LBT Innovations Ltd

ACN 107 670 673

APPENDIX 4D HALF YEAR RESULTS

Interim Financial Report for the Half Year ended 31 December 2020

(Previous corresponding period being the Half Year ended 31 December 2019)

This information should be read in conjunction with the 30 June 2020 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 2020 $'000s	December 2019 $'000s	Change $'000s	Change %
Revenue from Ordinary Activities	1,277	762	515	68%
Profit / (Loss) from Ordinary Activities After Tax Attributable to Members	(3,268)	(3,103)	(165)	(5%)
Total Comprehensive Income / (Loss)	**(3,127)**	**(3,123)**	**(4)**	**(0%)**

Revenue

Revenue for the Half Year ended 31 December 2020 was $1.28 million, an increase of 68% from the prior half year. This Revenue comprised:

- $0.63 million consulting income - paid to LBT by LBT's 50% owned joint venture company Clever Culture Systems AG (CCS)
- $0.65 million other income (interest and grant income)

Net Profit / (Loss) for the Year

The Company's net loss for the Half Year was ($3.27) million. This comprised a loss before income tax of ($4.84) million less an income tax benefit of $1.57 million. The income tax benefit includes a net R&D tax refund receivable of $0.83 million.

The loss before tax of ($4.84) million comprises:

- $0.63 million consulting income.
- $0.65 million other income, largely interest and grant income.
- ($1.18) million of depreciation and amortisation expenses, predominantly the amortisation of the APAS® development costs;
- ($2.21) million provision for LBT's 50% share of the loss incurred by CCS. LBT's share of the loss includes $1.21 million for depreciation and amortisation of its APAS® related capitalised development costs;
- ($2.12) million for total employee, consulting and joint venture related expenses, net of CCS reimbursements; and
- ($0.61) million other expenses including general administration, marketing and legal expenses.

Compared to the prior Half Year period ended 31 December 2019, the loss before income tax has increased from ($4.02) million to ($4.84) million. The increased costs of ($0.82) million are a result of the increased LBT 50% share of the loss recognised in the joint venture (CCS) of ($1.24) million partly offset by the increase in revenue of $0.52 million and ($0.10) million increase in other expenses.

LBT has recognised a current tax asset of $1.18 million, of which $0.83 is attributable to the 2020 R&D tax incentive claim lodged in January 2021.

Dividends

It is not proposed to pay a dividend.

Net Tangible Assets per Security

The net tangible assets per LBT share was 5.30 cents as at 31 December 2020, 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, Clever Culture Systems AG or CCS, incorporated in Switzerland. The interest in the joint venture is held directly by LBT. The other 50% of the joint venture is held by Hettich AG. 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.

DIRECTORS REPORT

Your Directors submit the financial report of the Company for the Half Year ended 31 December 2020 (the **2021 Half Year**).

Directors

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

Catherine Costello (Chair of the Board)

Brenton Barnes (Chief Executive Officer)

Caroline Popper

Simon Arkell

Damian Lismore

Company Secretary:

Ray Ridge

Review of Financials

The net loss after income tax was ($3.27) million, comprising a loss before income tax of ($4.84) million less an income tax benefit of $1.57 million. The loss before income tax of ($4.84) million comprises:

- $1.28 million in total revenue;
- ($1.18) million for depreciation and amortisation;
- ($2.21) million provision for LBT's 50% share of the loss of its joint venture company, CCS;
- ($2.12) million for total employee expenses; and
- ($0.61) million other expenses including general administration, and consulting expenses.

Compared to the prior Half Year period ended 31 December 2019, the loss before income tax has increased from ($4.02) million to ($4.84) million. The increased loss of ($0.82) million was due to an increase in LBT's 50% share of the loss recognised in the CCS joint venture of ($1.21) million, partly offset by the increase in revenue of $0.52 million and ($0.10) million increase in other expenses.

Total revenue includes $0.49 million of government grant income comprising $0.38 million for JobKeeper, $0.05 million for the PAYG cash boost, and $0.59 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 Company's new APAS® Antimicrobial Resistance (AMR) analysis module.

Actual cash funding provided by LBT to CCS during the Half Year was $0.66 million, provided as a shareholder loan. This compares to the non-cash accounting provision for LBT's 50% share of the CCS loss of ($2.21) million. The ($2.21) million provision for LBT's 50% share of the loss of CCS comprises:

- Revenue of $0.68 million (LBT's 50% share $0.34 million) relating to the sale of two instruments, including annual licence fees and annual maintenance fees.
- Operating expenses of ($2.39) million (LBT's 50% share $1.20 million) relating to cost of goods sold, sales staff, marketing, regulatory, clinical trials and administration.
- Depreciation and amortisation expenses of $2.43 million (LBT's 50% share $1.21 million). In the Half Year, this included a write-off of ($1.08) million (LBT's 50% share $0.54 million) of capitalised research and development costs associated with an early stage alternate automated version of the APAS® instrument. CCS originally incurred these research and development costs prior to December 2017.

- Interest expenses of $0.27 million (LBT's 50% share $0.14 million), largely relating to interest accruing on the shareholder loans provided to CCS by its two shareholders, LBT and Hettich Holding Beteiligungs- und Verwaltungs-GmbH.

The net assets of the Company have increased by $4.9 million from 30 June 2020 to $29.0 million at 31 December 2020, in line with the $4.9 million increase in the Company's cash position to $12.0 million. In the 2021 Half Year, $8.5 million capital was raised through an $8.0 million placement and a share purchase plan less ($0.6) million for costs associated with this capital raised.

Cash utilisation of ($3.0) million in the 2021 Half Year was applied to fund LBT's net operating expenses of ($1.6) million, ($0.3) million for the continued development of additional analysis modules, ($0.7) million for LBT's 50% share of funding its joint venture company CCS and ($0.4) million loan repayments to the South Australian Government.

The $4 million loan provided by the South Australian Government is being repaid in quarterly instalments of principal and interest though to May 2024. At 31 December 2020, the remaining principal balance is $3.4 million.

LBT recognised a current tax asset of $1.18 million, of which $0.83 million is attributable to the 2020 Research and Development Tax Incentive claim lodged in January 2021.

Review of Operations

The key highlights and significant events for the 2021 Half Year and up to the date of this Directors Report:

- The Company's 50% joint venture company Clever Culture Systems (**CCS**) signed a 3-year Marketing Agent Agreement with Beckman Coulter, Inc. a global leader in clinical diagnostics, for the marketing of the APAS® Independence in Germany, France and United Kingdom. This Marketing Agent Agreement creates a strategic partnership to add Beckman Coulter's market-leading brand and sales reach to promote the APAS® Independence. A fixed referral fee will be paid by CCS to Beckman Coulter for each APAS® Independence sale made under the terms of the Marketing Agent Agreement;
- In October, CCS completed the first sale of an APAS® Independence to the Limbach Group in Germany. The Limbach Group is one of Germany's largest network of laboratories, operating over 30 laboratories in the region. The sale was made to Labor Dr Gärtner, based in Ravensberg, a technology innovator with the group. We understand that other laboratories within the Limbach Group are closely following the success of this installation;
- CCS completed the first placement of an APAS® Independence in the United Kingdom to the Health Services Laboratory (a laboratory partnership which includes the United Kingdom subsidiary of Sonic Healthcare, ASX: SHL) in London. The laboratory has since completed their evaluation of the APAS® MRSA analysis module with extremely positive results. A second evaluation is underway assessing the performance of the APAS® Urine analysis module;
- During the 2021 Half Year, a number of other customer evaluations of the APAS® Independence were commenced or conducted including at the SA Pathology laboratory at the Royal Adelaide Hospital, with other evaluations remaining commercial in confidence. The instrument installed at Johns Hopkins Hospital resulted in an independent evaluation of APAS® Independence with the MRSA analysis module, that has been presented during the American Society of Microbiology – Microbe meeting in June 2020. This instrument has been removed from their facility and being repurposed for additional evaluations; and
- To support the increasing requirements for in field service and support of customers, CCS partnered with oneservice® for the provision of installation and maintenance services of the APAS® Independence in the United States and Europe. The onboarding and training of oneservice® was successfully completed online due to COVID-19 travel restrictions. The partnership provides a scalable solution where local support has already been conducted in the United States, United Kingdom and Germany.

The Company was awarded $0.75 million funding through MTPConnect's Biomedical Translation Bridge program to support the development of the Company's new APAS®-AMR analysis module. The APAS®-AMR analysis module will add new functionality to the APAS® instrument enabling it to be used by laboratories for antimicrobial susceptibility testing.

COVID-19 Impact

The COVID-19 pandemic which commenced in early 2020 continues to directly impact the target market and end customers for the APAS® instrument. These pathology laboratories and hospitals are faced with the challenge of conducting high volumes of COVID-19 testing, combined with revenue impacts due to far lower conventional testing.

These impacts to the healthcare industry, coupled with travel restrictions globally, has limited the opportunity to meet personally with potential customers, and in many cases has made it more difficult to engage at all as pathology laboratories and hospitals are overwhelmed by the pandemic. This continues to impact the opportunity for the identification of new sales leads, and the progression of existing sales leads to eventual sales.

In the United States, the pandemic has had an impact on the FDA who have stated they will prioritise regulatory approvals for new diagnostic tests, vaccines and drugs for the treatment of COVID-19. This has delayed the expected timeline for FDA consideration of the Company's MRSA analysis module.

Despite these challenges posed by COVID-19, the Company has continued to make commercial progress, as noted above, albeit at a slower pace than originally envisaged pre-pandemic.

For LBT's review of the recoverability of the book value of its APAS related assets at 30 June 2020, it was estimated that the timing of the anticipated sales growth APAS® Independence would be delayed by up to 12 months as a result of the pandemic. The Company maintains this view, based on the potential success of the global roll-out of COVID-19 vaccines in a number of key markets including the United States, Europe and the United Kingdom, which may see lower rates of new COVID-19 infections from June 2021. However, the extent to which COVID-19 will impact our business, financial position and operating results cannot be predicted with certainty and the Company will continue to monitor the impact of COVID-19 on all aspects of the business, including the recoverability of its APAS related assets.

Future Developments and Prospects

The Company is focussed on advancing the commercialisation of the APAS® Independence in key markets by supporting CCS's sales and marketing efforts in Europe and the United States and continuing to advance the APAS® technology development with release of new analysis modules that increases the value proposition for customers. These activities will include:

- Working with Beckman Coulter and the CCS EU Sales Executive to advance the current pipeline of leads and sales opportunities in the United Kingdom, Germany and France. This will include supporting further evaluations of the APAS® Independence with customers in the region as part of the sales process;
- Expanding the current sales and marketing efforts in the United States to grow the pipeline of opportunities in the region. The Company is in active discussions with potential United States distributors and will be seeking to finalise an appointment in the 2021 calendar year;
- The Company will continue to work with the United States FDA to obtain clearance of its MRSA analysis module. The Company have an active 510(k) submission with the FDA, however timing of clearance is uncertain due to impacts of COVID-19 on the FDA's ability to review applications;
- Product development will be focussed on expanding the number of analysis modules available to customers in Europe and the United States. This will include advancing the development of the APAS®-AMR module and releasing its VRE and EU urine analysis modules to market; and
- The Company is also exploring partnership opportunities to utilise the unique artificial intelligence and image analysis capability of APAS® for new medical applications.

Rounding of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the Half Year ended 31 December 2020.

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

Kate Costello

Catherine Costello
Chairman

Brent Barnes
Chief Executive Officer

Dated at Adelaide this 19th day of February 2021.

HLB MANN JUDD

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of LBT Innovations Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
19 February 2021

Jon Colquhoun
Director

hlb.com.au

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

169 Fullarton Road, Dulwich SA 5065 I PO Box 377, Kent Town SA 5071

T: +61 (0)8 8133 5000 I F: +61 (0)8 8431 3502 I E: reception@hlbsa.com.au

Interim Financial Report

31 December 2020

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Statement of Comprehensive Income/(Loss)

For the Half Year ended 31 December 2020

	Note	31/12/20 $000	31/12/19 $000
License Fee Revenue	2	16	-
Revenue from Consulting Services to JV Company	2	628	584
Other Income	2	633	178
Consulting Expense	3a	(103)	(143)
Employee Benefits Expense	3b	(2,123)	(1,856)
Depreciation and Amortisation Expense		(1,177)	(1,216)
General Administration Expenses		(119)	(257)
Finance Costs		(49)	(57)
Other Expenses	3c	(343)	(288)
Share of Loss of Joint Ventures Accounted for Using the Equity Method	6	(2,206)	(964)
Loss Before Income Tax		**(4,843)**	**(4,019)**
Income Tax Benefit		1,575	916
Net Loss for the Half Year		**(3,268)**	**(3,103)**
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to Profit or Loss			
Foreign Currency Translation	6	141	(20)
Total Comprehensive Loss for the Half Year		**(3,127)**	**(3,123)**
Basic Loss per Share (cents per share)		**(1.15)**	**(1.33)**
Diluted Loss per Share (cents per share)		**(1.15)**	**(1.33)**

The accompanying notes form part of the financial statements.

Statement of Financial Position

As at 31 December 2020

	Note	31/12/20 $000	30/06/20 $000
Assets			
Current Assets			
Cash and Cash Equivalents		12,013	7,096
Trade and Other Receivables		676	111
Current Tax Asset		1,179	726
Total Current Assets		**13,868**	**7,933**
Non-Current Assets			
Trade and Other Receivables		-	370
Property Plant and Equipment		58	66
Right of Use Assets	4	-	6
Investments Accounted for Using the Equity Method	6	-	-
Other Financial Assets	5	5,988	7,293
Deferred Tax Assets		2,147	1,539
Intangible Assets	7	15,711	16,558
Total Non-Current Assets		**23,904**	**25,832**
Total Assets		**37,772**	**33,765**
Current Liabilities			
Trade and Other Payables		1,004	678
Lease Liabilities		5	11
Other Financial Liabilities		976	949
Total Current Liabilities		**1,985**	**1,638**
Non-Current Liabilities			
Trade and Other Payables		-	279
Other Financial Liabilities		2,464	2,973
Deferred Tax Liabilities		4,197	4,643
Provisions		139	120
Total Non-Current Liabilities		**6,800**	**8,015**
Total Liabilities		**8,785**	**9,653**
Net Assets		**28,987**	**24,112**
Equity			
Issued Capital	8	43,439	35,549
Reserves	9	1,529	1,276
Accumulated Losses		(15,981)	(12,713)
Total Equity		**28,987**	**24,112**

The accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the Half Year ended 31 December 2020

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated Losses	Total
	$000	**$000**	**$000**	**$000**	**$000**
Balance at 1 July 2019	**895**	**192**	**35,565**	**(7,134)**	**29,518**
New Shares Issued	-	-	13	-	13
Options Granted as Remuneration	182	-	-	-	182
Options Exercised	(57)	-	-	57	-
Capital Raising Costs	-	-	(38)	-	(38)
Other Comprehensive Income	-	(20)	-	-	(20)
Net Loss for the Half Year	-	-	-	(3,103)	(3,103)
Balance at 31 December 2019	**1,020**	**172**	**35,540**	**(10,180)**	**26,552**
Balance at 1 July 2020	**1,039**	**237**	**35,549**	**(12,713)**	**24,112**
New Shares Issued	-	-	8,512	-	8,512
Options Granted as Remuneration	120	-	-	-	120
Options Lapsed	(8)	-	-	-	(8)
Capital Raising Costs	-	-	(622)	-	(622)
Other Comprehensive Income	-	141	-	-	141
Net Loss for the Half Year	-	-	-	(3,268)	(3,268)
Balance at 31 December 2020	**1,151**	**378**	**43,439**	**(15,981)**	**28,987**

The accompanying notes form part of the financial statements.

Statement of Cash Flows

For the Half Year ended 31 December 2020

	Note	31/12/20	31/12/19
		$000	**$000**
Cash Flows from Operating Activities			
Revenue from Consulting Services to JV Company		586	655
Government Grants Received		433	-
Payments to Suppliers and Employees		(2,566)	(2,361)
Short Term Lease Payments		(50)	(22)
Interest Received		40	90
Net Cash provided by / (used in) Operating Activities		**(1,557)**	**(1,638)**
Cash Flows from Investing Activities			
Research and Development (intangible asset)		(300)	(283)
Payments for Plant and Equipment		(13)	(17)
Loan Provided to Joint Venture Company		(661)	(890)
Net Cash used in Investing Activities		**(974)**	**(1,190)**
Cash Flows from Financing Activities			
Cash Proceeds from New Shares Issued		8,468	13
Loan Repayments		(459)	-
Repayment of Lease Principal		(6)	(38)
Capital Raising Costs		(555)	(62)
Net Cash provided by Financing Activities		**7,448**	**(87)**
Net (Increase) Decrease in Cash and Cash Equivalents		4,917	(2,915)
Cash and Cash Equivalents at Beginning of Year		7,096	10,175
Cash and Cash Equivalents at End of Half Year		**12,013**	**7,260**

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by LBT Innovations Ltd during the Half Year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX listing rules.

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

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

The condensed interim financial report was approved by the Board of Directors on 19 February 2021.

The accounting policies applied by the Company in this condensed interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2020 and the corresponding interim reporting period.

(a) Changes in Accounting Policies

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

For the Half Year period ended 31 December 2020, the Company 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 2020, in relation to the carrying value of assets reliant on the future sales of the APAS® instrument, being the loan to CCS (Note 5) and intangible assets (Note 7). The combined value of these assets at 31 December 2020 is $21.7 million (30 June 2020: $23.9 million).

The Annual Report for the year ended 30 June 2020 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 $21.7 million (30 June 2020: $23.9 million) APAS® related assets recognised in the financial statements.

COVID-19 Impact

The COVID-19 pandemic which commenced in early 2020 continues to directly impact the target market and end customers for the APAS® instrument. These pathology laboratories and hospitals are faced with the challenge of conducting high volumes of COVID-19 testing, combined with revenue impacts due to far lower conventional testing.

These impacts to the healthcare industry, coupled with travel restrictions globally, has limited the opportunity to meet personally with potential customers, and in many cases has made it more difficult to engage at all as pathology laboratories and hospitals are overwhelmed by the pandemic. This continues to impact the opportunity for the identification of new sales leads, and the progression of existing sales leads to eventual sales.

In the United States, the pandemic has had an impact on the FDA who have stated they will prioritise regulatory approvals for new diagnostic tests, vaccines and drugs for the treatment of COVID-19. This has delayed the expected timeline for FDA consideration of the Company's MRSA analysis module.

For LBT's review of the recoverability of the book value of its APAS® related assets at 30 June 2020, it was estimated that the timing of the anticipated sales growth APAS® Independence would be delayed by up to 12 months as a result of the pandemic. The Company maintains this view, based on the potential success of the global roll-out of COVID-19 vaccines, in a number of key markets including the United States, Europe and the United Kingdom, which may see improved rates of new COVID-19 infections from June 2021. However, the extent to which COVID-19 will impact the future sales cannot be predicted with certainty and the Company will continue to monitor the impact of COVID-19 on all aspects of the business, including the recoverability of its APAS related assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

(c) 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 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 Company 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 FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

2. Other Revenue

	31/12/20 $000	31/12/19 $000
License Fee Revenue (1)	**16**	**-**
Revenue from Consulting Services to JV Company	**628**	**584**
Other Income		
Government Grants (2)	491	-
Foreign Exchange Gain (Loss)	(14)	(9)
Interest	156	187
Total Other Income	**633**	**178**
Total Revenue and Other Income	**1,277**	**762**

(1) During the period, LBT's joint venture company, CCS, sold two annual licences for analysis modules developed by LBT. CCS is required to pay LBT 6,000 CHF (approximately $8,800) per annum.

(2) Grant Income comprises $382,000 JobKeeper, $50,000 PAYG cash boost, and $59,000 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).

3. Profit for the Year

Profit before income tax from continuing operations includes the following items:

	31/12/20 $000	31/12/19 $000
(a) Consulting Expense Consulting expense relates to international market research, scientific and professional consulting	**103**	**143**
(b) Employee Benefits Expense Cash based employee benefits expense includes directors' fees, salaries and wages, including executive bonuses (1)	1,960	1,674
Share Based Payments (2)	163	182
Total Employee Benefits Expense	**2,123**	**1,856**
(c) Other Expenses		
Rent	75	42
Travel and Accommodation	15	67
Sundry	253	179
Total Other Expenses	**343**	**288**
(d) Auditors' Remuneration	**18**	**29**

Auditors' Remuneration is included in General Administration Expenses.
The auditor did not provide any non-audit services to the Company during the Half Year.

(1) Cash based employee benefits expenses includes $100,373 of employee salaries where employees had elected to take up an offer to subscribe for shares (refer Note 8).

(2) Share based payments include a total of $119,000 expensed in the period for options granted to employees and Directors (refer Note 9). and $44,064 for a portion of the MD's annual bonus settled through the issue of shares. (refer Note 8).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

4. Right of Use Assets

The Company's Right of use assets is the lease of office space. This lease period has ended and it has not been renewed whilst the Company reviews its future space requirements.

	31/12/20	30/06/20
	$000	$000
(i) AASB 16 related amounts recognised in the Statement of Financial Position		
Leased Building	86	86
Less: Accumulated Depreciation	(86)	(80)
Right of Use Assets	**-**	**6**

Movements in Carrying Amount
Movements in Carrying Amounts of Right of Use Assets between the beginning and the end of the Half Year were as follows:

Opening Balance	6	-
Recognised on Initial Application of AASB 16 (previously classified as an operating lease under AASB 117)	-	86
Depreciation Expense	(6)	(80)
Closing Balance	**-**	**6**

	31/12/20	31/12/19
	$000	$000
(ii) AASB 16 related amounts Recognised in the Statement of Statement of Comprehensive Income/(Loss)		
Depreciation Charge Related to Right of Use Assets	6	40
Interest Expense on Lease Liabilities (under Finance costs)	-	1
Short Term Leases Expense	(50)	(22)
Low Value Assets Expense	-	-
(iii) Total Half Yearly Cash Outflows for Leases	(56)	(38)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

5. Other Financial Assets

	31/12/20	30/06/20
	$000	$000
Interest on Loan to Joint Venture	627	514
Loan to Joint Venture	11,213	10,566
Provision: Joint Venture Losses	(5,852)	(3,787)
Total Other Financial Assets	**5,988**	**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 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 Half Year ending 31 December 2020, the loan balance increased by $647,000 to $11,213,000. The increase comprised cash funding provided of $661,000 less an unrealised foreign currency gain of $14,000 on $553,000 of the loan that is denominated in Euro (€347,000).

Interest accrues on the loan at 2% per annum. The total interest accrued to 31 December 2020 is $627,000.

Future profits of CCS will be applied to repay the loans, inclusive of accrued interest, to both LBT and CCS' other JV 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 JV 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 JV Company are recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk.

During the Half Year ending 31 December 2020, LBT's 50% share of the change in net assets of CCS was a loss of ($2,206,000), or ($2,065,000) including the foreign currency translation gain of $141,000. The amount of ($2,065,000) was applied to increase the provision against the recoverability of the shareholder loan. The summarised financial information for CCS is provided in Note 6.

6. Investments Accounted for Using the Equity Method

	31/12/20	30/06/20
	$000	$000
(a) Recognition of Carrying Amounts		
Investment in Joint Venture at Cost	1,539	1,539
Foreign Currency Translation Reserve	192	192
Share of Cumulative Loss in Joint Venture	(1,731)	(1,731)
Closing Balance	-	-

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

The voting power held by LBT is 50%.

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

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

6. Investments Accounted for Using the Equity Method continued

(b) Summarised Financial Information for Joint Ventures

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

As of the date of signing of this financial report, the audit of CCS for the year ended 31 December 2020 is not complete.

Summarised Financial Position

	31/12/20 $000	30/06/20 $000
Assets		
Current Assets		
Cash and Cash Equivalents	872	217
Trade and Other Receivables	495	449
Inventory	864	1,058
Total Current Assets	2,231	1,724
Non-Current Assets		
Intangible Assets	14,638	17,474
Total Non-Current Assets	14,638	17,474
Total Assets	**16,869**	**19,198**
Current Liabilities		
Trade and Other Payables	608	129
Total Current Liabilities	608	129
Non-Current Liabilities		
Non-Current Financial Liabilities (loans from JV shareholders)	27,966	26,643
Total Non-Current Liabilities	27,966	26,643
Total Liabilities	**28,574**	**26.772**
Net Assets / (Liabilities)	**(11,705)**	**(7,574)**
LBT's Share (%)	50%	50%
LBT's Share of Joint Venture's Net Assets/ (Liabilities)	(5,852)	(3,787)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

6. Investments Accounted for Using the Equity Method continued

(b) Summarised Financial Information for CCS continued

Summarised Financial Performance

	31/12/20 $000	31/12/19 $000
Revenue	682	-
Depreciation and Amortisation [1]	(2,428)	(1,231)
Interest Expense	(272)	(242)
Other Expenses	(2,394)	(456)
Loss After Tax from Continuing Operations	**(4,412)**	**(1,929)**
Other Comprehensive Income	-	-
Total Comprehensive Loss for the Year	**(4,412)**	**(1,929)**
Dividends Paid	-	-
LBT's Share of Joint Venture's Comprehensive Loss	(2,206)	(964)
Foreign Currency Translation	141	(20)

(1) Depreciation and Amortisation expense for the Half Year 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

	31/12/20 $000	30/06/20 $000
APAS® Development Costs	18,491	18,491
Less: Accumulated Amortisation	(5,675)	(4,527)
	12,816	13,964
APAS® Analysis Module Development	2,895	2,594
Less: Accumulated Amortisation	-	-
	2,895	2,594
Total Intangible Assets	**15,711**	**16,558**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

8. Issued Capital

	31/12/20	30/06/20
	$000	**$000**
Issued and Paid Up Capital		
289,115,164 (30 June 2020: 235,539,786) 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	(67)	9
Total	**43,439**	**35,549**

Ordinary Shares	No.	No.
At the Beginning of the Reporting Period	235,539,786	235,339,786
New Shares Issued Pursuant to Options Exercised 14 November 2019	-	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 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 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)).

9. Reserves

	31/12/20	30/06/20
	$000	**$000**
Option Reserve (1)	1,150	1,039
Foreign Currency Translation Reserve (2)	379	237
Total Reserves	**1,529**	**1,276**

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

9. Reserves continued

Options Reserve

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

	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	12
Director Options (3)	-	27
Options Lapsed (4)	(100,000)	(8)
Options Reserve Closing Balance 31 December 2020	**11,946,669**	**1,150**

The total of $119,000 for employee options granted, the MD's LTI options and the Director options (items 1, 2 and 3 below) is included in the share based payments expense for the Half Year (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 5 year Treasury Bonds on 25 August 2020. As the options vest immediately, the full fair value of $80,000 was expensed in the Half Year.

(2) LBT engaged a remuneration specialist, Wexford Hayes, to benchmark the salary package of the Company's 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 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 Managing Director must remain employed by LBT at those testing dates.

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 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 expense recognised through to 31 December 2020 is $12,000.

(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 Half Year is $27,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2020

9. Reserves continued

Options Reserve continued

(4) 100,000 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, $8,000 was removed from the options reserve.

10. Dividends

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

11. Segment Reporting

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

(b) Revenue by geographic region

	31/12/20 $000	31/12/19 $000
Australia	633	178
Switzerland	644	584
Total Revenue	**1,277**	**762**

(c) Assets by geographic region

The Company holds a 50% interest in the joint venture company CCS. At balance date, the carrying value of the Company's interest in the joint venture is $5.99 million as represented by the balance of the loan account less a provision (refer note 5). The joint venture is based in Switzerland.

(d) Major customers

LBT recognised income from services of $628,000 (2019: $584,000) during the financial year from its joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH (CCS).

LBT recognised interest income of $113,000 (2020: $95,000) accruing on the shareholder loans provided to CCS.

LBT recognised its 50% share of the joint venture losses of $2,206,000 (2020: $964,000).

Net Income (excluding JV losses) from CCS accounted for 58% (2020: 89%) of external revenue.

12. Contingent Liabilities

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

13. 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 9 to 22 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 2020 and the performance for the Half Year ended on that date. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

CATHERINE COSTELLO
CHAIRMAN

BRENTON BARNES
CHIEF EXECUTIVE OFFICER

Dated this 19th day of February 2021

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of LBT Innovations Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Conclusion

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

(a) giving a true and fair view of the LBT Innovations Limited financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

"*While the directors are satisfied 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 $21.7 million (30 June 2020 $23.9 million) APAS® related assets recognised in the financial statements".*

Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

HLB Mann Judd

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Jon Colquhoun
Director

Adelaide, South Australia
19 February 2021