

LBT Interim Report and Half-Year Financial Results

Adelaide, Australia, 26 February 2018: LBT Innovations Limited (ASX:LBT) (**LBT** or the **Company**), a leader in microbiology automation utilising artificial intelligence, today released its interim report and financial results (the **Results**) for the half-year ended 31 December 2017 (the **Half-Year**).

Financial summary

- Cash receipts of \$11.71m including Autobio share placement, R&D rebate, reimbursement from Joint Venture Company (Clever Culture Systems AG) and interest (Dec 2016: \$5.54m)
- Cash position at 31 December 2017 of \$4.23m (Dec 2016: \$5.28)
- Reported a Comprehensive Loss of \$1.04m (Dec 2016: \$0.21m)

Commercial highlights

- Significant engineering development to finalise the APAS® Independence instrument ahead of final validation
- St Vincent's Hospital, Melbourne successfully completed its in situ evaluation of APAS Independence in a clinical setting. Over a 6-week evaluation period the APAS Independence instrument read and interpreted over 3,000 urine samples
- Senior management met with a number of Australian pathology providers to build awareness and the sales pipeline for the APAS Independence instrument
- Clever Culture Systems AG (**CCS**) prepared marketing collateral to support the planned commercial launch including detailed videos, a revamped website and detailed marketing material on the product and results achieved
- A white paper was written with the major findings from the St Vincent's evaluation to be presented at the European Congress of Clinical Microbiology and Infectious Diseases (ECCMID)
- Continued to build awareness with key opinion leaders, with a senior physician from a distinguished European laboratory visiting Australia to review the APAS Independence instrument

Corporate achievements

- Secured a \$4m loan facility from the South Australian Government. The provision of the loan is in recognition of the innovative work being undertaken by LBT, and the creation of skilled jobs as LBT continues developing its artificial intelligence technology platform. For further information in relation to the loan facility refer to the ASX Announcement 19 February 2018.
- Board rejuvenation process has been undertaken with the elevation of Kate Costello to the Chair and the appointment of medical entrepreneur Glenn Haifer and AI expert and technology specialist Matthew Michalewicz, to the Board. Long standing Chairman, Bob Finder retired from the Board
- Leadership team and capabilities expanded including the appointment of Ray Ridge as Chief Financial Officer
- Successful application for a three year, \$2.5m funding grant from the Federal government under the Co-operative Research Centre Projects Grant scheme for the WoundVue™ programme
- Received \$4.3m in cash under the federal Government's R&D rebate scheme
- Completed a \$2m placement to Autobio of China at 31 cents per share

LBT ended the year poised for commercial launch of the APAS Independence instrument in early 2018 having undertaken considerable work across all areas necessary to support this launch.

Commenting on the highlights of the Half-Year and outlook, CEO and Managing Director, Brent Barnes said:

"We are very excited by the prospects for 2018 as we launch our second product the APAS Independence instrument and aim for early sales and penetration across several key markets. The successful clinical validation in a real world setting of our technology at the St Vincent's Hospital Melbourne was another critical achievement for us during the Half-Year. We aim to build further clinical data and quantify the efficiencies that our technology offers hospitals and pathology labs, through continued work with this customer base."

– ENDS –

About LBT Innovations

LBT Innovations (LBT) uses artificial intelligence (AI) to improve patient outcomes, making healthcare more efficient. The company has developed a patent protected machine learning and intelligent imaging platform technology to deliver the only FDA cleared instrument utilising AI technology in clinical microbiology. Based in Adelaide, South Australia, the Company has two world class-leading products in microbiology automation: MicroStreak®, which provides automated culture plate streaking and the Automated Plate Assessment System (APAS). LBT has entered into a joint venture Clever Culture Systems AG (CCS) with Hettich Holding Beteiligungs- und Verwaltungs-GmbH to commercialise APAS products. LBT has extended its core FDA Cleared AI technology in the area of chronic wound management. WoundVue is prototype hand-held device which automatically analyses and records progress of long-term chronic wounds.

CONTACTS

LBT Innovations	Media Relations
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LBT Innovations Ltd

ACN 107 670 673

APPENDIX 4D HALF YEAR RESULTS

Interim Financial Report For the half-year ended 31 December 2017

(Previous corresponding period being the half-year ended 31 December 2016)

This information should be read in conjunction with the 30 June 2017 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 2017 \$'000s	December 2016 \$'000s	Change \$'000s	Change %
Revenue from ordinary activities	3,473	551	2,922	530%
Profit / (Loss) from ordinary activities after tax attributable to members	(1,052)	(184)	(868)	(472%)
Total Comprehensive income / (loss)	(1,039)	(205)	(834)	(407%)

Revenue

Revenue for the half-year ended 31 December 2017 increased by 530%. Revenue of \$3.47 million comprised:

- Reimbursement of expenses from Joint Venture Company (Clever Culture Systems AG) of \$2.90 million
- Clever Culture Systems AG consulting income of \$0.44 million
- Interest income of \$0.09 million
- Foreign exchange gain of \$0.03 million
- Business Growth Grant of \$0.02 million

LBT's principal source of revenue is from its joint venture company Clever Culture Systems AG, for the reimbursement of expenses incurred by LBT in relation to the operations of CCS and the provision of consulting services by LBT staff.

Profit after tax

The loss of the Company after tax and comprehensive income was \$1.04 million.

There was \$1.1 million of capitalised expenditure on APAS® since June 2017 recognising the continuing progress toward commercialisation. Other research costs not capitalised during 2017 totalled \$3.38 million (\$2.90 of this was reimbursed by LBT's joint venture Clever Culture Systems AG). LBT has recognised a current tax asset of \$0.58 million attributable to an expected net 2018 R&D tax refund receivable.

Dividends

It is not proposed to pay a dividend.

Net Tangible Assets per security

The net tangible assets per LBT Innovations Ltd share was 6.47 cents as at 31 December 2017, compared with 6.41 cents per share as at 30 June 2017.

Control Gained or lost over entities

Not applicable

Dividend or distribution reinvestment scheme

Not applicable

Details of associates and joint venture entities

LBT Innovations has a 50% interest in a joint venture with Hettich Holding Beteteiligungs– und Verwaltungs–GmbH. The joint venture company is Clever Culture Systems AG, incorporated in Switzerland. The interest in the joint venture is held directly by LBT Innovations Limited. The purpose of the joint venture is to finalise commercial product development of LBT's APAS technology and commercialise the technology through distribution partners.

Audited Financial Statements

The accounts for the half year ended 31 December 2017 are not subject to audit dispute or qualification.

DIRECTORS REPORT

Your directors submit the financial report of the Company for the half-year ended 31 December 2017.

Directors

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

Catherine Costello (Chair of the Board) commenced chair position 1 August 2017

Brenton Barnes (Chief Executive Officer)

Stephen Mathwin

Caroline Popper

Matthew Michalewicz, appointed 1 September 2017

Glenn Haifer, appointed 1 September 2017

Bob Finder, resigned 31 July 2017

Daniel Hill held the position of Company Secretary

Principal Activities

The principal activities of the Company consist of research, development and commercialisation of artificial intelligence based automation products and devices for the healthcare and laboratory supply markets. Activities are focused on the validation, initial commercialisation activities and future development of Company's Automated Plate Assessment System or APAS Independence instrument for automation of agar culture plate screening and interpretation.

There were no significant changes in the nature of the entity's principal activities during the half-year.

Business strategy, future developments and prospects

There is no change to LBT's strategy from the previous period. LBT aims to create value for shareholders through the commercial exploitation of proprietary products and devices based on its proprietary artificial intelligence platform technology for the healthcare and laboratory supply markets.

LBT's key focus is to complete validation and commence initial commercialisation of the APAS Independence instrument which has received TGA certification and FDA clearance. LBT has established a Swiss based joint venture with Hettich Holding Betelligungs- und Verwaltungs-GmbH (**Hettich**), known as Clever Culture Systems AG (**CCS**) which will be responsible for the marketing and commercialisation of the APAS Independence instrument in all key markets. LBT will continue additional research and development to further enhance its technology.

LBT funds its development and commercial activities through its own cash reserves, funding received from partners and available government funding programmes. LBT remains well positioned to capture value from its technology in the short to medium term. LBT has deep expertise in artificial intelligence and pathology, a strong intellectual property portfolio, a team with ability to innovate and apply the technology platform to commercial opportunities, and proven risk management practices.

Dividends Paid or Recommended

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous corresponding period.

Review of Operations

The key highlights and significant events for the half-year from 1 July 2017 to 31 December 2017 (the **Half-Year**) and to the date of this Interim Financial Report included:

Commercial

- Significant engineering development to finalise the APAS Independence instrument ahead of final validation
- St Vincent's Hospital, Melbourne successfully completed its in situ evaluation of APAS Independence system in a clinical setting. Over a 6-week evaluation period the APAS Independence instrument read and interpreted over 3,000 urine samples
- Senior management met with a number of Australian pathology providers to build awareness and the sales pipeline for the APAS Independence instrument
- CCS prepared marketing collateral to support the planned commercial launch including detailed videos, a revamped website and detailed marketing material on the product and results achieved
- A white paper was written with the major findings from the St Vincent's evaluation to be presented at the European Congress of Clinical Microbiology and Infectious Diseases (ECCMID)
- Continued to build awareness with key opinion leaders, with a senior physician from a distinguished European laboratory visiting Australia to review the APAS Independence instrument

Corporate

- Secured a \$4m loan facility from the South Australian Government. The provision of the loan is in recognition of the innovative work being undertaken by LBT, and the creation of skilled jobs as LBT continues developing its artificial intelligence, technology platform. For further information in relation to the loan facility refer to the ASX Announcement 19 February 2018.
- Board rejuvenation process undertaken with the elevation of Kate Costello to the Chair and the appointment of medical entrepreneur Glenn Haifer and AI expert and technology specialist Mathew Michalewicz, to the Board. Long standing Chairman, Bob FINDER retired from the Board
- Leadership team and capabilities expanded including the appointment of Ray Ridge as Chief Financial Officer
- Successful application for a three year, \$2.5m funding grant from the Federal government under the Co-operative Research Centre Projects Grant scheme for the WoundVue™ programme
- Received \$4.3m in cash under the federal Government's R&D rebate scheme
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Future Developments and Prospects

The focus for 2018 is to launch the APAS Independence instrument in several key markets with the goal of selling instruments into key reference sites at large hospitals and pathology centres. Having independent reference laboratories is expected to establish the foundation to scale up sales.

To support these activities, establishing a global footprint through the appointment of distributors is another key objective. The attendance and presenting at key conferences will also be increased throughout the coming year. European launch activities will also increase with CCS exhibiting at the 28th ECCMID conference, taking place in Madrid, Spain, from 21 - 24 April 2018. It is expected the first shipment of APAS Independence to Europe will occur in the first half of CY2018.

In the United States, the APAS technology is the first and only FDA Cleared instrument utilising AI technology in clinical microbiology. This step change technology is unique and delivers efficiencies to busy pathology laboratories that rely on the current gold standard of manual plate reading. To build awareness, CCS intends to exhibit at the American Society Microbiology "Microbe" meeting in Atlanta, USA from 7 – 11 June 2018 followed by the American Society for Clinical Chemistry meeting in Chicago, USA from 29 July to 2 August 2018. The Company is targeting the first shipment of APAS Independence to the US in the second half of 2018.

Review of Financials

The net assets of the Company have increased by \$1.70 million from 30 June 2017 to \$23.10 million at 31 December 2017. This net increase reflects funding inflows of \$2.54 million from the issue of shares under the Share Purchase Plan (SPP) in July and the issue of securities to Autobio in December.

The Company's cash position as at 31 December 2017 was \$4.23 million compared to \$3.50 million on hand at 30 June 2017.

Significant Changes in the State of Affairs

No significant changes have occurred.

Matters subsequent to the end of the Half-Year

As announced to the ASX on 19 February 2018, LBT has secured a low interest \$4m loan facility to be provided by the South Australian Government. The loan will be available in drawdowns of \$1m upon signing of a detailed loan agreement, and further milestone based funding of \$1.5m by 31 December 2018 and \$1.5m by 31 December 2019. Interest will accrue on the drawn down loan balance through to 31 December 2019, at a rate of 2% above the South Australian Government's cost of funds, at which time the loan and accrued interest will become repayable through quarterly payments through to December 2022. LBT will provide the South Australian Government with a first ranking general security.

Other than the above, no other matters or circumstances have arisen since 31 December 2017 that have significantly affected, or may significantly affect:

- a) the Company's operations in future financial years, or
- b) the results of the operations in future financial years, or
- c) the Company's state of affairs in future financial years.

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 8 for the Half-Year ended 31 December 2017.

This Interim Financial Report is signed in accordance with a resolution of the Board of Directors.



Managing Director
BRENTON BARNES



Chair of the Board
CATHERINE COSTELLO

Dated this 26th day of February 2018

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 2017, 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.

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 financial position as 31 December 2017 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 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 Audit (SA) Pty Ltd ABN: 32 166 337 097

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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 Company financial position as at 31 December 2017, and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Going Concern

We draw attention to Note 11 in the financial report, which indicates that the Company incurred a net loss of \$1,039,000 during the half year ended 31 December 2017, and incurred net cash outflows from operating and investing activities totalling \$1,742,000. These, conditions, along with other matters as set forth in Note 11, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not qualified in respect of this matter.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Adelaide, South Australia
26 February 2018

A handwritten signature in blue ink, appearing to read 'Jon Colquhoun'.

Jon Colquhoun
Partner

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 2017, 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
Chartered Accountants

Adelaide, South Australia
21 February 2018



Jon Colquhoun
Partner

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LBT INNOVATIONS LTD
ACN 107 670 673

STATEMENT OF PROFIT AND LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTE	31/12/17 \$000	31/12/16 \$000
Revenue	2(a)	3,473	551
Share of profit / (loss) of associates & joint ventures accounted for using the equity method		(323)	(20)
Consulting fees	2(b)	(230)	(98)
Employee benefits expense	2(c)	(763)	(406)
Depreciation and amortisation expense		(33)	(351)
General administration expense	2(d)	(152)	(103)
Legal		(66)	(4)
Marketing		(46)	(58)
Other expenses	2(a)	(3,804)	(289)
Profit / (Loss) before income tax		(1,944)	(778)
Income tax (expense)/benefit		892	594
Profit / (Loss) after income tax expense		(1,052)	(184)
Profit / (Loss) for the period		(1,052)	(184)
Other comprehensive income for the half year net of tax	7(b)	13	(21)
Total comprehensive income / (loss) for the half-year		(1,039)	(205)
Basic earnings per share (cents per share)		(0.74)	(0.18)
Diluted earnings per share (cents per share)		(0.74)	(0.18)

(To be read with the accompanying notes)

LBT INNOVATIONS LTD
ACN 107 670 673

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	NOTE	31/12/17 \$000	30/06/17 \$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		4,233	3,498
Trade and other receivables		593	2,365
Current tax asset		580	4,357
TOTAL CURRENT ASSETS		5,406	10,220
NON-CURRENT ASSETS			
Plant & equipment		82	65
Investments accounted for using the equity method	10	866	1,176
Financial asset	5	6,497	2,920
Deferred tax asset		367	225
Intangible assets	4	16,927	15,864
TOTAL NON-CURRENT ASSETS		24,739	20,250
TOTAL ASSETS		30,145	30,470
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		2,277	4,194
TOTAL CURRENT LIABILITIES		2,277	4,194
NON CURRENT LIABILITIES			
Deferred tax liabilities		4,694	4,844
Provisions		77	39
TOTAL NON CURRENT LIABILITIES		4,771	4,883
TOTAL LIABILITIES		7,048	9,077
NET ASSETS		23,097	21,393
EQUITY			
Issued capital	6	23,421	20,881
Reserves	7	827	611
Retained earnings / (Accumulated Losses)		(1,151)	(99)
TOTAL EQUITY		23,097	21,393

(To be read with the accompanying notes)

LBT INNOVATIONS LTD

ACN 107 670 673

STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Issued Capital \$'000	Foreign Currency Translation Reserve \$'000	Option Reserve \$'000	Retained Earnings / (Accumulated Losses) \$'000	Total \$'000
Balance at 1 July 2016		13,152	192	812	5,034	19,190
Profit attributable to members		0	0	0	(184)	(184)
Shares issued during the period	6	3,534	0	0	0	3,534
Options exercised		1,066	0	(620)	0	446
Capital raising Costs		(205)	0	0	0	(205)
Other comprehensive income	7(b)	0	(21)	0	0	(21)
Balance at 31 December 2016		17,547	171	192	4,850	22,760
Balance at 1 July 2017		20,881	112	499	(99)	21,393
Profit attributable to members		0	0	0	(1,052)	(1,052)
Shares issued during the period	6	2,615	0	0	0	2,615
Options granted as remuneration	7(a)	0	0	203	0	203
Capital raising costs		(75)	0	0	0	(75)
Other comprehensive income	7(b)	0	13	0	0	13
Balance at 31 December 2017		23,421	125	702	(1,151)	23,097

(To be read with the accompanying notes)

LBT INNOVATIONS LTD
ACN 107 670 673

CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	NOTE	31/12/17 \$000	31/12/16 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Reimbursement from Joint Venture Company (Clever Culture Systems AG)		4,834	343
Royalty payments		0	(285)
Grants received		0	66
Payments to suppliers and employees		(5,776)	(1,180)
Research and development expense		(286)	(295)
Interest received		47	47
Research and development tax concession		4,324	1,108
		<hr/>	<hr/>
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES		<u>3,143</u>	<u>(196)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Research and development (intangible asset)		(1,357)	(2,267)
Payment for plant and equipment		(34)	(6)
Loan to Joint Venture Company (Clever Culture Systems AG)		(3,494)	(662)
		<hr/>	<hr/>
NET CASH (USED IN) INVESTING ACTIVITIES		<u>(4,885)</u>	<u>(2,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Shares issued during the period		2,500	3,980
Capital raising costs during the period		(23)	(257)
Loan repaid		0	0
Interest paid		0	0
		<hr/>	<hr/>
NET CASH (USED IN) FINANCING ACTIVITIES		<u>2,477</u>	<u>3,723</u>
NET INCREASE/(DECREASE) IN CASH HELD		735	592
Cash at beginning of period		3,498	4,682
Exchange rate adjustments		0	2
		<hr/>	<hr/>
CASH AT END OF PERIOD		<u>4,233</u>	<u>5,276</u>

(To be read with the accompanying notes)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporation 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 2017 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 26th February 2018.

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 2017 and the corresponding interim reporting period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2 PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE

(a) The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	31/12/17 \$000	31/12/16 \$000
<i>Revenue comprises:</i>		
Licence payment	0	370
Interest revenue	89	37
Reimbursement of expenses from Joint Venture Company ¹	2,897	0
Grant revenue	17	71
Foreign exchange gain / (loss)	33	3
Consulting income	437	70
	<hr/>	<hr/>
Total revenue	3,473	551
	<hr/>	<hr/>
<i>Other expenses comprises:</i>		
Audit fees	(33)	(22)
Patent and trade mark fees	(161)	(19)
External research and development ¹	(3,378)	(94)
Travel and accommodation	(60)	(67)
Royalty expenses	0	0
Other expenses	(113)	(87)
	<hr/>	<hr/>
Total other expenses	(3,745)	(289)
	<hr/>	<hr/>

¹ In the comparative half year ended 31 December 2016, the reimbursement of expenses from LBT's 50% owned Joint Venture Company Clever Culture Systems AG was netted against the relevant expenses incurred by LBT. If the gross expenses and reimbursements had been presented on a gross basis, consistent with the current reporting period, the following items would have changed for the half year to 31 December 2016:

- Reimbursement of expenses from Joint Venture Company would have been \$638,000, rather than nil.
- External research and development expenses would have been (\$732,000), rather than (\$94,000)

(b) Consulting fees include fees paid for R & D tax advice (230) (98)

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

2 PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE CONT.

	31/12/17 \$000	31/12/16 \$000
(c) Employee benefits expense includes directors fees payable in accordance with the resolution passed at the Company's annual general meeting of shareholders and salaries and wages, including executive bonuses and share, based payments, however, excluding the proportion capitalised in the balance sheet. Share based remuneration, being the value of options issued to the Managing Director and employees, expensed over a two year vesting period, comprise \$203,000 of the total employee benefit expense (2016): \$NIL	(763)	(406)
(d) <i>General administration expenses comprises:</i>		
Other general administration expenses	(152)	(103)

3 SEGMENT INFORMATION

The Company has one business segment, being a developer of clinical and diagnostic technology.

4 INTANGIBLE ASSETS

APAS Development Costs	17,051	15,974
Less: Accumulated Amortisation	(124)	(110)
	<hr/>	<hr/>
TOTAL INTANGIBLE ASSETS	16,927	15,864
	<hr/>	<hr/>

5 FINANCIAL ASSETS

NON-CURRENT		
Interest on Loan to Joint Venture Company (Clever Culture Systems AG)	72	22
Loan to LBT's Joint Venture Company (Clever Culture Systems AG)	6,425	2,898
	<hr/>	<hr/>
TOTAL FINANCIAL ASSETS	6,497	2,920
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

6 ISSUED CAPITAL

	No. of Shares	\$'000
Opening balance 1 July 2017	139,973,064	20,881
Share issue from SPP securities issued 10 July 2017	1,923,057	500
Shares issued to Autobio on 1 December 2017	6,451,613	2,000
Shares issued to Medvet on 4 December 2017	432,620	115
Capital raising costs	0	(75)
	<hr/>	<hr/>
Balance 31 December 2017	148,780,354	23,421
	<hr/>	<hr/>
	31/12/17 \$000	30/06/17 \$000

7 RESERVES

Option reserve of valuation of share options	7(a)	702	499
Foreign currency translation reserve	7(b)	125	112
		<hr/>	<hr/>
		827	611
		<hr/>	<hr/>

(a) The option reserve records items recognised on valuation of share based payments. The following options were issued in the half year period:

Opening balance 1 July 2017	13,892,505
Options issued to employees 1 December 2017 ¹	1,000,000
Options issued to Autobio on 1 December 2017 ²	<u>3,225,806</u>
Balance 31 December 2017	<u>18,118,311</u>

¹ During the half year, the company issued 1,000,000 share options to two Directors, under its employee share option plan, and as approved by shareholders at the company's Annual General Meeting. The options have an exercise price of \$0.30 and an expiry date of 30 November 2027. As these options relate to the provision of services, the share options have been valued using the binomial method, with the valuation being expensed over the two year vesting period. \$27,512 was expensed in the half year ended 31 December 2017.

² The company issued 3,225,806 share options in conjunction with a placement of shares during the half-year. As the options were not associated with the provision of services to the Company, the options have not been valued and expensed. These share options have an exercise price of \$0.44 per share option, and an expiry date of 30 November 2018.

(b) The foreign currency translation reserve records net exchange movements on translation of LBT Innovations Ltd's investment in Clever Culture Systems AG (JV company).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

8 DIVIDENDS

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

9 CAPITAL AND OTHER COMMITMENTS

Office lease

The Company has leased level 8, 44 Waymouth Street, Adelaide for a period of 3 years from 1 August 2017 at a minimum rental of \$65,630 pa increased annually by CPI, plus outgoings.

The Company has leased Tech Hub, Level 1, 28 Dalglish Street, Adelaide for a period of 3 years from 1 May 2017 at a minimum rental of \$35,000 pa increased annually by CPI, plus outgoings.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

As of the date of signing of this financial report, the audit of Clever Culture Systems AG for the year ended 31 December 2017 is not yet complete. Therefore the Investments accounted for using the JV method are unaudited.

LBT Innovations Ltd has a 50% interest in the company.

11 GOING CONCERN

The financial statements have been prepared on the basis of a going concern. The Company incurred a loss after tax and comprehensive income of \$1,039,000 for the half year ending 31 December 2017 and net cash outflows from operating and investing activities of \$1,742,000. The company is economically dependent on generating cash flows from the commercialisation of APAS Independence and/or raising additional capital for the continued operations and the provision of working capital.

The Company's ability to continue as a going concern is contingent upon the generation of cash flow from its commercialisation of APAS Independence and/or successfully raising additional capital. If sufficient cash flow is not generated and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the Company may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

12 SUBSEQUENT EVENTS

As announced to the ASX on 19 February 2018, LBT has secured a low interest \$4m loan facility to be provided by the South Australian Government. The loan will be available in drawdowns of \$1m upon signing of a detailed loan agreement, and further milestone based funding of \$1.5m by 31 December 2018 and \$1.5m by 31 December 2019. Interest will accrue on the drawn down loan balance through to 31 December 2019, at a rate of 2% above the South Australian Government's cost of funds, at which time the loan and accrued interest will become repayable through quarterly payments through to December 2022. LBT will provide the South Australian Government with a first ranking general security.

Other than the above, no other matters or circumstances have arisen since 31 December 2017 that have significantly affected, or may significantly affect the Company's operations in future financial years, the results of the operations in future financial years, or the Company's state of affairs in future financial years.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

1. The financial statements and notes set out on pages 9 to 17 are in accordance with the Corporations Act 2001, including:
 - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date.
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.



CATHERINE COSTELLO
CHAIRMAN



BRENTON BARNES
CHIEF EXECUTIVE OFFICER

Dated this 26th day of February 2018