

Linius Technologies Limited

ABN 84 149 796 332

Appendix 4D

Half-year report

31 December 2022

Reporting period

Report for the half-year ended 31 December 2022.

Previous corresponding period is the half-year ended 31 December 2021.

Results for announcement to the market

	Increase/(decrease) over previous corresponding period		
	\$	\$	%
Revenue from ordinary activities	125,279	23,804	23.5%
Profit/(Loss) from ordinary activities after tax attributable to members	(2,504,716)	(1,892,940)	(43%)
Net profit/(loss) for the period attributable to members	(2,504,716)	(1,892,940)	(43%)

Dividends

No dividends were paid or declared during the financial period and it is not proposed to pay dividends.

No dividends have previously been declared or paid in prior financial periods and there are no dividend reinvestment plans in place.

Explanation of results

Results for the 6 months to December 2022

The principal activities during the six-month period have been the development and commercialisation of repeatable products built on the company's Linius Video Services (LVS) SaaS platform. The Company's patented Video Virtualization Engine™ (VVE) turns big, bulky video files into lightweight, searchable data that is enriched with artificial intelligence (AI) and machine learning (ML), making it easy and efficient for users to find and share what matters to them. Creators and owners of video can drive greater viewing, and ultimately monetization of their video assets.

The technology is now available in productised solutions including Whizzard and MatchVision targeting primarily the Sports and Education sectors.

Further information and brief explanation of the above figures is contained in the half year consolidated financial report, which has been subject to independent review and which is lodged with this Appendix 4D.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	0.00 cents	0.04 cents

Signed:



Giuseppe Rinarelli
CFO & Company Secretary

28 February 2023
Melbourne

Linus Technologies Limited

ABN 84 149 796 332

ASX CODE: LNU

**Half-Year Report
31 December 2022**

The information in this half-year report should be read in conjunction with the annual report of Linus Technologies Limited for the year ended 30 June 2022

For personal use only

Corporate Information

Directors

Gerard Bongiorno –Chairman
James Brennan – CEO and Executive Director
Stephen McGovern – Non-Executive Director
John Wallace – Non-Executive Director

Company Secretary

Giuseppe Rinarelli

Registered office and principal place of business

Level 2, 431 St Kilda Road
Melbourne VIC 3004
Telephone: (03) 8672 7186

Website

www.linus.com

Auditors

KPMG
727 Collins Street
MELBOURNE VIC 3008

Bankers

National Australia Bank Limited

Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Tce
PERTH WA 6000

ASX Code

LNU

Share Register

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9262 3723

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Linus Technologies Limited (referred to hereafter as the 'Company' or 'parent entity' or 'Linus') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were directors of Linus Technologies Limited during the reporting period and to the date of this report, unless otherwise stated:

Gerard Bongiorno
James Brennan
Stephen McGovern
John Wallace

Principal activities

The principal continuing activities of the consolidated entity were the further development and commercialisation of its video virtualization technology. The Company's patented Video Virtualization Engine™ (VVE) turns big, bulky video files into lightweight, searchable data that is enriched with artificial intelligence (AI) and machine learning (ML), making it easy and efficient for users to find and share what matters to them. Creators and owners of video can drive greater viewing, and ultimately monetization of their video assets.

The technology is now available in productised solutions targeting primarily the Sport and Education sectors.

Review of operations

Linus' core purpose of unlocking the value of the world's video through hyper-personalization remains unchanged, as does the strategy of commercially validating solutions through direct sales and enabling the Company's steadily growing stable of partners to promote and co-sell its solutions.

The H1 FY2023 reporting period saw Linus continue to develop, deliver, and commercialise products specifically designed for its target sectors of Sports and Education. Over this time, these products generated additional recurring revenues for the Company.

Linus materially progressed the commercialisation of its technology offering over the H1 FY2023 reporting period:

- Linus expanded its client base in the Sports market with the addition of Cricket Australia and the Australian Professional Leagues (A-Leagues) as new clients. These new client deals included setup fees, recurring monthly license fees, and ongoing usage based charges.
- The company refined and focused its go-to-market strategy in the sports segment around the repeatable and scalable products Whizzard and MatchVision. This strategy has generated an increased commercial deal pipeline and a faster, more predictable movement of deals through the sales cycle.
- The Company's existing Sports deployments all saw increased usage and promotion of their services throughout the reporting period, including Racing.com, National Basketball League (NBL), English Premier League team Wolverhampton Wanderers (via partner Swanbay) and Club Brugge of the Belgian Pro League (via partner Swanbay). These deployments generated ongoing recurring and variable usage-based revenue.
- Linus' Whizzard Solution continues its live deployment into the Education sector at the University of Newcastle. During the quarter, end user usage increased and valuable user feedback and data were collected from the library/archive use case which has been deployed with staff, researchers, and students.

During the period, the company executed a cost reduction and organizational restructure which was announced in June 2022. These reductions were implemented during the September quarter and fully realized during the December quarter. Additionally, to create better alignment with the Company and as a sign of confidence in Linus and its vision, a number of consultants moved to equity remuneration rather than cash

The Linius leadership team has been strengthened with the appointment of Barry McNeill as non-executive director. Mr McNeill has over 20 years' experience in Sports Management and Sports Technology. He has led multiple sport-tech companies through rapid growth phases as CEO at Catapult Sports (ASX:CAT) and Prozone, which was acquired by StatsPerform in 2015. As required under Australian law, Mr McNeill's appointment will not take effect until he has obtained a director identification number (director ID) with the Australian Securities and Investments Commission.

Key achievements

- Billings from new customers Cricket Australia and A-Leagues, including setup fees and initial monthly recurring license fees began during the period. Recurring monthly fees from these new customers began billing late in the period due to timing of the contracts.
- New deal with Cricket Australia (CA) announced in November 2022 is Linius' largest revenue contract to date with large upside potential from their 1.2 billion global fans.
 - CA is Linius' largest revenue contract to date and includes an opportunity to monetise the service through advertising, sponsorship, and other revenue streams, with Linius receiving a significant advertising revenue share percentage. Additional fees include an upfront establishment fee and fixed monthly subscription fee.
 - CA procured the latest version of Linius Whizzard which is now a repeatable, easily deployed product for sports archives and other media archives.
 - Whizzard will enable CA to easily search its 40+ year, 20k hour archive for relevant content, quickly edit and publish content. That content can then be made available publicly through their websites, mobile app, social media channels, partner broadcasters, news agencies and other external organizations.
- New deal with Australian Professional Leagues (APL) announced in October 2022 will see the MatchVision fan engagement solution, with the Linius Video Services (LVS) platform at its core, deployed league-wide for the A-Leagues, Australia's professional football (soccer) league.
 - The solution was made available on the A-Leagues website and mobile app in December 2022 and is live at <https://matchvision.keepup.com.au/>
 - It is the first deal under the new enhanced partnership with Swanbay, which allows Linius to sell the joint MatchVision/LVS solution directly to customers.
- Extension of the current agreement with the Australian National Basketball League (NBL), was announced in December 2022. The agreement is expanded to add MatchVision alongside the existing Fan Channel solution.
- Existing deployments continue to see increased adoption and customer satisfaction
 - Racing.com experienced its highest level of usage in 3 years during this years' Spring Racing Carnival
 - University of Newcastle (UoN) saw the deployment of their first use case in the Library/Archive/Research sector go live in late June 2022. Through the current period usage increased and key customer feedback and insights were obtained. UoN submitted Whizzard for a CAUDIT award where it was named a finalist, and UoN is actively supporting Linius as a reference customer to other universities.
 - Swanbay saw increase usage and positive feedback from clients Wolverhampton Wanderers and Club Brugge.
- Management has reduced costs by approximately 40% during the period. In June 2022, the management team announced substantial cost reduction measures through a restructure, refocused the strategy on repeatable products, and completion of key product development activities. One-off costs associated with the restructure were incurred in the first quarter of the year. Normalised new cost levels were achieved by mid-September as planned and Q2 was the first full quarter under the new operating and cost model. The restructure is complete, and the team is operating effectively under the new model.
- The company refined and focused its go-to-market strategy in the sports segment around the repeatable and rapidly deployable products Whizzard and MatchVision which is resulting in pipeline growth and deal progression with teams, leagues, and broadcasters around the world. Interest in Whizzard has grown significantly in the sports archive market segment following announcement of the solution being deployed at Cricket Australia. The solution is well advanced in the deal cycle with several prospects and existing customers. Further, a global sports marketing campaign implemented for Whizzard and MatchVision is generating significant new pipeline opportunities.
- Opportunities progressed more rapidly through the sales cycle during the period due to the results achieved by existing deployments and referenceable proof points. Current deployments exhibit excellent adoption metrics including:
 - Doubling in the amount of video being watched;
 - 120% increase in visitor dwell time;
 - 35% return visit rate, with return visitors showing a 6x increase in minutes of video watched; and

Linius Technologies Limited
Directors' report
31 December 2022

- 95% 4+ out of 5 star ratings from end users.
- Linius expanded its go-to-market plans with appointment of commission-based sports consultants in South America and Asia.

Pipeline, Growth, and a Path to Profitability

With significant growth and maturity of the commercial pipeline during the period, Linius has a path forward to profitability based on ARR/MRR growth via:

- Growth from existing customers will form the first tier of revenue growth.
 - CA variable revenue through the revenue share component of the contract and upsell MRR from new features already in discussion.
 - Contract with A-Leagues offers multiple opportunities for MRR growth through solution expansion into women's league, team websites, and additional products including Whizzard.
 - Racing.com is partnering with Linius to evaluate solution upgrades and new use cases which can drive additional MRR.
 - Wolves and Brugge will be rolling out additional features of MatchVision to increase engagement and utilization, which in turn drives variable revenue for Linius.
- Closure of five deals already well progressed in the deal cycle form the second tier of growth. These opportunities are across teams, leagues, and broadcasters in Australia, Europe, and the US, and includes one of the biggest sports archives in the world.
- Progression and conversion of roughly five additional deals from the pipeline to reach profitability.

Linius Blockchain

- Linius, in conjunction with the Amazon (AWS) Rapid Prototyping team, completed the prototype of a Web3 extension to the Linius sports portfolio in July 2022
- A partnership was announced in December with Blockchain Australia, Australia's leading blockchain development and consulting group, for further development and launch of these Web3 solutions under the Linius Blockchain Solutions (LBS) subsidiary. The partnership accelerates Linius' existing strategy for using LBS to enter the Web3 market, currently valued at US\$1.3 billion and growing at 44.9% through 2030.
- Blockchain Australia to make significant investment of services and software in exchange for equity position in the Linius subsidiary, LBS.
- Initial products expected in first half of 2023 extending Linius' existing sports products.

Capital Raising Activities

Linius raised \$2.25 million in new capital from professional and sophisticated investors during the period, including a \$505,000 investment from Linius directors and their nominees.

Proceeds from these issues will fund planned sales and marketing spending needed to increase client awareness of the Linius product offerings as well as on going product development.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

Going concern

For the half year ended 31 December 2022, the Group incurred an operating net loss of \$2,504,716 (2021: \$4,397,656) and net cash outflows from operating activities of \$2,419,033 (2021: \$3,852,640). The consolidated entity had net assets of \$1,495,419 at 31 December 2022 (30 June 2022: \$736,632) and cash on hand of \$657,939 (30 June 2022: \$963,482).

The ability of the Group to continue as a going concern is dependent upon the availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business. Further details on the going concern basis of preparation used to prepare the half year financial statements are set out in note 1 to the half year financial statements.

Dividends

No dividends were paid or declared during the financial period.

Linius Technologies Limited
Directors' report
31 December 2022

Matters subsequent to the end of the financial period

On 22 February 2023, the Company issued 33,333,340 shares to related parties as part of a \$784,710 placement of fully paid ordinary shares at \$0.003 per share to professional and sophisticated investors (including directors and management) that was announced to ASX on 22 November 2022. The issue to related parties was approved by shareholders at a general meeting held on 23 January 2023 and \$100,000 was received by the Company in connection with that issue subsequent to period-end.

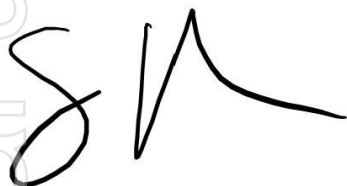
Other than the above no matters or circumstances has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration, which forms part of this Directors' Report, is set out on page 19.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Gerard Bongiorno
Chairman

28 February 2023
Melbourne

Linus Technologies Limited

Contents

31 December 2022

Contents

Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the financial statements	11
Directors' declaration	16
Independent auditor's review report to the members of Linus Technologies Limited	17
Auditor's Independence Declaration	19

General information

The financial statements cover Linus Technologies Limited as a consolidated entity consisting of Linus Technologies Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Linus Technologies Limited's functional and presentation currency.

Linus Technologies Limited is an ASX listed public company limited by shares. Its registered office and principal place of business are:

Registered office

Level 2
431 St Kilda Road
Melbourne VIC 3004

Principal place of business

Level 2
431 St Kilda Road
Melbourne VIC 3004

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2023.

Linius Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	December 2022	December 2021
		\$	\$
Revenue			
Revenue	4	125,279	101,475
Other Income	4	229,711	282,544
Expenses			
Administrative expenses		(280,053)	(400,770)
Amortisation expenses		(270,000)	(270,000)
Depreciation expenses		(8,460)	(8,460)
Employee expenses		(427,263)	(1,596,076)
Consultant expenses		(176,558)	(156,941)
Director remuneration expenses (excluding share-based payments)		(263,787)	(153,435)
Share based payments (expenses) / reversal	6	(182,619)	22,225
Financial and compliance expenses		(141,894)	(140,328)
Marketing and promotional expenses		(41,498)	(177,509)
Software development expenses		(1,043,246)	(1,825,909)
Patent expenses		(19,524)	(26,283)
Legal expenses		-	(46,350)
Travel and accommodation expenses		(4,804)	(1,839)
Loss before income tax		(2,504,716)	(4,397,656)
Income tax (expense) credit	8	-	-
Loss after income tax expense for the half year attributable to owners of the parent		(2,504,716)	(4,397,656)
Other comprehensive income for the half year, net of tax		-	-
Total comprehensive loss for the half year attributable to owners of the parent		(2,504,716)	(4,397,656)
Loss per share for loss attributable to the owners of the parent			
Basic and diluted loss per share		(0.11)	(0.26)
Weighted average number of shares used in determining basic loss per share		2,341,186,719	1,662,327,726

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Linius Technologies Limited
Consolidated statement of financial position
As at 31 December 2022

		Consolidated	
	Note	December 2022	June 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		657,939	963,482
Trade and other receivables		573,529	389,585
Total current assets		<u>1,231,468</u>	<u>1,353,067</u>
Non-current assets			
Right of use asset		-	59,028
Intellectual property	5	1,575,000	1,845,000
Property, plant and equipment		129	8,589
Total non-current assets		<u>1,575,129</u>	<u>1,912,617</u>
Total assets		<u>2,806,597</u>	<u>3,265,684</u>
Liabilities			
Current liabilities			
Trade and other payables		710,693	1,062,810
Employee provisions		79,457	160,322
Lease liability		-	50,000
Total current liabilities		<u>790,150</u>	<u>1,273,132</u>
Non-current liabilities			
Lease liability		-	12,500
Financial liabilities		521,028	1,243,420
Total non-current liabilities		<u>521,028</u>	<u>1,255,920</u>
Total liabilities		<u>1,311,178</u>	<u>2,529,052</u>
Net assets		<u>1,495,419</u>	<u>736,632</u>
Equity			
Issued capital	6	52,950,246	49,869,362
Reserves		5,863,450	5,680,831
Accumulated losses		(57,318,277)	(54,813,561)
Total equity		<u>1,495,419</u>	<u>736,632</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Linius Technologies Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$	Equity settled benefits reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	43,834,296	5,430,793	(45,814,336)	3,450,753
Loss after income tax expense for the half year	-	-	(4,397,656)	(4,397,656)
Total comprehensive loss for the half year	-	-	(4,397,656)	(4,397,656)
<i>Transactions with owners in their capacity as owners:</i>				
Shares and options issued during the year (net of capital raising costs)	3,566,514	-	-	3,566,514
Share based payments	-	250,025	-	250,025
Total transactions with owners of the Company	3,566,514	250,025	-	3,816,539
Balance at 31 December 2021	47,400,810	5,680,818	(50,211,992)	2,869,636
Balance at 1 July 2022	49,869,362	5,680,831	(54,813,561)	736,632
Loss after income tax expense for the half year	-	-	(2,504,716)	(2,504,716)
Total comprehensive loss for the half year	-	-	(2,504,716)	(2,504,716)
<i>Transactions with owners in their capacity as owners:</i>				
Shares and options issued during the year (net of capital raising costs)	3,080,884	-	-	3,080,884
Share based payments	-	182,619	-	182,619
Total transactions with owners of the Company	3,080,884	182,619	-	3,263,503
Balance at 31 December 2022	52,950,246	5,863,450	(57,318,277)	1,495,419

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Linius Technologies Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Consolidated	
	December	December
Note	2022	2021
	\$	\$
Cash flows from operating activities		
Receipts from customers	119,598	145,866
Receipts from GST refundable	94,288	88,984
Payments to suppliers	(2,632,919)	(4,087,490)
Net cash used in operating activities	<u>(2,419,033)</u>	<u>(3,852,640)</u>
Cash flows from investing activities		
Payments for property plant & equipment	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issue of shares	6 2,264,709	4,014,910
Capital raising costs paid	(43,825)	(190,217)
Insurance premium funding payments	(94,894)	(60,088)
Principal elements of lease liability	(12,500)	-
Net cash from financing activities	<u>2,113,490</u>	<u>3,764,605</u>
Net decrease in cash and cash equivalents	(305,543)	(88,035)
Cash and cash equivalents at the beginning of the half year	<u>963,482</u>	<u>1,594,108</u>
Cash and cash equivalents at the end of the half year	<u><u>657,939</u></u>	<u><u>1,506,073</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Linius Technologies Limited
Notes to the condensed consolidated financial statements
31 December 2022

Note 1. Significant accounting policies

Reporting entity

Linius Technologies Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("half year financial statements") as at and for the six months ended 31 December 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity primarily involved in technology, including research and development of technology products, software development and the commercialisation and licencing of computer software.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2022.

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 February 2023.

Except as stated below, these interim financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2022, which are available at the Company's registered office located at Level 2, 431 St Kilda Road, Melbourne, Victoria and on the website www.Linius.com.

Changes in significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022. A number of new standards are effective from 1 July 2022 but they do not have a material effect on the Group's financial statements.

Going concern

For the half year ended 31 December 2022, the Group incurred an operating net loss of \$2,504,716 (2021: \$4,397,656) and net cash outflows from operating activities of \$2,419,033 (2021: \$3,852,640). The consolidated entity had net assets of \$1,495,419 at 31 December 2022 (30 June 2022: \$736,632) and cash on hand of \$657,939 (30 June 2022: \$963,482).

The ability of the Group to continue as a going concern is dependent upon the availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business for a period of at least twelve months from the date of approval of these half year financial statements.

In determining that the going concern assumption is appropriate, the directors have had regard to:

- projected net cash outflows from operating activities, which are expected to continue for a period of at least twelve months from the date of approval of these financial statements;
- confidence in achieving expected sales through commercialisation activities;
- prudent management of costs as required including the ability to control expenditures in line with cash resources available;
- being able to raise additional capital funds through conducting a capital raising to enable the continuation of the development and commercialisation activities as planned; and
- the Directors have prepared cash flow projections for the period from 1 January 2023 until 28 February 2024 that support the Group's ability to continue as a going concern. These cashflow projections assume the Group obtains sufficient additional capital funds from shareholders or other parties in order to continue development activities as planned. If such funding is not achieved, as stated above, the Group will be required to reduce expenditure to the level of funding available.

Linius Technologies Limited
Notes to the condensed consolidated financial statements
31 December 2022

Note 1. Significant accounting policies (continued)

Going concern (continued)

The Directors are confident the Group will be able to secure sufficient capital funds and the Group has a demonstrated track record of raising capital as required.

The Group's ability to continue to operate as a going concern is dependent upon the items listed above, where additional funds and/or alternative financing have yet to be secured. These conditions give rise to a material uncertainty as to whether the Group will be able to continue as a going concern and should the Group be unable to continue as a going concern it may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise.

Note 2. Commitments and contingent liabilities

The consolidated entity has no contingent liabilities and commitments at the date of this report.

Note 3. Segment Reporting

During the half-year the consolidated entity operated as a developer of computer software in the Australasian region.

Note 4. Revenue and other income

	Consolidated December 2022	December 2021
	\$	\$
Revenue from services rendered	125,279	101,475
Other income:		
Government grants**	229,711	282,544
Total revenue and other income	<u>354,990</u>	<u>384,019</u>

* Income in advance amounting to \$55,056 (2021: \$36,389) is included in trade and other payables.

**Government grants related to research and development claim remain outstanding as at 31 December 2022 and form part of trade and other receivables.

Note 5. Intellectual property

The Group acquired the intellectual property associated with the Linius technology from an unrelated party in November 2015. The intellectual property includes patents, copyright, confidential information and trademarks. In accordance with accounting standards and the Group accounting policies this asset is treated as having a finite life and is being amortised over 10 years:

	Consolidated December 2022	June 2022
	\$	\$
Intellectual property at cost	5,400,000	5,400,000
Accumulated amortisation	<u>(3,825,000)</u>	<u>(3,555,000)</u>
	<u>1,575,000</u>	<u>1,845,000</u>

The directors have assessed the value and useful life of the intellectual property at reporting date.

Linius Technologies Limited
Notes to the condensed consolidated financial statements
31 December 2022

Note 5. Intellectual property (continued)

The cost of the intellectual property was established upon the purchase of the intellectual property through a third-party transaction in November 2015. The value of the intellectual property was further validated through the reverse takeover process and capital raising undertaken by Linius Technologies Limited (Linius) in April/May 2016. During this process an independent report was commissioned, which gave the directors evidence that the intellectual property purchased was covered by valid patents, trademarks and copyright.

The directors note that the intellectual property is at an early stage in its commercial life, with the associated technology approaching commercialisation. The value and lifespan of the owned intellectual property continues to be enhanced by further patent registrations in new jurisdictions across the world and through continued research and development of the technology associated with the intellectual property.

The directors have currently assessed the useful life of the intellectual property as being 10 years. The directors consider that a 10-year useful life is reasonable and appropriate and have amortised the value of intellectual property at balance date on that basis.

Impairment testing

As a result of the operating loss incurred, impairment analysis of the intellectual property has been performed using the following alternative method:

Market capitalisation approach

Since listing on ASX, the shares of Linius have traded in a ready market, supporting the value of the intellectual property asset. The assets of the Group at 31 December 2022 consist principally of cash of \$657,939 and intellectual property, after amortisation, of \$1,575,000. Net assets are \$1,495,419.

Linius shares closed at a price of 0.4 cents per share on 31 December 2022. Total fully paid ordinary shares on issue at 31 December 2022 are 2,831,412,895. This gives a market capitalisation of Linius of \$11.3 million. Given the nature of its operations and the Group's early-stage commercial development, the directors believe that the recoverable amount of the intellectual property on the balance sheet at 31 December 2022 is supported by the current market value of Linius.

Note 6. Equity - issued capital

	Legal Parent		Consolidated	
	December 2022 Shares	June 2022 Shares	December 2022 \$	June 2022 \$
Ordinary shares - fully paid	<u>2,831,412,895</u>	<u>1,959,516,311</u>	<u>52,950,246</u>	<u>49,869,362</u>

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent
Legal parent		
Balance as at 30 June 2022		1,959,516,312
Issue of shares through private placement (Directors)*	July 2022	35,000,000
Issue of remuneration shares to Director**	July 2022	3,000,000
Issue of shares as share-based payment to consultants**	July 2022	3,850,000
Issue of shares on conversion of convertible note*^	August 2022	50,000,000
Issue of shares through private placement**	August 2022	200,000,000
Issue of shares on conversion of convertible note*^	August 2022	62,500,000
Issue of shares on conversion of convertible note*^	September 2022	66,666,667
Issue of shares through private placement (Directors)*	October 2022	31,000,000
Issue of shares as share-based payment to consultants**	December 2022	28,590,006
Issue of shares through private placement*	December 2022	228,236,630
Issue of shares on conversion of convertible note*^	December 2022	140,000,000
Issue of shares through private placement*	December 2022	15,000,000
Issue of remuneration shares to Director**	December 2022	2,000,000
Issue of shares as share-based payment to consultants**	December 2022	6,053,280
Balance as at 31 December 2022		<u>2,831,412,895</u>

Linius Technologies Limited
Notes to the condensed consolidated financial statements
31 December 2022

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital (continued)

Details	Date	\$
Consolidated entity		
Balance as at 30 June 2022		49,869,362
Issue of shares through private placement (Directors)*	July 2022	347,182
Issue of remuneration shares to Director**	July 2022	-
Issue of shares as share-based payment to consultants**	July 2022	-
Issue of shares on conversion of convertible note*^	August 2022	245,183
Issue of shares through private placement**	August 2022	985,096
Issue of shares on conversion of convertible note*^	August 2022	247,889
Issue of shares on conversion of convertible note*^	September 2022	198,176
Issue of shares through private placement (Directors)*	October 2022	153,434
Issue of shares as share-based payment to consultants**	December 2022	-
Issue of shares through private placement*	December 2022	672,355
Issue of shares on conversion of convertible note*^	December 2022	171,901
Issue of shares through private placement*	December 2022	59,668
Issue of remuneration shares to Director**	December 2022	-
Issue of shares as share-based payment to consultants**	December 2022	-
Balance as at 31 December 2022		<u><u>52,950,246</u></u>

*Net of \$43,825 other transaction costs.

**The share-based payment has been recorded via the equity settled benefits reserve.

^ Refer to note 13 of 2022 financial statements for details regarding the subscription agreement.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Expenses arising from share-based payment transactions

Net expense arising from share-based payment transactions recognised during the financial period were \$182,619 (\$22,225 gain for prior comparative period). This was in respect of the vesting charge attributed to options and equity settled share-based payments for the six-month period.

Note 7. Fair value measurement

Due to the nature of the consolidated entity's operating profile, the Directors and management do not consider that the fair values of the consolidated entity's financial assets and liabilities are materially different from their carrying amounts at 31 December 2022.

Note 8. Tax expense

The consolidated entity's effective tax rate in respect of its continuing operations for the six months ended 31 December 2022 was nil percent due to the non-recognition of tax benefits arising from the operating loss incurred before tax. Management does not yet consider it probable that future taxable profits will be available against which unrecognised tax losses and temporary differences will be utilised and therefore these items have not been brought to account at balance date.

Note 9. Matters subsequent to the end of the financial period

On 22 February 2023, the Company issued 33,333,340 shares to related parties as part of a \$784,710 placement of fully paid ordinary shares at \$0.003 per share to professional and sophisticated investors (including directors and management) that was announced to ASX on 22 November 2022. The issue to related parties was approved by shareholders at a general meeting held on 23 January 2023 and \$100,000 was received by the Company in connection with that issue subsequent to period-end.

Other than the above no matters or circumstances has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

For personal use

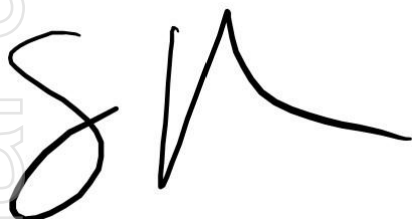
Linus Technologies Limited
Directors' declaration
31 December 2022

In the opinion of the directors of Linus Technologies Limited ("the Company"):

1. the half year financial statements and notes set out on pages 6 to 15, are in accordance with the Corporations Act 2001, including;
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance, for the six-month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors



Gerard Bongiorno
Chairman

28 February 2023
Melbourne



Independent Auditor's Review Report

To the shareholders of Linus Technologies Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Linus Technologies Limited.

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 Linus Technologies Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year** comprises:

- Consolidated statement of financial position as at 31 December 2022
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Linus Technologies Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

The **Half year** is the 6 months ended on 31 December 2022.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Material uncertainty related to going concern

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The events or conditions disclosed in Note 1, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities of the Directors 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*.
- 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

KPMG

Dana Bentley
Partner

Melbourne

28 February 2023



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Linus Technologies Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Linus Technologies for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Dana Bentley
Partner

Melbourne

28 February 2023