\$0.55) million provision for LBT's 50% share of the loss of its joint venture company, CCS;
- (\$0.97) million revaluation of LBT's original 50% equity interest and shareholder loans, based on the value of the 50% equity interest and shareholder loans acquired from Hettich;
- (\$2.21) million for total employee expenses; and
- (\$0.64) million other expenses including general administration, and consulting expenses.

Compared to the prior half year period ended 31 December 2020, the loss before income tax has decreased from (\$4.84) million to (\$4.79) million.

Total revenue includes \$0.29 million reimbursement owing in relation to the matched funding being provided by the Federal Government under MTPConnect's Biomedical Translation Bridge program to support the development of the Group's new APAS® Antimicrobial Resistance (AMR) analysis module.

As at 31 December 2021, LBT completed its acquisition of Hettich's 50% equity interest and shareholder loans in CCS, for consideration of \$4.0 million comprising cash, LBT shares and options. The acquisition resulted in the inclusion of CCS' net assets of \$7.5 million in the consolidated financial statements as at 31 December 2021. The value of the net assets being based on the \$4.0 million acquisition consideration, together with the value of LBT's existing 50% interest in CCS of \$3.5 million (the existing interest being revalued based on the \$4.0 million acquisition consideration).

The net assets of the Group have decreased by \$0.8 million from 30 June 2021 to \$24.1 million at 31 December 2021. Key changes in the Half Year being the above net loss after income tax of (\$3.8) million, plus the equity funded acquisition of the other 50% interest in CCS through the issue of LBT Shares valued at \$2.8 million and the value of LBT options issued \$0.2 million.

Cash utilisation of (\$3.3) million in the Half Year was largely to fund LBT's net operating expenses of (\$2.2) million, (\$0.4) million for the continued development of additional analysis modules, (\$0.3) million for LBT's 50% share of funding CCS prior to the acquisition of the other 50% equity interest and (\$0.3) million cash portion of the consideration paid for that acquisition (net of cash held in CCS at acquisition).

The loan provided by the South Australian Government is being repaid in quarterly instalments of principal and interest through to November 2024. The SA Government deferred interest and principal payments by 6 months, hence no payments have been made in this Half Year period. At 31 December 2021, the remaining principal balance is \$2.9 million. Repayments recommence in February 2022.

LBT recognised a current tax asset of \$1.36 million, of which \$0.82 million is attributable to the 2021 Research and Development Tax Incentive claim received in February 2022.

### Review of Operations

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

- In September, Thermo Fisher Scientific, Inc (**Thermo Fisher**) were appointed as the exclusive distributor for the APAS® Independence in the United States. Under the five-year agreement, Thermo Fisher will take over all sales and marketing activities for the APAS® Independence in the United States, as well as providing installation, maintenance and support services to customers. The strategic partnership significantly expands the Group's customer reach and brand presence in the largest market globally.
- On 29 October 2021, the Group received FDA clearance for the APAS® Independence with the MRSA analysis module. This FDA clearance means the Group now has regulatory cleared modules in the United States for the reading of both Urine and MRSA specimens, the largest two specimen types by volume. APAS® Independence remains the only FDA cleared product that automates culture plate reading.
- In Europe, the Group has continued to work with its Marketing Agent, Beckman Coulter, Inc (**Beckman Coulter**) to advance sales opportunities in France, Germany and the United Kingdom. The Group has established a shortened process for customer evaluations of the APAS® Independence, with a series of back-to-back evaluations completed in the past six months as part of the sales process.
- During the Half Year, the Group has progressed the development of its APAS®-AMR module for the interpretation of antimicrobial susceptibility tests. An early version of the module has been released to the Group's EU key opinion leader, Labor Dr Wisplinghoff, for initial end user feedback. The Group also progressed the expansion of its Urine analysis modules for both EU and US markets.
- On 31 December 2021, LBT acquired the remaining 50% of its joint venture company, CCS, from Hettich Holding Beteiligungs-und Verwaltungs-GmbH (Hettich) for \$4.0 million payable in cash, LBT Shares and Options over LBT Shares. The acquisition included the transfer of Hettich's shareholder loans to LBT and establishes CCS as a wholly owned subsidiary of LBT with no outstanding debt or consideration owing to Hettich. The transaction provides LBT with full operational control of CCS at a key time in the commercialisation of LBT's APAS® technology.
- In the Half Year, the Group completed its planned Board renewal process. Ms Joanne Moss joined the LBT Board as Chair-Elect on 1 July 2021. A structured handover was completed with outgoing chair, Ms Kate Costello, who retired from the LBT Board on 30 September 2021. On 4 October 2021, Mr Brian O'Dwyer was appointed as Non-Executive Director. Both Ms Moss and Mr O'Dwyer were elected as Directors at the Company's AGM held in November.

## COVID-19 Impact

The COVID-19 pandemic has continued to impact the Group's commercialisation progress throughout the Half Year. Global travel restrictions and limitations on external visitors to healthcare systems has reduced the opportunity for face-to-face customer meetings. This has restricted the Group's sales progress, impacting the opportunity for identification of new sales leads and slowed the progression of existing sales opportunities.

In recent months, the Group has observed a progressive improvement in customer access in both Europe and the United States. Pathology laboratories have made investments in COVID-19 testing infrastructure, and their attention is shifting to identifying operational efficiencies in other parts of their business. This trend is expected to continue in 2022, as laboratories adapt to COVID-19 testing becoming an established routine test that is a permanent part of their business.

## Future Developments and Prospects

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The Group is focused on executing its commercialisation strategy for the APAS® Independence with its channel partners in the United States and Europe. These activities will include:

- In the United States, the Group's United States based sales executive will support Thermo Fisher to accelerate new account opportunities. This will include assisting Thermo Fisher with new customer account qualifications and product evaluations.
- In Europe, the Group will continue to work in partnership with Beckman Coulter and operate a direct sales presence in the region. The focus will be on converting existing sales opportunities that have gone through the customer evaluation process and working with Beckman Coulter to identify new customers for product evaluation.

LBT's technology development strategy is to identify opportunities that increase the addressable market opportunity for its APAS® technology. The Group will continue to work on expanding the clinical utility of the APAS® instrument by expanding the number of analysis modules it has available for customers in Europe and the United States.

The Group is also progressing product opportunities that target new advanced clinical applications, such as APAS®-AMR for antimicrobial resistance testing and using the APAS® technology to shorten laboratory time to results through early culture plate reading. These novel applications will add new functionality to the APAS® instrument that will improve the overall value proposition for customers.

## Rounding of Amounts

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

## Auditor's Independence Declaration

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The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6.

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



Joanne Moss  
Chair



Brent Barnes  
Chief Executive Officer and Managing Director

Dated at Adelaide this 24<sup>th</sup> day of February 2022.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the financial report of LBT Innovations Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.



**HLB Mann Judd Audit (SA) Pty Ltd**  
**Chartered Accountants**

Adelaide, South Australia  
24 February 2022



**Travis Rickard**  
**Director**

**hlb.com.au**

**HLB Mann Judd Audit (SA) Pty. Ltd. ABN: 32 166 337 097**

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**Interim Consolidated Financial Report****31 December 2021**

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**Consolidated Statement of Comprehensive Income/(Loss)**

For the Half Year ended 31 December 2021

|  | Note | 31/12/21<br>\$000 | 31/12/20<br>\$000 |
|--|------|-------------------|-------------------|
| Revenue from Ordinary Activities   | 2    | 450               | 644               |
| Other Income   | 2    | 408               | 633               |
| Consulting Expense   | 3a   | (98)              | (103)             |
| Employee Benefits Expense  | 3b   | (2,108)           | (2,123)           |
| Depreciation and Amortisation Expense                                    |      | (1,275)           | (1,177)           |
| General Administration Expenses  |      | (224)             | (119)             |
| Finance Costs  |      | (25)              | (49)              |
| Other Expenses   | 3c   | (388)             | (343)             |
| Share of Loss of Joint Ventures Accounted<br>for Using the Equity Method | 6    | (554)             | (2,206)           |
| Loss on Revaluation of Joint Venture Interest                            | 12   | (973)             | -                 |
| <b>Consolidated Loss Before Income Tax</b>                               |      | <b>(4,788)</b>    | <b>(4,843)</b>    |
| Income Tax Benefit   |      | 1,016             | 1,575             |
| <b>Consolidated Net Loss for the Half Year</b>                           |      | <b>(3,772)</b>    | <b>(3,268)</b>    |
| <b>Other Comprehensive Income/(Loss)</b>                                 |      |                   |                   |
| Items that may be reclassified subsequently to Profit or Loss            |      |                   |                   |
| Foreign Currency Translation   | 9    | (63)              | 141               |
| <b>Consolidated Total Comprehensive Loss for the Half Year</b>           |      | <b>(3,835)</b>    | <b>(3,127)</b>    |
| <b>Basic Loss per Share (cents per share)</b>                            |      | <b>(1.30)</b>     | <b>(1.15)</b>     |
| <b>Diluted Loss per Share (cents per share)</b>                          |      | <b>(1.30)</b>     | <b>(1.15)</b>     |

The accompanying notes form part of the financial statements.



**Consolidated Statement of Financial Position**

As at 31 December 2021

|   | Note | 31/12/21      | 30/06/21      |
|---|------|---------------|---------------|
|   |      | \$000         | \$000         |
| <b>Assets</b>                                     |      |               |               |
| <b>Current Assets</b>                             |      |               |               |
| Cash and Cash Equivalents                         |      | 6,331         | 9,615         |
| Trade and Other Receivables                       |      | 781           | 1,078         |
| Inventory   | 4    | 1,281         | 0             |
| Current Tax Asset                                 |      | 1,358         | 874           |
| <b>Total Current Assets</b>                       |      | <b>9,751</b>  | <b>11,567</b> |
| <b>Non-Current Assets</b>                         |      |               |               |
| Property Plant and Equipment                      |      | 99            | 105           |
| Right of Use Assets                               |      | 1,873         | 1,974         |
| Investments Accounted for Using the Equity Method | 6    | -             | -             |
| Other Financial Assets                            | 5    | -             | 4,687         |
| Deferred Tax Assets                               |      | 2,838         | 2,534         |
| Intangible Assets                                 | 7    | 20,868        | 14,822        |
| <b>Total Non-Current Assets</b>                   |      | <b>25,678</b> | <b>24,122</b> |
| <b>Total Assets</b>                               |      | <b>35,429</b> | <b>35,689</b> |
| <b>Current Liabilities</b>                        |      |               |               |
| Trade and Other Payables                          |      | 2,169         | 1,408         |
| Lease Liabilities                                 |      | 182           | 179           |
| Other Financial Liabilities                       |      | 975           | 997           |
| <b>Total Current Liabilities</b>                  |      | <b>3,326</b>  | <b>2,584</b>  |
| <b>Non-Current Liabilities</b>                    |      |               |               |
| Lease Liabilities                                 |      | 1,658         | 1,743         |
| Other Financial Liabilities                       |      | 1,985         | 1,985         |
| Deferred Tax Liabilities                          |      | 4,142         | 4,332         |
| Provisions  |      | 194           | 165           |
| <b>Total Non-Current Liabilities</b>              |      | <b>7,979</b>  | <b>8,225</b>  |
| <b>Total Liabilities</b>                          |      | <b>11,305</b> | <b>10,809</b> |
| <b>Net Assets</b>                                 |      | <b>24,124</b> | <b>24,880</b> |
| <b>Equity</b>                                     |      |               |               |
| Issued Capital                                    | 8    | 46,307        | 43,544        |
| Reserves  | 9    | 1,537         | 1,297         |
| Accumulated Losses                                |      | (23,720)      | (19,961)      |
| <b>Total Equity</b>                               |      | <b>24,124</b> | <b>24,880</b> |

The accompanying notes form part of the financial statements.

**Consolidated Statement of Changes in Equity**

For the Half Year ended 31 December 2021

|   | <b>Option<br/>Reserve</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Share<br/>Capital</b> | <b>Accumulated<br/>Losses</b> | <b>Total</b>  |
|---|---------------------------|---|--------------------------|-------------------------------|---------------|
|   | <b>\$000</b>              | <b>\$000</b>  | <b>\$000</b>             | <b>\$000</b>                  | <b>\$000</b>  |
| <b>Balance at 1 July 2020</b>   | <b>1,039</b>              | <b>237</b>  | <b>35,549</b>            | <b>(12,713)</b>               | <b>24,112</b> |
| New Shares Issued   | -                         | -   | 8,512                    | -                             | 8,512         |
| Options Granted as Remuneration   | 120                       | -   | -                        | -                             | 120           |
| Options Lapsed  | (8)                       | -   | -                        | -                             | (8)           |
| Capital Raising Costs   | -                         | -   | (622)                    | -                             | (622)         |
| Foreign Currency Translation Gain on<br>Equity Accounting   | -                         | 141   | -                        | -                             | 141           |
| Net Loss for the Half Year  | -                         | -   | -                        | (3,268)                       | (3,268)       |
| <b>Balance at 31 December 2020</b>  | <b>1,151</b>              | <b>378</b>  | <b>43,439</b>            | <b>(15,981)</b>               | <b>28,987</b> |
| <b>Balance at 1 July 2021</b>   | <b>1,234</b>              | <b>63</b>   | <b>43,544</b>            | <b>(19,961)</b>               | <b>24,880</b> |
| New Shares Issued   | -                         | -   | 2,802                    | -                             | 2,802         |
| Options Issued for CCS Acquisition  | 203                       | -   | -                        | -                             | 203           |
| Options Granted as Remuneration   | 113                       | -   | -                        | -                             | 113           |
| Options Lapsed  | (13)                      | -   | -                        | 13                            | -             |
| Capital Raising Costs   | -                         | -   | (39)                     | -                             | (39)          |
| Foreign Currency Translation Loss on<br>Equity Accounting (Note 6(b))                               | -                         | (274)   | -                        | -                             | (275)         |
| Reclassify Foreign Currency Translation Reserve<br>(On Cessation of Equity Accounting) (Note 12(d)) | -                         | 211   | -                        | -                             | 212           |
| Consolidated Net Loss for the Half Year   | -                         | -   | -                        | (3,772)                       | (3,772)       |
| <b>Balance at 31 December 2021</b>  | <b>1,537</b>              | <b>-</b>  | <b>46,307</b>            | <b>(23,720)</b>               | <b>24,124</b> |

The accompanying notes form part of the consolidated financial statements.

**Statement of Consolidated Cash Flows**

For the Half Year ended 31 December 2021

|   | Note | 31/12/21       | 31/12/20       |
|---|------|----------------|----------------|
|   |      | \$000          | \$000          |
| <b>Cash Flows from Operating Activities</b>                       |      |                |                |
| Receipts from Customers   |      | 17             | -              |
| Revenue from Consulting Services to Joint Venture Company         |      | 281            | 586            |
| Government Grants Received  |      | 270            | 433            |
| Payments to Suppliers and Employees                               |      | (2,774)        | (2,566)        |
| Short Term Lease Payments   |      | -              | (50)           |
| Interest Received   |      | 9              | 40             |
| <b>Net Cash provided by / (used in) Operating Activities</b>      |      | <b>(2,197)</b> | <b>(1,557)</b> |
| <b>Cash Flows from Investing Activities</b>                       |      |                |                |
| APAS® Analysis Module Development (intangible asset)              |      | (365)          | (300)          |
| Payments for Plant and Equipment                                  |      | (32)           | (13)           |
| Payments for Right of Use Asset (office fit-out)                  |      | (22)           | -              |
| Cash Payment on Subsidiary Acquisition                            | 12   | (283)          | -              |
| Loan Provided to Joint Venture Company                            |      | (303)          | (661)          |
| <b>Net Cash used in Investing Activities</b>                      |      | <b>(1,005)</b> | <b>(974)</b>   |
| <b>Cash Flows from Financing Activities</b>                       |      |                |                |
| Cash Proceeds from New Shares Issued                              |      | -              | 8,468          |
| Loan Repayments   |      | -              | (459)          |
| Repayment of Lease Principal                                      |      | (82)           | (6)            |
| Capital Raising Costs   |      | -              | (555)          |
| <b>Net Cash provided by Financing Activities</b>                  |      | <b>(82)</b>    | <b>7,448</b>   |
| Net Increase (Decrease) in Cash and Cash Equivalents              |      | (3,284)        | 4,917          |
| Cash and Cash Equivalents at Beginning of Year                    |      | 9,615          | 7,096          |
| <b>Consolidated Cash and Cash Equivalents at End of Half Year</b> |      | <b>6,331</b>   | <b>12,013</b>  |

The accompanying notes form part of the consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021****1. Accounting Policies**

The Consolidated Half Year financial statements are a general-purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this consolidated financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by LBT Innovations Limited during the Half Year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX listing rules.

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

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

The Consolidated condensed interim financial report was approved by the Board of Directors on 24 February 2022.

The accounting policies applied by the Group in this condensed interim financial report are the same as those applied by the Group in its financial report for the year ended 30 June 2021 and the corresponding interim reporting period.

The financial reports present, for the first time, the financial information of LBT Innovations Limited (LBT) consolidated with its 100% owned company, Clever Culture Systems AG (CCS) (collectively, the Group) from 31 December 2021, being the date that LBT obtained control of CCS through the completion of its acquisition of the other 50% ownership of CCS from Hettich Holding Beteiligungs- und Verwaltungs-GmbH (Hettich). The fair values of the CCS assets and liabilities acquired and included in the Group's Consolidated Statement of Financial Position is disclosed in Note 12.

Prior to the acquisition of the other 50% of CCS, LBT continued to equity account for its previously held 50% interest in CCS. This equity accounting information is presented in Notes 5 and 6. On 31 December 2021, equity accounting ceased and LBT revalued its previously held 50% equity interest and shareholder loans to fair value based on the acquisition consideration paid for the other 50% interest and shareholders loans acquired from Hettich (refer Note 12). This resulted in a loss of \$973,000 on the revaluation of LBT's pre-existing 50% interest and shareholder loans.

**Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of LBT Innovations Limited (the Group) as at 31 December 2021 and the results of all subsidiaries for the period from when control is obtained through to the reporting date of 31 December 2021. LBT Innovations Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interests in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Going Concern basis of Accounting**

The Group'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 Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales and ability 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 Group, the Group 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 Group believes that it has sufficient liquidity to prepare the financial statements on a going concern basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**1. Accounting Policies cont.**

**(a) Changes in Accounting Policies**

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

**(b) Impairment of Non-Financial Assets**

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

For the Half Year period ended 31 December 2021, the Group has determined that there are no impairment triggers attributable to its non-financial assets that would require a formal impairment test, including consideration of the potential impact of the COVID-19 pandemic (detailed further below).

A formal impairment test was last undertaken 30 June 2021, in relation to the \$19.5 million carrying value of assets reliant on the future sales of the APAS® instrument, comprising the loan to CCS (Note 5) and intangible assets (Note 7). At 31 December 2021, following the acquisition of the other 50% equity interest of CCS, the APAS® related assets for the now consolidated Group total \$20.9 million, being the intangible assets (Note 7).

The Annual Report for the year ended 30 June 2021 contains further details of the impairment test and key assumptions used. While the Directors are satisfied that management's cash flow forecast is achievable, there remains a significant uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are less than forecast, this could significantly impair the \$20.9 million (30 June 2021: \$19.5 million) APAS® related assets recognised in the financial statements.

*COVID-19 Impact*

During the prior year ended 30 June 2021, 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 that for much of the prior year, customers were unavailable to showcase, evaluate or even discuss the technology. Restrictions on travel 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 the ability to generate new leads.

The COVID-19 pandemic has continued to impact the Group's commercialisation progress throughout the Half Year. Global travel restrictions and limitations on external visitors to healthcare systems continues to impact the opportunity for face-to-face customer meetings.

However, in recent months, the Group has observed a progressive improvement in customer access in both Europe and the United States. Pathology laboratories have made investments in COVID-19 testing infrastructure, and their attention to some extent has shifted to identifying operational efficiencies in other parts of their business. This trend is expected to continue in 2022, as laboratories adapt to COVID-19 testing becoming an established routine test that is a permanent part of their business.

The extent to which COVID-19 will impact our business, financial position and operating results cannot be predicted with certainty. The Group has implemented plans to contain operating costs following the acquisition of the other 50% equity interest in CCS on 31 December 2021, to assist to manage cash flows through this period of increased uncertainty and will continue to monitor the impact of COVID-19 on all aspects of the business.

**(c) Share Based Payments**

**Equity Settled Transactions**

The Group 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 Group 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 approved by the Board or in the case of options subject to shareholder approval, then fair value at the date of shareholder approval.

The fair value for options is generally determined using the Binomial option pricing model. Although for more complex options that include market vesting conditions, the Group utilises a Monte Carlo simulation together with a net present value calculation.

The cost of equity-settled transactions is recognised in the Statement of Comprehensive Income/(Loss), 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**1. Accounting Policies cont.**

**(d) Business Combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The business combination disclosures related to gaining control of CCS on 31 December 2021 are detailed in Note 12.

**2. Other Revenue**

|   | 31/12/21   | 31/12/20   |
|---|------------|------------|
|   | \$000      | \$000      |
| License Fees and Maintenance Revenue <sup>(1)</sup> | 44         | 16         |
| Revenue from Consulting Services to JV Company      | 406        | 628        |
| <b>Revenue from Ordinary Activities</b>             | <b>450</b> | <b>644</b> |
| Other Income  |            |            |
| Government Grants <sup>(2)</sup>                    | 288        | 491        |
| Foreign Exchange Gain (Loss)                        | (16)       | (14)       |
| Interest  | 136        | 156        |
| <b>Total Other Income</b>                           | <b>408</b> | <b>633</b> |

(1) Comprises \$27,000 for the sale of three annual licences for analysis modules developed by LBT (CCS is required to pay LBT 6,000 CHF (approximately \$9,000) per annum and \$17,000 was recognised for maintenance and support income. (Income from CCS will no longer be recognised in the consolidated accounts, following the acquisition of the other 50% of CCS on 31 December 2021. The consolidated Group will instead recognise the full revenue generated from end customers.)

(2) Grant Income in the Half Year comprises \$288,000 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).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**3. Loss for the Year**

The loss before income tax from continuing operations includes the following items:

|   | 31/12/21     | 31/12/20     |
|---|--------------|--------------|
|   | \$000        | \$000        |
| <b>(a) Consulting Expense</b>   |              |              |
| Consulting expense relates to international market research, scientific and professional consulting   | 98           | 103          |
| <b>(b) Employee Benefits Expense</b>  |              |              |
| Cash based employee benefits expense includes directors' fees, salaries and wages, including executive bonuses <sup>(1)</sup>                                   | 1,995        | 1,960        |
| Share Based Payments <sup>(2)</sup>   | 113          | 163          |
| <b>Total Employee Benefits Expense</b>  | <b>2,108</b> | <b>2,123</b> |
| <b>(c) Other Expenses</b>   |              |              |
| Short Term Rent   | 40           | 75           |
| Travel and Accommodation  | 12           | 15           |
| Laboratory consumables  | 113          | 65           |
| CCS Acquisition costs   | 84           | -            |
| Registry, ASX, Marketing and Sundry   | 139          | 188          |
| <b>Total Other Expenses</b>   | <b>388</b>   | <b>343</b>   |
| <b>(d) Auditors' Remuneration</b>   | <b>21</b>    | <b>18</b>    |
| Auditors' Remuneration is included in General Administration Expenses.<br>The auditor did not provide any non-audit services to the Group during the Half Year. |              |              |

(1) Cash based employee benefits expenses includes \$126,003 of Directors Fees settled by LBT shares in lieu of cash payment (where individual Directors elected to receive 25% of their gross Directors fees in LBT shares over a four year period, subject to annual shareholder approval (refer Note 8)).

(2) Share based payments include a total of \$113,109 expensed in the period for options granted to employees and Directors (refer Note 9).

**4. Inventory**

|                                       | 31/12/21     | 30/06/21 |
|---------------------------------------|--------------|----------|
|                                       | \$000        | \$000    |
| Finished Goods                        | 541          | -        |
| Work in Progress                      | 276          | -        |
| Spare Parts                           | 464          | -        |
| <b>Total Inventory <sup>(1)</sup></b> | <b>1,281</b> | <b>-</b> |

(1) Inventory held by 100% owned CCS (Refer Note 12 for the acquisition and consolidation accounting).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**5. Other Financial Assets**

|                                     | 31/12/21 | 30/06/21     |
|-------------------------------------|----------|--------------|
|                                     | \$000    | \$000        |
| Interest on Loan to Joint Venture   | -        | 747          |
| Loan to Joint Venture               | -        | 11,618       |
| Provision: Joint Venture Losses     | -        | (7,678)      |
| <b>Total Other Financial Assets</b> | <b>-</b> | <b>4,687</b> |

LBT had a 50% interest in a joint venture company, CCS, through to 31 December 2021. The purpose of the joint venture was to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology. On 31 December 2021, LBT completed its acquisition of Hettich's 50% equity interest in CCS (the Acquisition). Therefore, as at 31 December 2021, CCS was a wholly owned subsidiary of LBT, and the loans between LBT and CCS are eliminated upon consolidation. Refer Note 12 for the acquisition and consolidation accounting.

**Prior to the Acquisition**

Prior to the Acquisition, the above loan represented LBT's 50% contribution to the funding of the joint venture company, CCS. In the Half Year, the loan balance increased by \$295,000 to \$11,913,000 comprising cash funding provided of \$303,000 through to the date of Acquisition less an unrealised foreign currency loss of \$8,000 on \$541,000 of the loan that is denominated in Euro (€347,000).

Interest accrues on the loan at 2% per annum. The total interest accrued to the date of Acquisition was \$875,000.

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 6). 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 were recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans were more in the nature of an 'equity' style risk.

During the Half Year through to the date of the Acquisition, LBT's 50% share of the change in net assets of CCS was a loss of (\$554,000), or (\$829,000) including the foreign currency translation loss of (\$275,000). The amount of (\$829,000) was applied to increase the provision against the recoverability of the shareholder loan to (\$8,507,000).

The balance of the loans at 31 December 2021, including the accrued interest and the loan provision were eliminated upon the cessation of equity accounting on that date. The summarised financial information for CCS at 31 December 2021 is provided in Note 6.

**6. Investments Accounted for Using the Equity Method**

|  | 31/12/21 | 30/06/21 |
|--|----------|----------|
|  | \$000    | \$000    |
| <b>(a) Recognition of Carrying Amounts</b> |          |          |
| Investment in Joint Venture at Cost        | -        | 1,539    |
| Foreign Currency Translation Reserve       | -        | 192      |
| Share of Cumulative Loss in Joint Venture  | -        | (1,731)  |
| <b>Closing Balance</b>                     | <b>-</b> | <b>-</b> |

LBT held a 50% interest in a joint venture company, CCS through to 31 December 2021, being the date that LBT acquired the other 50% of CCS.

The voting power held by LBT through to 31 December 2021 was 50%. LBT equity accounted for 50% share of the financial results of CCS through to 31 December 2021. Financial statements of CCS are aligned to the same reporting period as LBT and have been amended where the accounting policies were inconsistent with that of LBT. From 31 December 2021, LBT ceased equity accounting for its equity interest in CCS and commenced consolidating the financial results of its 100% owned subsidiary CCS from that date (Refer Note 12 for further details related to the accounting related to the acquisition).

**Prior to the Acquisition**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**6. Investments Accounted for Using the Equity Method cont.**

**(b) Summarised Financial Information for Joint Ventures**

Set out below is the summarised financial information for the joint venture company CCS through to the date of Acquisition on 31 December 2021. Unless otherwise stated, the disclosed information reflects the amounts presented in the financial statements of CCS as at 31 December 2021, 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**

|   | 31/12/21                | 30/06/21        |
|---|-------------------------|-----------------|
|   | Prior to<br>Acquisition |                 |
|   | \$000                   | \$000           |
| <b>Asset</b>  |                         |                 |
| <b>Current Assets</b>   |                         |                 |
| Cash and Cash Equivalents   | 717                     | 321             |
| Trade and Other Receivables   | 357                     | 954             |
| Inventory   | 1,281                   | 747             |
| <b>Total Current Assets</b>   | <b>2,355</b>            | <b>2,022</b>    |
| <b>Non-Current Assets</b>   |                         |                 |
| Intangible Assets   | 12,241                  | 12,854          |
| <b>Total Non-Current Assets</b>   | <b>12,241</b>           | <b>12,854</b>   |
| <b>Total Assets</b>   | <b>14,596</b>           | <b>14,876</b>   |
| <b>Current Liabilities</b>  |                         |                 |
| Trade and Other Payables  | 1,553                   | 407             |
| <b>Total Current Liabilities</b>  | <b>1,553</b>            | <b>407</b>      |
| <b>Non-Current Liabilities</b>  |                         |                 |
| Non-Current Financial Liabilities (loans from Joint Venture shareholders) | 30,056                  | 29,826          |
| <b>Total Non-Current Liabilities</b>                                      | <b>30,056</b>           | <b>29,826</b>   |
| <b>Total Liabilities</b>  | <b>31,609</b>           | <b>30,233</b>   |
| <b>Net Liabilities</b>  | <b>(17,013)</b>         | <b>(15,357)</b> |
| LBT's Share (%)   | 50%                     | 50%             |
| LBT's Share of Joint Venture's Net Liabilities                            | (8,507)                 | (7,678)         |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

6. Investments Accounted for Using the Equity Method cont.

(b) Summarised Financial Information for CCS cont.

Summarised Financial Performance

|   | 31/12/21                | 31/12/20       |
|---|-------------------------|----------------|
|   | Prior to<br>Acquisition |                |
|   | \$000                   | \$000          |
| Revenue   | 52                      | 682            |
| Depreciation and Amortisation <sup>(1)</sup>      | (1,191)                 | (2,428)        |
| Interest Expense                                  | (303)                   | (272)          |
| Other Expenses                                    | 334                     | (2,394)        |
| <b>Loss After Tax from Continuing Operations</b>  | <b>(1,108)</b>          | <b>(4,412)</b> |
| Other Comprehensive Income                        | -                       | -              |
| <b>Total Comprehensive Loss for the Year</b>      | <b>(1,108)</b>          | <b>(4,412)</b> |
| Dividends Paid                                    | -                       | -              |
| LBT's Share of Joint Venture's Comprehensive Loss | (554)                   | (2,206)        |
| Foreign Currency Translation                      | (274)                   | 141            |

(1) The Depreciation and Amortisation expense for the prior half year ended 31 December 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.

7. Intangible Assets

|   | 31/12/21      | 30/06/21      |
|---|---------------|---------------|
|   | \$000         | \$000         |
| APAS® Development Costs                           | 18,491        | 18,491        |
| Less: Accumulated Amortisation                    | (7,973)       | (6,824)       |
|   | 10,518        | 11,667        |
| APAS® Analysis Module Development                 | 3,520         | 3,155         |
| Less: Accumulated Amortisation                    | -             | -             |
|   | 3,520         | 3,155         |
| CCS Development costs (fair value on acquisition) | 6,830         | -             |
| Less: Accumulated Amortisation                    | -             | -             |
|   | 6,830         | -             |
| <b>Total Intangible Assets</b>                    | <b>20,868</b> | <b>14,822</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**8. Issued Capital**

|   | 31/12/21           | 30/06/21           |
|---|--------------------|--------------------|
|   | \$000              | \$000              |
| Issued and Paid Up Capital  |                    |                    |
| 319,901,544 (30 June 2021: 289,115,164) Ordinary Shares Fully Paid          | 49,854             | 47,052             |
| Less: Costs Associated with Capital Raising                                 |                    |                    |
| Opening Balance   | (3,508)            | (2,991)            |
| Capital Raising Costs   | -                  | (555)              |
| Tax Effect of Capital Raising Costs   | (39)               | 38                 |
| <b>Total</b>  | <b>46,307</b>      | <b>43,544</b>      |
|   |                    |                    |
| Ordinary Shares   | No.                | No.                |
| At the Beginning of the Reporting Period                                    | 289,115,164        | 235,539,786        |
| New Shares Issued Placement 15 July 2020                                    | -                  | 50,000,000         |
| New Shares Issued Employee Incentive Plan 4 August 2020 <sup>(1)</sup>      | -                  | 483,810            |
| New Shares Issued Share Purchase Plan 17 August 2020                        | -                  | 2,296,250          |
| New Shares Issued Employee Incentive Plan 9 October 2020 <sup>(1)</sup>     | -                  | 423,049            |
| New Shares Issued Employee Incentive Plan 18 December 2020 <sup>(1)</sup>   | -                  | 96,869             |
| New Shares Issued MD's Annual Bonus 18 December 2020 <sup>(2)</sup>         | -                  | 275,400            |
| New Shares Issued in lieu of Directors Fees 29 December 2021 <sup>(3)</sup> | 126,003            | -                  |
| New Shares Issued on Subsidiary Acquisition 30 December 2021 <sup>(4)</sup> | 30,660,377         | -                  |
| <b>At Balance Date</b>  | <b>319,901,544</b> | <b>289,115,164</b> |

(1) As part of cost reduction measures implemented as a response to the COVID-19 pandemic, the Group 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 \$100,373 is included in employee benefits expense (Refer Note 3(b)).

(2) As part of his remuneration, the CEO and Managing Director is eligible for a maximum annual cash bonus of \$100,000, 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 shares were issued following shareholder approval at the AGM held on 25 November 2020. An expense of \$44,064 is included in share based payments within the employee benefits expense (Refer Note 3(b)).

(3) During March 2021, a new Board Policy was established which represents an ongoing commitment for all Non-Executive Directors, current and future, to invest a minimum of one year's Directors fees within four years of commencing. Directors may elect to acquire shares on market or sacrifice 25% of their gross Directors fees over 4 years to acquire new LBT shares. At the AGM on 29 November 2021 approval was given for the Issue of 52,239 shares to Simon Arkell and 68,764 shares to Damian Lismore consisting of 6 months of sacrificed Directors fees between April and September 2021.

(4) LBT obtained full ownership of its joint venture company (CCS) on 31 December 2021. The consideration given to Hettich Holding Beteiligungs-und Verwaltungs-GmbH's (Hettich) totaled \$4.0 million consisting of \$1.0 million cash, 30.66 million shares and 8.0 million options exercisable at \$0.25 expiring 31 December 2024. The issue price of the shares was based on the market closing price of LBT's shares on the trading day prior to execution of the binding Share Purchase Deed of \$0.091. The shares are held in escrow until escrowed until 31 December 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. Reserves**

|   | 31/12/21     | 30/06/21     |
|---|--------------|--------------|
|   | \$000        | \$000        |
| Option Reserve <sup>(1)</sup>                       | 1,537        | 1,234        |
| Foreign Currency Translation Reserve <sup>(2)</sup> | -            | 63           |
| <b>Total Reserves</b>                               | <b>1,537</b> | <b>1,297</b> |

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

(2) Exchange rate differences arising on the translation of LBT's 50% share of the net liabilities of CCS from CHF to AUD, which incurred a foreign currency translation loss of (\$275,000) for the Half Year period, and an ending balance of (\$212,000) which was reduced to nil as part of the cessation of equity accounting upon the acquisition of the other 50% of CCS from Hettich on 31 December 2021.

**Options Reserve**

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

|   | Number            | Value<br>\$000 |
|---|-------------------|----------------|
| Options Reserve Opening Balance 1 July 2021                   | 11,896,669        | 1,234          |
| Chair Options <sup>(1)</sup>                                  | 1,250,000         | 20             |
| Director Options <sup>(2)</sup>                               | 500,000           | 4              |
| CEO and MD Long Term Incentive Options Granted <sup>(3)</sup> | -                 | 62             |
| Director Options <sup>(4)</sup>                               | -                 | 27             |
| Options Granted on Subsidiary Acquisition <sup>(5)</sup>      | 8,000,000         | 203            |
| Options Lapsed <sup>(6)</sup>                                 | (166,667)         | (13)           |
| <b>Options Reserve Closing Balance 31 December 2021</b>       | <b>21,480,002</b> | <b>1,537</b>   |

The total of \$113,000 for employee options is included in the share-based payments expense for the Half Year (refer to Note 3(b)).

(1) An issue of 1,250,000 options to Joanne Moss (LBT Chair) was approved at the AGM on 29 November 2021. The options have a two year vesting period and an expiry date of 29 December 2023. The combined fair value of the options was calculated to be \$98,038. 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 Half Year is \$20,000.

(2) It is the practice of the Group to issue 500,000 options to new Directors upon commencement, subject to shareholder approval. 500,000 options were issued to Mr Brian O'Dwyer in this period. These options have a two-year vesting period and an expiry date of 29 December 2031. The combined fair value of the options was calculated to be \$36,695. 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 Half Year is \$4,000.

(3) Based on the conclusions of a report from a Remuneration Specialist, LBT's Board proposed a Long-Term Incentive (LTI) that principally aligns with shareholder interest, in respect to growth in share price, to incentivise, retain and reward the 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.

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 is then taken to provide a 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 amount expensed in the Half Year is \$62,000.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. Reserves cont.**

**Options Reserve cont.**

(4) It is the practice of the Group to issue 500,000 options to new Directors upon commencement, subject to shareholder approval. In the year ended 30 June 2020, 500,000 share options were granted to each of two Directors, Messrs Arkell and Lismore. These options had 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 are expensed over the two-year vesting period. The final amount expensed on these options in the Half Year is \$27,000.

(5) LBT obtained full ownership of its joint venture company Clever Culture Systems (CCS) on 31 December 2021. As part of the consideration paid for the Acquisition of the 50% equity interest held by Hettich, LBT issued 8,000,000 unlisted options to Hettich at exercise price of \$0.25 and an expiry date of 31 December 2024. The fair value of the options was calculated as \$203,000 using the binomial valuation method and a volatility of 80%.

**10. Dividends**

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

**11. Segment Reporting**

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

At the current stage of commercialisation, the Group operates in one geographic region being global. The Group's product development, administration and production occurs in Australia, with sales activities occurring in Australia, the EU and the US, managed from Australia.

**(b) Revenue by geographic region**

Prior to 31 December 2021, the revenue derived from Switzerland related to the consulting fees and license fee income received from the then 50% owned company CCS. From 31 December 2021, CCS is 100% owned and controlled by LBT and all inter entity transactions after that date will be eliminated for the purposes of preparing the consolidated financial accounts of the Group.

|                      | 31/12/21   | 31/12/20     |
|----------------------|------------|--------------|
|                      | \$000      | \$000        |
| Australia            | 408        | 633          |
| Switzerland          | 450        | 644          |
| <b>Total Revenue</b> | <b>858</b> | <b>1,277</b> |

**(c) Assets by geographic region**

LBT held a 50% interest in the joint venture company CCS though until 31 December 2021, when LBT acquired the other 50% equity interest held by Hettich.

At balance date, the net assets of CCS are included in the Consolidated Statement of Financial Position of the Group - refer Note 12 for a summary of the CCS net assets acquired on 31 December 2021. CCS is based in Switzerland.

**(d) Major customers**

LBT recognised income from services and license fees of \$450,000 (2020: \$644,000) from its joint venture with Hettich.

In addition, LBT also recognised interest income of \$127,000 (2020: \$113,000) accruing on the shareholder loans provided to CCS.

LBT recognised its 50% share of the joint venture losses of \$554,000 (2020: \$2,206,000).

Net Income from CCS accounted for 52% (2020: 58%) of external revenue.

Equity accounting for LBT's 50% share of CCS ceased on 31 December 2021, when LBT acquired the other 50% ownership of CCS and all transactions between LBT and CCS after 31 December 2021 will be eliminated in preparing the consolidated financial statements for the Group in the future.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**12. Business Combination**

On 31 December 2021, LBT acquired the other 50% equity interest in CCS and shareholder loans, from Hettich, for a purchase consideration of \$3,993,000, which resulted in LBT gaining control over CCS with an ownership interest of 100%. The acquisition was undertaken with a view to the efficiencies and simplification of the business structure of having CCS 100% owned and managed by LBT, with Hettich taking 75% of the purchase consideration as equity in LBT. Following the acquisition, Hettich now owns 9.6% of LBT's issued capital.

The acquisition resulted in the inclusion of CCS' net assets of \$7,512,000 in the consolidated financial statements as at 31 December 2021. The value of the net assets being based on the \$3,993,000 acquisition consideration, together with LBT's existing 50% interest in CCS of \$3,519,000 (the existing interest being revalued based on the \$4,993,000 acquisition consideration). Further details are provided below.

**(a) Acquisition Consideration**

The acquisition was satisfied by the issue of 30,660,377 LBT ordinary shares at an issue price of \$0.091 each (Refer Note 8), the issue of 8,000,000 unlisted options (Refer Note 9), and a cash payment of \$1,000,000:

|                            | <b>Fair Value</b> |
|----------------------------|-------------------|
|                            | <b>\$000</b>      |
| Cash                       | (1,000)           |
| Ordinary Shares Issued     | (2,790)           |
| Options Granted            | (203)             |
| <b>Total Consideration</b> | <b>(3,993)</b>    |

**(b) Acquisition Cash Flow**

|                                      | <b>\$000</b> |
|--------------------------------------|--------------|
| Cash Consideration Paid              | (1,000)      |
| Less Cash held by CCS                | 717          |
| <b>Consolidated Net Cash Outflow</b> | <b>(283)</b> |

**(c) Fair Value of 50% equity interest and shareholder loans acquired**

The above consideration was provided for the acquisition of Hettich's 50% equity interest in CCS and Hettich's shareholder loans receivable of \$17,268,000. The shareholder loans represent funding provided by Hettich to CCS over the term of the joint venture. The total fair value of the equity and loans receivable acquired was determined as being equal to the fair value of the consideration paid of \$3,993,000. This is the most appropriate measure of the fair value of the equity and shareholder loans acquired, given the transaction was between two unrelated parties with neither party under duress and noting that under the Joint Venture Agreement, Hettich were able to sell their 50% equity interest to a third party, subject to LBT's first right of refusal. Additionally, the stage of commercialisation of CCS did not permit an accurate valuation based on earnings or revenue multiples for similar transactions.

The total fair value of \$3,993,000 was allocated between the 50% equity acquired and the shareholder loans acquired by the relative Net Present Value (NPV) of the estimated future loan repayments compared to the NPV of the estimated future cash flows from the 50% equity interest:

|                         |                                   | <b>\$000</b> |
|-------------------------|-----------------------------------|--------------|
| 50% Equity              | allocated 62.6% of the fair value | 2,499        |
| Shareholder Loans       | allocated 37.4% of the fair value | 1,494        |
| <b>Total Fair Value</b> |                                   | <b>3,993</b> |

**(d) Revaluation of LBT's initial 50% equity interest and LBT's Shareholder Loans**

As the business combination was achieved in stages, the Group remeasures to fair value, its previously held 50% equity interest in, and its shareholder loans receivable from, CCS, based on the fair value of the additional 50% equity interest and the shareholder loans acquired from Hettich, as follows:

|                              |  | <b>\$000</b> |
|------------------------------|--|--------------|
| 50% Equity                   | consistent with the 50% interest acquired  | 2,499        |
| Shareholder Loans            | based on the NPV of the LBT loans being 68.3% of the NPV of the Hettich loans acquired | 1,020        |
| <b>Total Revalued Amount</b> |  | <b>3,519</b> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2021**

**12. Business Combination cont.**

**(d) Revaluation of LBT's initial 50% equity interest and LBT's Shareholder Loans cont.**

The difference between that fair value and the previous equity accounted carrying amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, as follows:

|   | LBT Book Value<br>at 31/12/21<br>\$000 | Fair Value<br>\$000 | Revaluation<br>Amount<br>\$000 |
|---|--|---------------------|--------------------------------|
| Initial 50% Equity Interest (Note 6)  | -                                      | 2,499               | 2,499                          |
| LBT Shareholder Loans, Net of Provisions (Note 5)                               | 4,281                                  | 1,020               | (3,261)                        |
| <b>Total</b>  | <b>4,281</b>                           | <b>3,519</b>        | <b>(762)</b>                   |
| Recognised in Other Comprehensive Income (Foreign Currency Translation Reserve) |  |                     | 211                            |
| Recognised in Profit or Loss  |  |                     | (973)                          |
| <b>Total Revaluation</b>  |  |                     | <b>(762)</b>                   |

**(e) Fair Value of CCS Net Assets**

The fair value of the net assets of CCS at acquisition on 31 December 2021 is as follows:

|  | CCS Fair Value<br>\$000 | Included in<br>Consolidated<br>Accounts<br>\$000 |
|--|-------------------------|--|
| Cash   | 717                     | 717  |
| Debtors and Prepayments                              | 357                     | 357  |
| Inventory (Note 4)                                   | 1,281                   | 1,281  |
| Creditors and Accruals                               | (1,673)                 | (1,673)  |
| Shareholder Loans Payable <sup>(1)</sup>             | (2,514)                 | -  |
| Deferred Development Costs (Note 7)                  | 6,830                   | 6,830  |
| <b>Fair value of the 100% equity interest in CCS</b> | <b>4,998</b>            | <b>7,512</b>                                     |

<sup>(1)</sup> Inter entity loan balances are eliminated upon consolidation.

**13. Contingent Liabilities**

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

**14. Subsequent Events**

There were no material subsequent events.

## DIRECTORS' DECLARATION

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

In the opinion of the Directors:

The financial statements and notes set out on pages 8 to 23 are in accordance with the Corporations Act 2001, including:

complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and giving a true and fair view of the financial position as at 31 December 2021 and the performance for the Half Year ended on that date. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.



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JOANNE MOSS  
CHAIR



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BRENTON BARNES  
CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

Dated this 24<sup>th</sup> day of February 2022



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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LBT Innovations Limited and its controlled entity ("the group"), which comprises the condensed consolidated statement of financial position as at 31 December 2021, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity comprising the company and the entity it controlled at the half-year end or from time to time during the half-year.

### Conclusion

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

- (a) giving a true and fair view of LBT Innovations Limited financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Material Uncertainty Related to Going Concern

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

*"The future viability of the Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales and ability 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 Group, the Group 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 Group believes that it has sufficient liquidity to prepare the financial statements on a going concern basis."*

These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### Emphasis of Matter

We draw attention to Note 1(b) of the financial report, which describes the significant uncertainty about the key assumptions used for sales and sales growth used for the impairment assessment for APAS® related assets.

Our conclusion is not modified in respect of this matter.

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## Directors' Responsibility for the Half-Year Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the group's financial position as 31 December 2021 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**HLB Mann Judd Audit (SA) Pty Ltd**  
Chartered Accountants

Adelaide, South Australia  
24 February 2022



**Travis Rickard**  
Director

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