

## Financial Report – Year ended 30 June 2018

### Preliminary Financial Report & Appendix 4E

**Adelaide, Australia, 30 August 2018:** Australian medical technology company, LBT Innovations Limited (ASX:LBT) (**LBT** or the **Company**), a leader in medical technology automation using artificial intelligence, today released its financial report (the **Financial Report**) for the full year ended 30 June 2018 (**FY2018**) and Appendix 4E. All financial results are in Australian dollars and are unaudited.

### Operational & Commercial highlights

The Company has transitioned during FY2018 from a technology development company into a commercial ready business as evidenced by a number of placements of the APAS® Independence instrument into select, high quality, pathology laboratories. This work, combined with the first real world clinical evaluation and publishing of clinical data by St Vincent's Hospital Melbourne, has seen an increased awareness of the benefits of APAS® Independence in the Company's first markets of Australia and Europe. Post the year end, this culminated in the Company's first commercial sale of the APAS® Independence System to St Vincent's Hospital Melbourne, with more sales targeted by the end of calendar year 2018.

Key operational and commercial highlights for FY2018 were:

- **Clinical evaluation** at St Vincent's Hospital, Melbourne where over a 6-week evaluation period the APAS® Independence instrument read and interpreted over 3,000 urine samples
- **Building the sales pipeline** with two placements of the APAS® Independence instrument into Australian sites for evaluation and assessment within their respective workflow procedures
- **European Centre of Excellence** with the placement of the first APAS® Independence instrument into Labor Doctor Wisplinghoff, the largest clinical laboratory in Germany and one of the largest in Europe
- **First data presented** on the use of the APAS® Independence, by Lisa Brenton of St Vincent's Melbourne at the highly prestigious European Congress of Clinical Microbiology and Infectious Diseases (**ECCMID**)
- **Technology development ongoing** with additional APAS® Independence analysis modules under way for assessment of agar plates with MRSA
- **Insourcing of key skills** in artificial intelligence, software engineering and science to support the analysis module development in a more cost and time effective manner. This is also supported by a \$4m low interest funding facility from the South Australian Government to build these highly skilled capabilities in Adelaide
- **Board rejuvenation** undertaken with the retirement of Bob Finder as Chairman and appointment of new, highly experienced Non-executive directors, Mathew Michalewicz and Dr Glenn Haifer

Post the year end, on 22 August 2018, the Company announced the first commercial sale of an APAS® Independence System to St Vincent's Hospital Melbourne.

### Financial summary

- Private Placement and Share Purchase plan completed and raising \$7.9 million before costs
- AutoBio share placement to raise \$2 million, associated with the sale of non-core assets
- R&D tax rebate of \$4.3 million received for the 2017 claim
- R&D tax rebate of \$1.7 million receivable recognised for the 2018 claim
- Cash position at 30 June 2018 of \$7.6 million (June 2017: \$3.5 million)
- Reported loss of \$2.7 million (June 2017: \$5.1 million)

Commenting on the highlights of FY2018 and outlook, CEO and Managing Director, Brent Barnes said:

*“Overall we’ve had a productive fiscal year 2018, where the company has completed most of the engineering development of APAS Independence, facilitating early commercialisation activities as well as securing capital to fund the company until expected cashflow positive in early 2020. We acknowledge that not securing a global distributor by December 2017 was disappointing for shareholders, but our experience in the Australian launch market has been extremely positive and we remain confident that signing the right distributor in larger markets will follow as we build on our early commercialisation in Europe and then the US over the coming 12 months.”*

*“I believe our future outlook is highly positive. Our focus is about establishing a global footprint, generating expected early sales, while laying the foundation for scale in our sales through trusted distributors where their brand will expand market penetration for us. To achieve this we know we’ll need to conduct the early heavy-lifting to place instruments in reference laboratories in key markets and are realistic in our sales projections for the first year of product launch.”*

*“In addition to executing our operational plans we are also considering our product pipeline. Through building our internal capability we aim to extend our patent protected AI platform to provide multi-product, diversified revenue opportunities, over the coming 3-5 years.”*

– 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 and has commenced sales of the APAS® Independence System.

#### CONTACTS

<b>Brent Barnes</b> Chief Executive Officer & Managing Director Tel: +61 8 8227 1555 E: <a href="mailto:info@lbtinnovations.com">info@lbtinnovations.com</a>	<b>David Allen / John Granger</b> Hawkesbury Partners Tel: +61 2 9103 9494 E: <a href="mailto:dallen@hawkesburypartners.com">dallen@hawkesburypartners.com</a>	<b>Sarah Kemter</b> Monsoon Communications Tel: +61 3 9620 3333 E: <a href="mailto:sarahk@monsoon.com.au">sarahk@monsoon.com.au</a>
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**LBT INNOVATIONS**

ACN 107 670 673

# LBT Innovations Ltd

ACN 107 670 673

## APPENDIX 4E PRELIMINARY FINAL RESULTS

Preliminary Financial Report for the year ended 30 June 2018

(Previous corresponding period being the year ended 30 June 2017)

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

	June 2018 \$'000s	June 2017 \$'000s	Change \$'000s	Change %
Revenue from ordinary activities	5,958	5,923	35	0.6%
Profit / (Loss) from ordinary activities after tax attributable to members	(2,685)	(5,133)	2,448	47.7%
Total comprehensive income / (loss)	(2,683)	(5,213)	2,530	48.5%

### ***Profit after tax***

The loss of the Company after tax and comprehensive income was (\$2.68) million comprising a loss before tax of (\$4.30) million less a tax benefit of \$1.62 million. The tax benefit is largely represented by the net R&D tax refund receivable of \$1.66 million.

The loss before tax of (\$4.30) million is comprised of:

- (\$1.03) million for LBT's 50% share of the loss of its joint venture company, Clever Culture Systems AG (CCS).
- (\$0.93) million being expenses of (\$5.68) million incurred in finalising the engineering design and development of the APAS instrument. \$4.75 million of these expenses were reimbursed by CCS.
- (\$1.49) million for employee benefit expenses and consulting costs of (\$2.44) million, partly offset by \$0.95 million consulting income paid by CCS to LBT for services provided by LBT employees to CCS.
- (\$1.10) million other expenses including general administration, marketing and legal expenses.
- \$0.25 million other income, largely interest income.

In addition, LBT capitalised \$2.26 million of expenditure for the continued development of APAS® analysis modules during the year ended 30 June 2018. The development of further APAS® analysis modules is undertaken by LBT and extends the clinical utility of the APAS® instrument to additional culture plate types and additional specimen types, increasing the addressable market for the instrument developed by CCS.

Brief explanation of the figures above;

### ***Revenue***

Revenue for the Year ended 30 June 2018 has remained steady in comparison to last year. Revenue of \$5.96 million comprised:

- Reimbursement of expenses from joint venture company, CCS, of \$4.75 million
- Grant income of \$0.03 million
- Clever Culture Systems consulting income of \$0.95 million
- Interest income of \$0.20 million
- Foreign exchange gain of \$0.03 million

LBT's principal source of revenue last year resulted from the reimbursement of APAS® Independence related expenditure from its joint venture company, CCS.

### ***Dividends***

It is not proposed to pay a dividend.

### ***Net Tangible Assets per security***

The net tangible assets per LBT Innovations Ltd share was 7.65 cents as at 30 June 2018, 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 AG Switzerland. The JV company is CCS Switzerland 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 most likely through global distribution partners.

***Audited Financial Statements***

The Company does not expect the accounts for the year ended 30 June 2018 to be subject to audit dispute or qualification.



Preliminary Final Report  
30 June 2018

<b>Page</b>	<b>Contents</b>
5	Statement of Comprehensive Income
6	Statement of Financial Position
7	Statement of Changes in Equity
8	Statement of Cash Flows
9	Notes to the Financial Statements

Statement of Comprehensive Income  
For the Year Ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Revenue</b>	2, 3d	<b>5,958</b>	<b>5,923</b>
Share of profit / (loss) of associates & joint ventures accounted for using the equity method		(1,027)	(143)
Consulting fees	3a	(389)	(246)
Employee benefits expense	3b	(2,051)	(1,290)
Depreciation and amortisation expense		(53)	(759)
Net Impairment expense	1c	(0)	(6,239)
General administration expenses		(395)	(209)
Legal		(138)	(13)
Marketing		(32)	(87)
Other expenses	3c	(6,174)	(6,689)
<b>Profit / (Loss) before income tax</b>		<b>(4,301)</b>	<b>(9,752)</b>
Income tax (expense) / benefit	4a	1,616	4,619
<b>Net profit / (loss) for the year</b>		<b>(2,685)</b>	<b>(5,133)</b>
Other comprehensive income / (loss)		2	(80)
Other comprehensive income / (loss) net of tax		2	(80)
<b>Total comprehensive loss for the year</b>		<b>(2,683)</b>	<b>(5,213)</b>
Basic earnings per share (cents per share)	15	(1.70)	(4.02)
Diluted earnings per share (cents per share)	15	(1.70)	(4.02)

The accompanying notes form part of the financial statements.

## Statement of Financial Position

As at 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	7,572	3,498
Trade and other receivables	6	251	2,365
Current tax asset		1,661	4,357
<b>Total Current Assets</b>		<b>9,484</b>	<b>10,220</b>
<b>Non-Current Assets</b>			
Plant and equipment	7	90	65
Investments accounted for using the equity method	8	151	1,176
Financial assets	9	7,745	2,920
Deferred tax assets		517	225
Intangible assets	10	18,122	15,864
<b>Total Non-Current Assets</b>		<b>26,625</b>	<b>20,250</b>
<b>Total Assets</b>		<b>36,109</b>	<b>30,470</b>
<b>Current Liabilities</b>			
Trade and other payables	11a	1,864	4,194
<b>Total Current Liabilities</b>		<b>1,864</b>	<b>4,194</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities		5,053	4,844
Provisions	11b	83	39
<b>Total Non-Current Liabilities</b>		<b>5,136</b>	<b>4,883</b>
<b>Total Liabilities</b>		<b>7,000</b>	<b>9,077</b>
<b>Net Assets</b>		<b>29,109</b>	<b>21,393</b>
<b>Equity</b>			
Issued capital	12	30,855	20,881
Reserve	13	1,038	611
Retained earnings		(2,784)	(99)
<b>Total Equity</b>		<b>29,109</b>	<b>21,393</b>

The accompanying notes form part of the financial statements.



## Statement of Changes in Equity

For the Year Ended 30 June 2018

	Option Reserve	Foreign Currency Translation Reserve \$000	Share Capital	Accumulated (Losses) / Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000
<b>Balance at 30 June 2016</b>	<b>812</b>	<b>192</b>	<b>13,152</b>	<b>5,034</b>	<b>19,190</b>
Share placement	0	0	7,001	0	7,001
Options exercised	(620)	0	1,066	0	446
Options granted as remuneration	307	0	0	0	307
Capital raising costs	0	0	(507)	0	(507)
Tax effect attributable to items in equity	0	0	169	0	169
Comprehensive income	0	(80)	0	0	(80)
Loss attributable to members	0	0	0	(5,133)	(5,133)
<b>Balance at 30 June 2017</b>	<b>499</b>	<b>112</b>	<b>20,881</b>	<b>(99)</b>	<b>21,393</b>
Share placement	0	0	10,322	0	10,322
Share issue as compensation	0	0	115	0	115
Options granted as remuneration	425	0	0	0	425
Capital raising costs	0	0	(558)	0	(558)
Tax effect attributable to items in equity	0	0	95	0	95
Comprehensive income	0	2	0	0	2
Loss attributable to members	0	0	0	(2,685)	(2,685)
<b>Balance at 30 June 2018</b>	<b>924</b>	<b>114</b>	<b>30,855</b>	<b>(2,784)</b>	<b>29,109</b>

The accompanying notes form part of the financial statements.

## Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 \$000	2017 \$000
<b>Cash Flows From Operating Activities</b>			
Reimbursement of expenses from JV Company		7,592	3,985
Government grants received		27	66
Payments to suppliers and employees		(10,697)	(5,968)
Research and development tax concession		4,325	1,160
Interest received		78	100
<b>Net Cash Provided by / (Used in) Operating Activities</b>	<b>14</b>	<b>1,325</b>	<b>(657)</b>
<b>Cash Flows From Investing Activities</b>			
Research and development (intangible asset)		(2,488)	(4,627)
Payments for plant and equipment		(68)	(43)
Loan provided		(4,451)	(2,805)
<b>Net Cash Used in Investing Activities</b>		<b>(7,007)</b>	<b>(7,475)</b>
<b>Cash Flows From Financing Activities</b>			
Cash proceeds from share placement		10,322	7,447
Capital raising costs		(566)	(498)
<b>Net Cash Provided by Financing Activities</b>		<b>9,756</b>	<b>6,949</b>
Net increase/(decrease) in cash and cash equivalents		4,074	(1,183)
Cash and cash equivalents at beginning of year		3,498	4,682
Exchange rate adjustments		0	(1)
<b>Cash and Cash Equivalents at end of year</b>	<b>5</b>	<b>7,572</b>	<b>3,498</b>

The accompanying notes form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018****1. Statement of Significant Accounting Policies**

The preliminary financial report is based on the Company's Financial Statements which are in the process of being audited. The preliminary financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. The company does not expect there will be any audit qualifications to its audited financial statements.

The financial report covers LBT Innovations Ltd, a public company incorporated and domiciled in Australia and its joint venture, a private Swiss company Clever Culture Systems AG (CCS), 50% owned by LBT Innovations Ltd.

The financial report of LBT Innovations Ltd complies with all International Financial Reporting Standards (IFRS) in their entirety. The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

**Basis of Preparation**

The accounting policies set out below have been consistently applied to all years presented.

**Reporting Basis and Conventions**

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

**Accounting Policies****a. Income Tax**

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

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

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

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

**b. Plant and Equipment**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1: Statement of Significant Accounting Policies cont.**

**Plant and Equipment cont.**

**Depreciation**

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

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and Equipment	5 – 33%

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

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

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

**c. Intangibles**

**APAS Development Costs**

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

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

At present there is no amortisation of capitalised APAS development costs with the exception of IT licences purchased on an annual basis. This will commence once commercial income from the product is generated. APAS commercialisation will be managed through the 50:50 JV company, CCS, established through a JV agreement signed in 2013 with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. A total of \$6 million in sign on fees and milestone payments have been paid by CCS to LBT pursuant to the JV agreement. This income has previously been recognised as revenue by LBT.

**Licence Fees and Option Fees**

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

**Research Expenditure**

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

**Patents**

Patents are recognised at cost of acquisition. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patent costs are amortised over their useful life ranging from 15 to 20 years.

**MicroStreak Development Costs**

Following a review of potential options to recognise value from the sale or licence of the MicroStreak Patents, the Directors made a decision to write down the carrying amount of the Microstreak intangible assets as at 30 June 2017, from \$7.86 million to nil. The remaining unearned income, relating to the commercial ready grant, of \$1.62 million as at 30 June 2017, was also reduced to nil. As the decision to fully recognise all unearned income is directly related to the decision to impair the intangible assets associated with Microstreak, the two transactions were offset and presented in the Statement of Comprehensive Income, for the year ended 30 June 2017, as a net impairment expense of \$6.24 million. The tax effect associated with the net impairment was a tax benefit of \$1.72 million. The impact on the Company's after tax net loss for the year ended 30 June 2017 was \$4.52 million (refer to note 10).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1: Statement of Significant Accounting Policies cont.**

**Intangibles cont.**

**MicroStreak Development Costs cont.**

Prior to the write down at 30 June 2017, the carrying amount of capitalised development costs included the concept development and preliminary design costs for MicroStreak, including systems engineering, mechanical and electronic subsystems, and software costs. These capitalised development costs for MicroStreak were being amortised on a straight line basis over the then assessed remaining life of the patent. The amortisation expense relating to capitalised MicroStreak development costs was approximately \$670,000 per annum.

Consistent with this approach and in accordance with AASB 120 Accounting for Government grants and Disclosure of Government Assistance, revenue from the company's commercial ready grant was being recognised over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate. As the grant received by the company in prior years related to the capitalised costs referred to above, it was also being recognised as revenue on a straight line basis over the remaining term of the patent, resulting in revenue recognised of approximately \$141,000 per annum.

**d. Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**e. Financial Instruments**

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

**Impairment**

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised on the income statement.

**Financial assets**

Financial assets are recognised at cost less principal repayments.

**Financial Liabilities**

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

**f. Investment Accounted for Using the Equity Method**

**Investment in Joint Venture**

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

The investment in the JV Company with Hettich Holding Beteiligungs- und Verwaltungs-GmbH is accounted for using the equity method in accordance with AASB 128. Under the equity method, the investment in the JV Company is initially recognised in the balance sheet of LBT at cost, and adjusted for post-acquisition changes in LBT's share of net assets in the JV Company. The initial cost of the investment into the JV Company was assessed as the CHF25,000 share capital contribution together with the fair value of the licence granted to the JV Company to use its APAS® technology, being \$1.51 million.

Financial statements of the equity-accounted for entity are prepared for the same reporting period as LBT.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1: Statement of Significant Accounting Policies cont.**

**g. Impairment of Assets**

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**Key Estimates – Impairment**

The directors assess impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

**h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions, and is net of bank overdrafts.

**i. Revenue**

Licence fees are brought to account as revenue in accordance with the substance of the relevant agreement. Where the condition under the agreement has been fulfilled and the payments are non-refundable, licence fees are brought to account as revenue only when it is probable that the fee will be received.

Revenues from royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

**AASB 15 Revenue from Contracts with Customers**

AASB 15 replaced AASB 118 Revenue and AASB 111 Construction Contracts. This standard was applied to the current reporting period ended 30 June 2018. Consistent with this standard, revenue is recognised when control of goods or services transfers to a customer. Under the initial application of this standard, transitional adjustments were required to retained earnings on the date of initial application, without restating the comparative period.

Adoption of this new standard did not result in a material impact on the Company's financial statements nor a change in retained earnings 30 June 2017.

All revenue is stated net of the amount of goods and services tax (GST).

**j. Share-Based Payments**

**Equity Settled Transactions**

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

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

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Binomial option pricing model.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1: Statement of Significant Accounting Policies cont.**

**Share-Based Payments cont.**

**Equity Settled Transactions cont.**

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

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

**k. Goods and Services Tax (GST)**

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

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

**l. Foreign Currency Transactions and Balances**

Foreign currency transactions during the year were converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date were converted at the rates of exchange ruling at that date. The Company has a hedging policy under which, in appropriate circumstances, it hedges its foreign currency exposure.

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

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

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

**m. Comparative Figures**

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

**n. Government Grants**

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

**o. Adoption of New and Revised Accounting Standards**

The Company notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2018. These standards have not been adopted early by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below:

**AASB 9 Financial Instruments (December 2014)**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model.

These latest amendments now complete the new financial instruments standard. This standard does not apply mandatorily before the year ending 30 June 2019.

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1: Statement of Significant Accounting Policies cont.**

**o. Adoption of New and Revised Accounting Standards - cont.**

**AASB 7 Financial Instruments Disclosures (December 2014)**

AASB 2014-7 (issued December 2014) gives effect to the consequential amendments to Australian Accounting Standards (including Interpretations) arising from the issue of AASB 9: *Financial Instruments* (December 2014). More significantly, additional disclosure requirements have been added to AASB 7: *Financial Instruments: Disclosures* regarding credit risk exposures of the entity. This Standard also makes various editorial corrections to Australian Accounting Standards and an Interpretation. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

**AASB 16 Leases**

AASB 16 replaces AASB 117 Leases and some lease related Interpretations. The new standard requires all leases to be accounted for as 'on balance sheet' by lessees, other than short term and low value asset leases.

The standard provides new guidance on the application of the definition of lease and on sale and lease back accounting. The standard also requires new and different disclosures about leases. This standard does not apply mandatorily before 1 January 2019.

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

**AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.

The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**p. Critical Accounting Estimates and Judgments**

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

**2. Revenue**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Operating activities	5,762	5,807
Interest	196	116
<b>Total Revenue</b>	<b>5,958</b>	<b>5,923</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**3. Profit for the Year**

Profit before income tax from continuing operations includes the following specific

	2018 \$000	2017 \$000
<b>(a) Consulting fees</b>		
Consulting fees include fees paid to assist with international market research, scientific and professional consulting.	389	246
<b>(b) Employee benefits expense</b>		
Cash based employee benefits expense includes directors' fees and salaries and wages, including executive bonuses	1,626	984
Share based payments	425	306
<b>Total employee benefits expense</b>	<b>2,051</b>	<b>1,290</b>
<b>(c) Other Expenses</b>		
Auditors' remuneration <sup>(1)</sup>	46	28
Rent	107	37
Travel and accommodation	87	123
External research and development <sup>(2)</sup>	5,683	6,383
Others	251	118
<b>Total Other Expenses</b>	<b>6,174</b>	<b>6,689</b>
<b>(d) Revenue</b>		
The following significant revenue and expense items are relevant in explaining the financial performance:		
bioMérieux termination fee	0	370
Reimbursement of expenses from JV Company <sup>(2)</sup>	4,753	4,955
Royalty income	0	0
Grant income	27	141
Consulting income	951	330
Foreign exchange gain (loss)	31	11
Interest income	196	116
<b>Total Income</b>	<b>5,958</b>	<b>5,923</b>

NOTE (1) The auditor did not provide any non-audit services to the Company during the year.

NOTE (2) The external research and development expenses of \$5.68 million (2017: \$6.38 million) incurred by LBT, relate to the engineering design and development of the physical APAS instrument. These expenses are included in Other Expenses disclosed at Note 3 (c) above. The majority of these research and development expenses are reimbursed by LBT's 50% owned JV company CCS. The reimbursement of \$4.75 million (2017: \$4.96 million) is included in Revenue disclosed at Note 1 (d) above.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**4. Income Tax**

	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>(a) The components of tax (benefit) expense comprise:</b>		
Current tax	(1,631)	(4,186)
Deferred tax	15	433
<b>Income tax expense</b>	<b>(1,616)</b>	<b>(4,619)</b>
<b>(b) The prima facie tax on profits from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax payable on profits from ordinary activities before income tax at 27.5% (2017 27.5%)	(1,183)	(2,682)
Add:		
Tax effect of:		
R&D concession claim	(950)	(1,561)
Capital raising costs	(69)	(39)
Non-deductible expenses	547	0
Effect on deferred tax balances due to change in income tax rate from 30% to 27.5% (effective 1 July 2016)	0	(444)
Other	39	107
<b>Income tax attribute to the company</b>	<b>(1,616)</b>	<b>(4,619)</b>

**5. Cash and Cash Equivalents**

Cash at bank	7,572	3,498
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**6. Trade and Other Receivables**

<b>Current</b>		
Trade debtors	0	1,626
Other receivables	55	220
GST refundable	196	519
<b>Total Receivables</b>	<b>251</b>	<b>2,365</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**6. Trade and Other Receivables cont.**

**Credit Risk**

All receivables are within agreed payment terms. LBT has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for.

The following table details the Company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the Company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be of high credit quality.

	Past Due but Not Impaired						Within Initial Trade Terms
	Gross Amount	Past Due and Impaired	(Days Overdue)				
			< 30	31-60	61-90	> 90	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018							
Trade and term receivables	0	0	0	0	0	0	0
Other receivables	251	0	0	0	0	0	251
Total	251	0	0	0	0	0	251
2017							
Trade and term receivables	1,626	0	0	0	0	0	1,626
Other receivables	739	0	0	0	0	0	739
Total	2,365	0	0	0	0	0	2,365

The Company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

**7. Plant and Equipment**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Plant and equipment at cost	299	236
Less: accumulated depreciation	(209)	(171)
<b>Total plant and equipment</b>	<b>90</b>	<b>65</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**7. Plant and Equipment cont.**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>

**Movements in Carrying Amount**

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

Opening balance	65	44
Additions	63	49
Disposals	0	0
Depreciation expense	(38)	(28)
<b>Closing balance</b>	<b>90</b>	<b>65</b>

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

**(a) Recognition of Carrying Amounts**

Investment in joint venture at cost (Note 1 (f))	1,539	1,539
Foreign currency translation reserve	114	112
Share of profit/(loss) in joint venture	(1,502)	(475)
<b>Closing carrying amount</b>	<b>151</b>	<b>1,176</b>

LBT Innovations Ltd has a 50% interest in a joint venture with Hettich Holding Beteiligungs- und Verwaltungs-GmbH. The interest in the joint venture is held directly by LBT Innovations Limited. The purpose of the joint venture is to finalise the development of LBT's APAS technology, and subsequent manufacture, distribution and sales.

The voting power held by LBT Innovations Ltd is 50%.

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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

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

**Summarised Financial Position**

	<b>2018 \$000</b>	<b>2017 \$000</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	724	711
Trade and other receivables	532	688
Inventory	246	0
<b>Total Current Assets</b>	<b>1,502</b>	<b>1,399</b>
<b>Non-Current Assets</b>		
Intangible assets	19,529	12,898
<b>Total Non-Current Assets</b>	<b>19,529</b>	<b>12,898</b>
<b>Total Assets</b>	<b>21,031</b>	<b>14,297</b>
<b>Current Liabilities</b>		
Trade and other payables	329	2,564
<b>Total Current Liabilities</b>	<b>329</b>	<b>2,564</b>
<b>Non-Current Liabilities</b>		
Non-current financial liabilities (loans from JV shareholders)	20,400	9,382
<b>Total Non-Current Liabilities</b>	<b>20,400</b>	<b>9,382</b>
<b>Total Liabilities</b>	<b>20,729</b>	<b>11,946</b>
<b>Net Assets</b>	<b>302</b>	<b>2,351</b>
Group's share (%)	50%	50%
Group's share of joint venture's net assets	151	1,176

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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

**Summarised Financial Information for Joint Ventures cont.**

**Summarised Financial Performance**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Revenue	842	0
Depreciation and amortisation	0	0
Interest income	0	0
Interest expense	(317)	(91)
Other expenses	(2,612)	(138)
<b>Profit / (Loss) after tax from continuing operations</b>	<b>(2,087)</b>	<b>(229)</b>
Other comprehensive income	33	(56)
<b>Total comprehensive income/(loss) for the year</b>	<b>(2,054)</b>	<b>(285)</b>
Dividends paid	0	0
<b>Group's share of joint venture's cumulative comprehensive income/(loss)</b>	<b>(1,027)</b>	<b>(143)</b>

**9. Financial Assets**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Interest on Loan to joint venture	141	22
Loan to joint venture	7,604	2,898
<b>Total financial assets</b>	<b>7,745</b>	<b>2,920</b>

The loan is LBT's 50% contribution of the additional funding required by the joint venture company, CCS, in order to fund bringing the APAS based products to market. Future profits of CCS will be applied to repay the loans 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 instrument sold through CCS.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**10. Intangible Assets**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
MicroStreak option fee at cost	0	51
Less: accumulated amortisation (Note 1 (c))	0	(44)
Less: impairment	0	(7)
	0	0
MicroStreak licence fee at cost	0	120
Less: accumulated amortisation (Note 1 (c))	0	(100)
Less: impairment	0	(20)
	0	0
Patent fees	0	247
Less: accumulated amortisation (Note 1 (c))	0	(129)
Less: impairment	0	(118)
	0	0
MicroStreak development costs (Note 1 (c))	0	11,959
Less: accumulated amortisation	0	(4,244)
Less: impairment	0	(7,715)
	0	0
APAS development costs (Note 1 (c))	18,246	15,974
Less: accumulated amortisation	(124)	(110)
	18,122	15,864
<b>Total intangible assets</b>	<b>18,122</b>	<b>15,864</b>

**Movements in Carrying Amount**

	<b>MicroStreak Option Fee at Cost \$'000</b>	<b>MicroStreak Licence Fee at Cost \$'000</b>	<b>Patent Fees \$'000</b>	<b>MicroStreak Development Costs \$'000</b>	<b>APAS Development Costs \$'000</b>	<b>Total Intangible Assets \$'000</b>
<b>Balance 1 July 2016</b>	10	28	130	8,385	12,030	20,583
Additions	0	0	0	0	3,872	3,872
Disposals	0	0	0	0	0	0
Amortisation charge	(3)	(8)	(12)	(670)	(38)	(731)
Impairment	(7)	(20)	(118)	(7,715)	0	(7,860)
<b>Balance 30 June 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,864</b>	<b>15,864</b>
Additions	0	0	0	0	2,272	2,272
Disposals	0	0	0	0	0	0
Amortisation charge	0	0	0	0	(14)	(14)
Impairment	0	0	0	0	0	0
<b>Balance 30 June 2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18,122</b>	<b>18,122</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**11. Trade and Other Payables**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>(a) Current</b>		
Trade creditors and other payables	1,864	4,194
<b>Total trade and other payables</b>	<b>1,864</b>	<b>4,194</b>
As at 30 June 2017, an amount of \$2,764,109, within the trade creditors balance was secured in the form of a first ranking general security (30 June 2018: Nil).		
<b>(b) Non-current</b>		
Provisions	83	39
<b>Total non-current Provisions</b>	<b>83</b>	<b>39</b>

**12. Issued Capital**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Issued and paid up capital		
200,927,025 (2017: 139,973,064) ordinary shares fully paid	33,537	23,100
Less: costs associated with capital raising		
Opening balance	(2,219)	(1,881)
Capital raising costs	(558)	(507)
Tax effect of capital raising costs	95	169
	<b>30,855</b>	<b>20,881</b>
	<b>No.</b>	<b>No.</b>
Ordinary shares		
At the beginning of the reporting period	139,973,064	114,988,073
Options exercised	0	2,400,000
Tranche 1 placement allotted 12 December 2016	0	11,399,990
Tranche 2 placement allotted 25 January 2017	0	11,185,001
SPP allotted 10 July 2017	1,923,057	0
Shares Issued to Autobio on 1 December 2017	6,451,613	0
Shares Issued to Medvet on 4 December 2017	432,620	0
Tranche 1 allotted 12 March 2018	25,164,711	0
SPP allotted 10 April 2018	3,246,666	0
Tranche 2 allotted 26 April 2018	17,393,705	0
Tranche 2 allotted 27 April 2018	3,674,922	0
Shares issued to Planet Innovation allotted 14 May 2018	2,666,667	0
<b>At reporting date</b>	<b>200,927,025</b>	<b>139,973,064</b>



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

## **12. Issued Capital cont.**

### **Voting Rights**

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

#### **Ordinary shares**

Each ordinary share is entitled to 1 vote when a poll is called otherwise each member present at a meeting or by proxy has a vote on a show of hands.

#### **Option holders**

Each option entitles the holders to subscribe for 1 ordinary share in the capital of the Company. Options do not have voting rights attached, however ordinary shares issued on conversion carry the same voting rights as described above.

### **Capital Management**

Management controls the capital of the Company in order to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

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

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

## **13. Reserve**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Option reserve		
Option reserve of valuation of share options <sup>(1)</sup>	924	499
Foreign currency translation reserve <sup>(2)</sup>	114	112
<b>Total Reserve Balance</b>	<b>1,038</b>	<b>611</b>

(1) The option reserve records items recognised as expenses on valuation of issued share options

(2) Exchange rate fluctuations on transactions of foreign operations taken to equity

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**14. Cash Flow Information**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax		
<b>Profit (loss) after income tax</b>	<b>(2,683)</b>	<b>(5,213)</b>
Non-cash flows in loss		
Amortisation	15	731
Net impairment	0	6,239
Depreciation	38	28
Share based payments expense	425	306
Forex (gains) / losses	(2)	80
Cash Flows attributed to investing activities	(153)	719
Cash Flows attributed to financing activities	103	0
Shares issued in lieu of payment	115	0
<b>Changes in Assets and Liabilities</b>		
Decrease / (Increase) in receivables	2,114	(1,840)
(Decrease) / Increase in deferred revenue	0	(510)
(Increase) / Decrease in deferred tax asset	(293)	576
Decrease / (Increase) in current tax asset	2,697	(3,025)
Decrease / (Increase) in Investment accounted for using the equity method	1,026	143
(Decrease) / Increase in trade creditors	(2,330)	2,227
Increase / (Decrease) in provisions	44	(97)
Increase / (Decrease) in deferred tax liability	209	(1,179)
Increase / (Decrease) in deferred tax in equity	0	169
(Increase) / Decrease in net unrealised loss (gain) on foreign currency held	0	(11)
<b>Cash flow from/(used in) operations</b>	<b>1,325</b>	<b>(657)</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**15. Earnings Per Share**

	<b>2018</b>	<b>2017</b>
	<b>\$000</b>	<b>\$000</b>
<b>Reconciliation of Earnings to Net Profit/(Loss)</b>		
Net Profit/(Loss)	(2,685)	(5,133)
Earnings used in the calculation of basic earnings per share	(2,685)	(5,133)
Earnings used in the calculation of diluted earnings per share	(2,685)	(5,133)
Weighted average number of ordinary shares outstanding at 30 June 2018 used in the calculation of basic earnings per share	158,209,168	127,763,260
Weighted average number of options outstanding	16,335,368	9,777,324
Weighted average number of ordinary shares outstanding at 30 June 2018 used in the calculation of diluted earnings per share	158,209,168	127,763,260

**16. Company Details**

The registered office and principal place of business is:

Level 8, 44 Waymouth Street  
ADELAIDE SA 5000