

Intelligent Microbiology

*Clever automation solutions
for clinical laboratories*

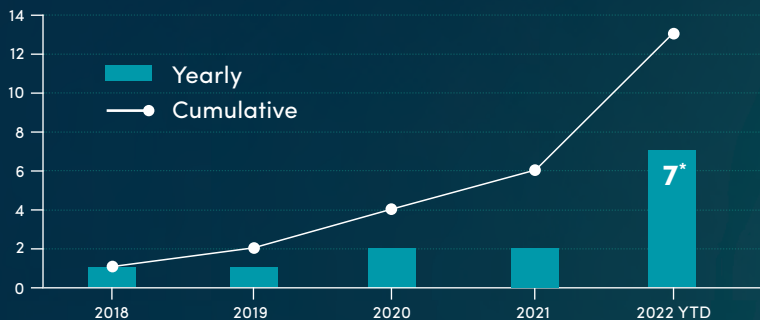
LBT Innovations (ASX: LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has a history of developing world leading products in microbiology automation.

The Company's product, the Automated Plate Assessment System (APAS® Independence) uses LBT's intelligent imaging and machine learning software to automate the imaging, analysis and interpretation of culture plates following incubation. The technology remains the only US FDA-cleared artificial intelligence technology for automated culture plate reading and is being commercialised through LBT's wholly owned subsidiary Clever Culture Systems AG (CCS). Channel partners for the sale and distribution of the APAS® Independence are in place for the United States (Thermo Fisher Scientific, Inc; Exclusive Distributor) and selected countries in Europe (Beckman Coulter, Inc; Marketing Agent).

Contents

Chair's Letter to Shareholders	5
CEO and Managing Director's Report	7
Directors' Report.....	11
Auditors' Independence Declaration.....	28
Statement of Comprehensive Income/(Loss).....	29
Statement of Financial Position	30
Statement of Changes in Equity.....	31
Statement of Cash Flows.....	32
Notes to the Financial Statements	33
Directors Declaration	69
Independent Auditor's Report	70
Shareholder Information.....	75

Significant progress across all key commercial indicators



APAS® Independence sales by calendar year

- 7** *Sales completed by Aug 2022
(incl. 5 instruments sold to Thermo Fisher Scientific)
- 8** Active instruments across 4 countries

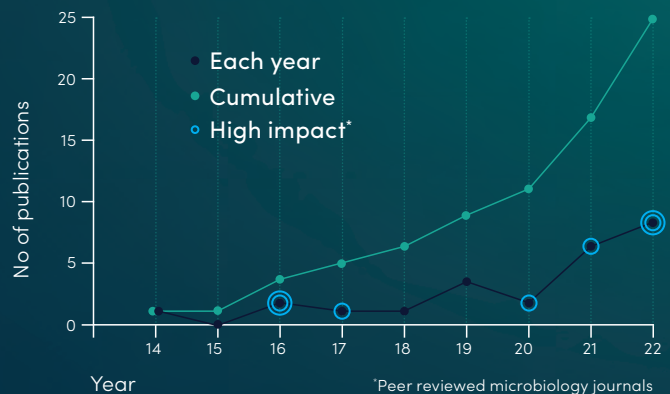
Publications

Clinical data from 5 countries



Publications feature 5 different clinical applications –

Urine, VRE, MRSA, AST, Early Plate Reading



Distribution

USA

Thermo Fisher Scientific
Exclusive US Distributor (appointed Sept 2021)

Leader in microbiology culture plate media and instrumentation

EU

Beckman Coulter
EU Marketing Agent (appointed Jul 2020)

Leading healthcare distributor

LBT acquire full ownership of
Clever Culture Systems.



2013 50/50 joint venture

2021 Acquisition

2022 Growing sales

"The year has been a transformative year for the Company gaining full ownership and value of our subsidiary Clever Culture Systems, as well as establishing important commercial building blocks for the future growth of the Company."

Brent Barnes
LBT Innovations CEO and Managing Director

Antimicrobial resistance – a global challenge

In 2019 the World Health Organisation identified the growth of antimicrobial resistance as one of the top ten global health threats and released a Global Action Plan to increase antimicrobial stewardship awareness.¹

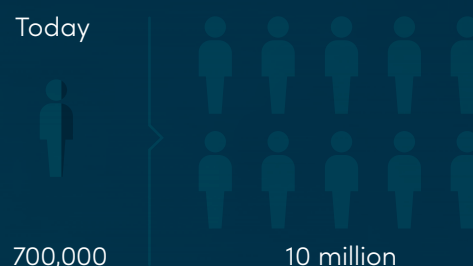
Millions of antimicrobial susceptibility tests (ASTs) are undertaken in Australia each year, costing the health system more than \$45 million². In the US, over 2.8 million antimicrobial resistant infections occur each year causing upwards of 35,000 deaths.³

“Antimicrobial susceptibility tests are one of the most critical tests performed by the microbiology laboratory that, not only inform optimum patient treatment, but are also essential in identifying emerging trends in antimicrobial resistance.”

Lisa Brenton

Deputy Principal Scientist, Microbiology
at St Vincent’s Hospital Melbourne

Projected deaths associated with antimicrobial resistance¹



Projected deaths forecast to grow 14x by 2050

Laboratory results used by clinicians inform the most appropriate antimicrobial treatment which is particularly important when addressing the growing challenges of antimicrobial resistance and fighting life threatening diseases such as sepsis, where every hour in delay to administer antimicrobial treatment increases the likelihood of a poor outcome by 3–7%.⁵

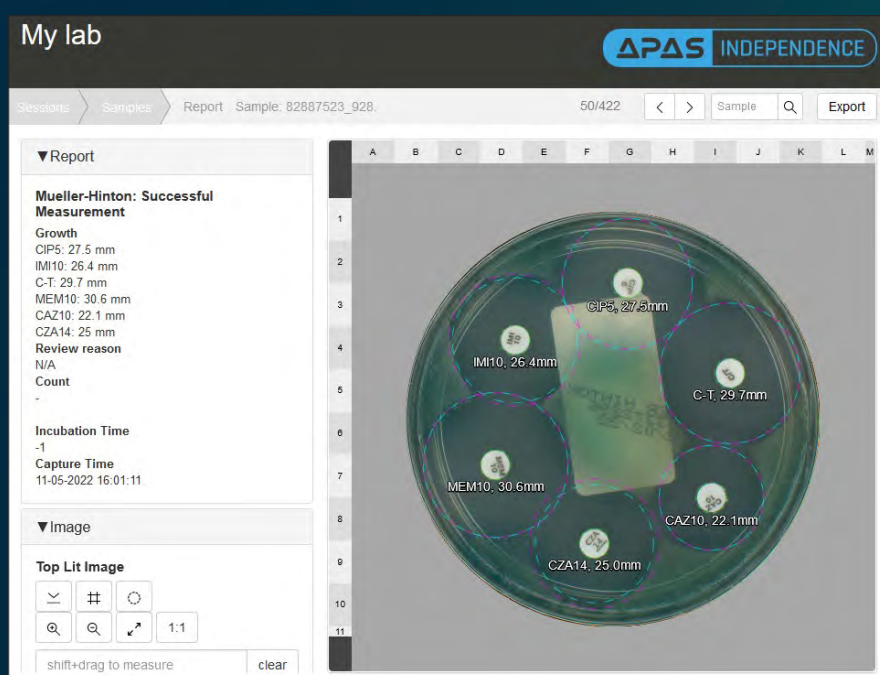
The most common AST performed by laboratories is disc diffusion, but it is time consuming, requires highly skilled resources and error rates in disc diffusion testing can be up to 14%.⁶

References

1. World Health Organisation Global Action Plan on Antimicrobial Resistance https://apps.who.int/iris/bitstream/handle/10665/193736/9789241509763_eng.pdf?sequence=1
2. Medicare Benefits Schedule Data
3. <https://www.cdc.gov/drugresistance/pdf/threats-report/2019-ar-threats-report-508.pdf>
4. AMR Action fund: <https://www.amractionfund.com/amr-innovation-challenge#page-section-0>
5. Seymour CW, Kahn JM, et al. Delays from first medical contact to antibiotic administration for sepsis. *Critical care medicine* (2017)
6. Michael Hombach, et. Al. 2016. Relative contribution of biological variation and technical variables to zone diameter variations of disc diffusion susceptibility testing *JACS*, 71(1), P141–151

Introducing APAS[®]-AMR for automatic antimicrobial susceptibility testing

- Delivers a fully automated system for accurate disc diffusion testing
- Intuitive user value-add intelligent features
 - mutant detection, zone measurement confidence, and lawn quality checks
- Supported by funding through the Biomedical Translation Bridge Program, an MRFF initiative delivered by MTPConnect.



APAS-AMR disc diffusion AST measurements on Mueller-Hinton agar



"The potential benefit of APAS-AMR to enable laboratories to deliver rapid and accurate antimicrobial susceptibility tests is huge and will be a great boost in our growing fight against antimicrobial resistance."

Dr Steven Giglio
LBT Scientific Director

Preliminary results of the APAS-AMR module showcased at ECCMID 2022, presented by Labor Dr Wisplinghoff, demonstrated extremely high-level of performance across multiple organisms.



APAS-AMR performance at 18-24 hours

Organism	Reads	No Error
E. coli (n=23)	138	100%
K. pneumoniae (n=26)	155	96.2%
P. aeruginosa (n=21)	125	90.4%
S. aureus (n=10)	30	100%
E. faecalis (n=30)	90	95.6%
Total	538	96%

Minor error: 2.6%, very major error: 1.3%

APAS-AMR performance for Rapid-AST at 6 hours

Organism	Disc	No Error
E. coli (n=23)	132	97.0%
K. pneumoniae (n=26)	155	98.7%
P. aeruginosa (n=21)	19	100%
S. aureus (n=10)	8	100%
Total	314	98.1%

Very major error: 1.9%

APAS-AMR performance at 18-24 hours

96% No Error

APAS-AMR performance for Rapid-AST at 6 hours

98.1% No Error

Company culture

Our people

Bringing an innovative medical technology to market requires people who are willing to challenge the status quo and drive changes that improve patient care. At LBT, we have invested in building a technical team with core capabilities in artificial intelligence, clinical microbiology and software engineering who work together to develop our world leading APAS products. Our Company's expertise is much broader and includes subject matter experts in clinical regulatory pathways, laboratory diagnostics and the global commercialisation of medical products.

LBT have a diverse team of 28 people from a variety of cultural backgrounds, and we are focussed on creating a vibrant environment for knowledge sharing, collaboration and professional development. This is underpinned by our Company's 3 core values:



Empowerment

Empowering individuals to perform to their highest potential.



Teamwork

Collaboration across multiple disciplines ensuring delivery of business goals.



Innovation

New ideas and innovation put into practice to improve the status quo.

Gender diversity



20%
Female board



29%
Female employees

Ethnic diversity



26 Employees in Australia



14 Different countries

Business



Head Office & Laboratory
located in Adelaide
PC2 facility compliant with
the AS/NZS 2243.3.2010



Manufacturing in Melbourne
at Planet Innovation

Safety & environment



Zero safety incidents
recorded in >6000 hours
of laboratory operation



Zero environmental
incidents recorded

Chair's Letter to Shareholders



In the face of unprecedented global uncertainty, LBT Innovations has demonstrated resilience and perseverance by achieving meaningful and operational milestones that lay the foundations for continued growth. Whilst the geopolitical, pandemic and economic landscape has provided a challenging backdrop, the Company has aligned its commercialisation and technological development endeavours via strategic M&A activity, delivered new commercial partnerships and recognised growing product sales.

It's pleasing to observe the COVID-19 impacts beginning to unwind which results in greater customer access and facilitates improved engagement with both customers and channel partners. For much of the year the pandemic restricted our ability to travel internationally and our sales executives in the United States and Europe have had difficulties gaining access to customers locally.

Within this context, we have progressed a number of commercial and strategic milestones. The appointment of Thermo Fisher Scientific as exclusive distributor in the United States is an important commercial achievement that underpins our sales efforts in the single largest market globally. This achievement was completed without a single face-to-face meeting and demonstrates the dedication by both the LBT and Thermo Fisher teams to achieve commercial outcomes during a challenging global market.

We see sales traction of APAS® Independence in the current calendar year as a positive step-change for LBT Innovations. In March 2022, Thermo Fisher issued purchase orders for 5 APAS® Independence instruments following the positive market feedback they had received since appointment as our exclusive distributor. More broadly, we see an increasing global sales pipeline for our product that positions us well to deliver increasing product sales moving into 2023.

In recent years, customers have placed their name and brand behind our APAS® technology by completing evaluations that have contributed towards our growing sales pipeline and have facilitated the development of an impressive scientific publication library. Our team continue to push the boundaries of applied image analysis in microbiology to develop a genuinely industry-leading platform technology. Our innovation pipeline contemplates additional APAS® instrumentation and Pharma analysis modules which significantly expand the market opportunity for our technology with the potential to create further collaborative partnerships.

In December 2021, LBT Innovations completed the purchase of the outstanding 50% shareholding of its joint venture Company, Clever Culture Systems. This transaction is an important milestone for us and ensures there is alignment between our commercialisation and technology development activities. It simplifies the commercial structure and affords us the ability to remain steadfast in our focus on developing the future of our APAS® technology.

The Company has maintained prudent management of our financial resources. Operational costs have been reduced. At the end of the year, we close with a cash balance of \$2.8 million, with a further \$3.0 million in receivables through customer receipts and the R&D tax incentive.

Finally, on behalf of the LBT Board, I would like to thank our Shareholders for your continued support and commitment to the Company. The last 12-months have set the foundations for the Company to build upon in the years ahead. We intend to support our channel partners to drive the sale and commercialisation of our APAS® technology worldwide, and to pursue strategic technological endeavours to grow our business into the future.

Your Chair,

A stylized, handwritten signature in dark ink.

Joanne Moss
Chair of the Board

FY22 Milestones

Acquired full ownership of Clever Culture Systems JV — December 2021

- Full control of APAS Independence commercialisation strategy at critical time
- Unlocks APAS commercial opportunity
 - LBT receive 100% of future profits generated from APAS technology
 - Expected to accelerate time to cash breakeven
- Purchase consideration A\$4.0m – Payable in Cash, LBT Shares and LBT Options

Commercial traction building following COVID-19

- Positive sales momentum with Thermo Fisher in the United States
 - Global leader in culture plate media and laboratory instrumentation
 - Appointed Exclusive US Distributor – September 2021
 - Purchase orders raised for five APAS instruments – March 2022
- Direct sales completed to Albany Medical Center (United States, May 2022) and LADR Group (Germany, August 2022)
- Steady progress in Europe through customer evaluations

Expanded clinical utility and scientific validation

- US FDA clearance for MRSA Analysis module – October 2021
- Growing library of APAS clinical data
 - 14 new studies presented at global conferences in United States and Europe
 - 1st clinical data featuring APAS-AMR presented at ECCMID 2022
 - Data presented from laboratories across 5 countries

New Company expertise added through Board refresh

- Ms Joanne Moss appointed as new Chair – July 2021
- Mr Brian O'Dwyer joins as Non-Executive Director – October 2021
- Strengthens United States commercialisation expertise and laboratory operations know-how

FY23 Outlook

- Improved market conditions following COVID-19 pandemic
- Growing APAS Independence sales with commercial partners in United States and Europe
- Continued expansion of APAS technology for new clinical applications
- New and exciting product pipeline strategy
 - New APAS products to expand market into non-clinical applications (e.g. Pharma)

CEO and Managing Director's Report



Financial Year 2022 delivered many important milestones for the Company. Obtaining full control of our APAS® technology. Securing a US distribution partner. And growing sales in key markets.

Microbiology innovation has always been at the heart of what we do as a Company. Our founding technology, MicroStreak, initiated a new era in clinical microbiology automation, automating the mechanical process of culture plate streaking. With the APAS® Independence we went one step further and developed a cutting-edge artificial intelligence technology to automate the subjective art of culture plate interpretation. This resulted in the world's first and only FDA Cleared automated culture plate reader.

As a Company we have built a business with capability in three core technology areas: Microbiology; Artificial intelligence; and Software engineering. Our facilities host a purpose-built microbiology laboratory and we've established systems that enable us to continue to set the standard for the application of artificial intelligence in microbiology.

The buy-out of our joint venture partner to acquire 100% of Clever Culture Systems (CCS) was a critical corporate milestone that ensures we have complete commercial and operational alignment across the organisation. It has provided clear focus for our business at a critical time in the commercialisation of our intellectual property and opens the door for new exciting product opportunities and commercial partnerships. Importantly the acquisition gives LBT access to the full cashflow of product sales, whereby we now receive 100% of revenues.



The APAS® Independence presented on Thermo Fisher's booth at ASM Microbe 2022, United States

Commercial traction building following COVID-19

Despite challenging market conditions throughout the COVID-19 pandemic, we have delivered important commercial milestones that set us up to deliver improved sales of the APAS® Independence. These results are starting to be seen, with 7-APAS® instruments sold this calendar year. More recently, we are seeing access to laboratories returning to pre-pandemic levels and are cautiously optimistic this trend will continue, presenting a more favourable position compared to the past 2-years.

Positive sales momentum with Thermo Fisher in the United States

In September 2021, we appointed Thermo Fisher Scientific, Inc (Thermo Fisher) as our Exclusive Distributor for the APAS® Independence in the United States. Thermo Fisher are a globally recognised brand and one of the leading suppliers of culture plate media in the United States. In March 2022, they ordered their first 5-APAS® instruments. In a market, where the typical sales cycle can be longer than 18-months, this is a positive indicator of their sales reach and capability.

In May 2022, we completed a further direct sale in the United States to Albany Medical Center. This is an encouraging case study of the value APAS® Independence delivers to smaller laboratories, enabling them to deliver their current testing volumes with existing resources while also allowing for future volume growth.

CEO and Managing Director's Report cont.

Steady progress in Europe through customer evaluations

We continue to work with our European Marketing Agent, Beckman Coulter, Inc (Beckman Coulter) to build depth in the sales funnel. Beckman Coulter, through their sales network, promote the APAS® Independence as part of their suite of automation solutions for microbiology helping to generate new customer leads for the APAS® Independence.

There was a focus during the year to complete a series of customer evaluations to drive sales traction and build trust in the product. In August 2022, we completed the sale of an APAS® Independence to the LADR Group of laboratories in Germany. This followed a positive evaluation of the technology with data to be published at an upcoming conference in Germany. The remaining customer opportunities remain active within the pipeline and are being actively progressed via our European Sales Executive.

"This transaction has simplified the corporate structure and management of CCS and brought back full control of our intellectual property at a critical time."

As a new product in the market, customer evaluations have been an important process to instil confidence in the APAS® technology in addition to generating new clinical data that supports the utility of the instrument. Moving forward, we are progressing an upgraded agreement in Europe that is more aligned to a full Distribution type of agreement that we have in the United States.

Acquired full ownership of Clever Culture System JV

In December 2021, we acquired full ownership of our joint venture company, CCS. This transaction has simplified the corporate structure and management of CCS and returned full control of our intellectual property at a critical time.

CCS was established as a joint venture to co-fund the development of our APAS® technology and commercialise the final product. Full control of the company means we have complete alignment between our sales, operational and development teams, and streamlines our commercialisation activities at the perfect time.

The transaction will unlock value for our shareholders by ensuring 100% of the profits generated through sales of the APAS® Independence remain with LBT which is expected to drive an accelerated path to breakeven for the Company.



Clever Culture Systems booth at the annual ECCMID conference in Portugal

Expanded clinical utility for APAS® technology

Since 2010, we have invested significantly in developing our world-leading technology for automated culture plate reading. The APAS® technology remains unique as the first and only FDA Cleared technology for culture plate reading and has proven to be robust and adaptable to different clinical applications.

In October 2021, we received US FDA Clearance for our MRSA analysis modules for the screening of golden staph. This means we now have regulatory cleared modules that cover the two largest volume specimen types processed by laboratories in the United States.

Our work is not done there, and our development team continue to work on new applications that increase the clinical utility of the overall APAS® Independence system. Our focus for the last 12-months has been on expanding the number of Urine analysis modules we have available for customers and developing our APAS®-AMR module for antimicrobial susceptibility testing.

Growing library of APAS® clinical data

An important aspect of bringing new medical technologies to market is building trust with customers. This is done through customer placements and building clinical reference points that support our product claims.

As we are getting the APAS® Independence into the hands of more customers, we are seeing the number of clinical posters and publications increase. In the last 12-months there have been over 14 new studies featuring the APAS® Independence presented at major conferences in Europe and the United States. This data has been generated from 10-laboratories, spanning 5-countries and establishes a robust clinical evidence base for our customers to reference.

New and exciting product pipeline strategy

In August 2022, we announced an updated product pipeline strategy to support our goal of bringing digital microbiology to all labs globally – both clinical and non-clinical. The process of culture plate reading is the same around the world, relying on manual human interpretation. This is the same across all industries, clinical, food and pharma. Our strategy is centred around leveraging the existing APAS® platform to deliver a suite of products that enable microbiologists in their day-to-day activities.

We expect the development will be achieved in an efficient way by utilising the existing core imaging and AI technology within the APAS® Independence, ensuring costs are controlled and time to market is accelerated.



MP's Ed Husic and Steve Georganas visiting LBT's offices in March 2022

CEO and Managing Director's Report cont.

New Company expertise added through Board refresh

During the year, we undertook a process of Board rejuvenation with Ms Joanne Moss and Mr Brian O'Dwyer joining our Board. The process was managed over a number of months to enable a smooth transition.

With Joanne and Brian joining our Board we have added bench strength to our corporate knowledge of new technology commercialisation strategies and laboratory operations. In particular, we have expanded our capabilities and know-how in United States commercialisation, reflecting the current commercial stage of the Company.

Prudent financial management for the Company

We have continued to carefully manage our financial position through the uncertainty of the COVID-19 pandemic. Our focus has been on prioritising product development activities that are closely aligned to generating sales. As a result, we have continued to focus resources on delivering additional Urine analysis modules that support our sales activities in the United States and enhancing the instrument software to improve overall usability.

In December 2021, we acquired CCS for \$4.0 million, payable in newly issued LBT Shares and Options, as well as \$1.0 million in cash. As a result, we finished the year with \$2.8 million cash with a further \$3.0 million in receivables.

FY23 Outlook

The outlook for Financial Year 2023 is extremely exciting for the Company. We are starting to see growing sales of APAS® Independence through our commercial partnerships in the United States and Europe. We expect this positive momentum to continue, given the expanded sales pipeline and improved market conditions related to the global pandemic.

With Thermo Fisher in the United States, we are starting to see what success looks like with their sales network and deep customer relationships. To this end we acknowledge the importance of establishing the right contractual agreement and seek to secure an improved agreement for Europe that aims to improve sales traction within that region.

Our product pipeline strategy describes an exciting unconstrained view of what an expanded market opportunity could be. In addition to these new developments, we will continue to bring APAS® analysis modules and software to market that further enhance the clinical utility and overall value proposition of the APAS® Instrument.

There is no better time to be in the diagnostics space. Labour shortages and growing volumes will drive the need for automation in microbiology like never before. We have an exciting vision and opportunity based on proven science and a de-risked technology platform to support growth over future years.



Brenton Barnes
Chief Executive Officer
and Managing Director



Brent Barnes and Dr Steven Giglio presenting at MTPConnect's SA Insights series

Directors' Report

Your Directors present their report on LBT Innovations Ltd (LBT or the Company) and its 100% owned subsidiary Clever Culture Systems AG (CCS) (together the Group) for the year ended 30 June 2022 (the Year) as at the date of this report.

Directors

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

Joanne Moss

Independent Chair and Non-Executive Director (commenced 1 July 2021 and assumed the role as Chair on 1 October 2021)

Brenton Barnes

Chief Executive Officer and Managing Director

Simon Arkell

Non-Executive Director

Damian Lismore

Non-Executive Director

Brian O'Dwyer

Non-Executive Director (commenced 4 October 2021)

Catherine Costello

Independent Chair and Non-Executive Director (retired 30 September 2021)

Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

Company Secretary

The names of the individuals holding the position of Company Secretary at any time during or since the end of the year are:

Raymond Ridge

Principal Activities

The principal activities of the Group during the Year remained those of researching, developing and commercialising innovative technologies for the healthcare and laboratory supply markets.

During the Year, LBT extended its activities in this field through the acquisition of the remaining 50% of its joint venture company, CCS, from Hettich Holding Beteiligungs-und Verwaltungs-GmbH (Hettich). The acquisition establishes CCS as a wholly owned subsidiary of LBT, and extends the Group's activities to the manufacture and sales of the APAS® Independence, and delivers full control of the intellectual property rights associated with use of the APAS® technology in the culture plate process.

Other than the above, there were no significant changes in the nature of the Group's principal activities during the Year.

Operating Results

The Group recorded a net loss for the year of \$6.64 million (2021: \$7.26 million).

Dividends Paid or Recommended

No dividends were paid, nor recommended to be paid for the year ended 30 June 2022.

Review of Operations

The strategic outlook of the Company improved significantly during the 2022 Financial Year. Notably the appointment in September 2021 of Thermo Fisher Scientific, Inc (Thermo Fisher) as exclusive distributor for CCS in the United States, followed by the successful acquisition of CCS on 31 December 2021. Importantly, the Group has progressed to a new phase of commercial maturity, where revenues through product sales have commenced and are expected to grow over future years.

Although COVID-19 continued to impact the Group's commercialisation activities, the severity of the impact has improved compared to FY21. Laboratories have remained focussed on delivering the required testing for the pandemic and commercial milestones simply took longer due to global restrictions. This created a challenging environment for the Group over the last 12-months, significantly restricting customer access, which is only now returning towards pre-pandemic levels.

At the end of December 2021, LBT completed the acquisition of the remaining 50% of its joint venture company, CCS, from Hettich Holding Beteiligungs- und Verwaltungs-GmbH for consideration of A\$4.0 million (payable in cash, newly issued LBT Shares and LBT Options). The acquisition establishes CCS as a wholly owned subsidiary of LBT, delivering full control of CCS at a critical time in the commercialisation of the APAS® Independence, as well as creating value for shareholders by ensuring all future profits generated from sales of the APAS® Independence are received by LBT.

The appointment of Thermo Fisher as exclusive distributor in the United States achieved a key goal to establish strategic commercial partnerships for the APAS® Independence in both the United States and Europe, the two largest markets globally. In March 2022, Thermo Fisher placed an order for the first 5 APAS® Independence instruments. A further sale was completed directly by CCS to Albany Medical Center (NY, United States), in May 2022, following a successful evaluation completed by the customer.

In Europe, the Group has continued to progress sales opportunities directly and in partnership with its European Marketing Agent, Beckman Coulter, Inc (Beckman Coulter). There has been a concentrated focus on executing customer evaluations to advance sales opportunities with 5 successful evaluations completed across France, Germany and the United Kingdom. This resulted in a purchase order being received from the LADR Group (Germany), in August 2022, and has generated a number of additional advanced sales opportunities for the region.

In parallel to the sales activity, the Group has continued its program of product development to enhance the APAS® Independence value proposition through the release of new APAS® analysis modules. In October 2021, CCS received FDA clearance for the APAS® Independence with MRSA analysis module, meaning the Group now has cleared modules for the largest two specimen types processed by laboratories (Urine and MRSA screening). The Group has continued to work on advancing the development of additional Urine analysis modules for the US and European markets, as well as executing the development of the APAS®-AMR module for antimicrobial susceptibility testing.

The growing number of customer evaluations has resulted in an increasing body of clinical data featuring the APAS® Independence. New publications were released at the European Congress of Clinical Microbiology and Infectious Diseases (ECCMID) in July 2021 (5 Poster Publications) and April 2022 (5 Poster Publications and Presentations) as well as the American Society of Microbiology conference (ASM Microbe) in June 2022 (2 Poster Publications). In addition, the Johns Hopkins Hospital published new data in the Journal for Clinical Microbiology demonstrating the performance of the MRSA analysis module where the APAS® Independence identified 5 positive cases of MRSA previously missed by the laboratory's microbiologists. This growing body of clinical evidence from customers provide important proof points for potential customers wanting to see examples of the utility the APAS® instrument prior to purchase.

The Group has continued to carefully manage spending. Following the acquisition of CCS, the Group implemented austerity measures to maximise the Group's cash runway and also benefitted from a deferral of the repayments of its South Australian Government Loan facility for a period of six months during the Year.

The Group finished the Year with a cash balance of \$2.8 million at 30 June 2022, together with \$3.0 million in receivables.

During the Year, LBT completed a program of Board renewal with the appointment of two new Non-Executive Directors, Ms Joanne Moss (July 2021) and Mr Brian O'Dwyer (October 2021). Ms Kate Costello stepped down as Chair in September 2021 after a completing a handover of the role to Ms Moss.

Financial Overview

On 31 December 2021, LBT completed its acquisition of the other 50% ownership of CCS from Hettich Holding Beteiligungs- und Verwaltungs-GmbH (Hettich). LBT acquired the 50% equity interest, together with Hettich's shareholder loans in CCS, for \$4.0 million comprising \$1.0 million cash, LBT shares to the value of \$2.8 million and 8 million unlisted options valued at \$0.2 million (the Acquisition). The net cash paid for the Acquisition was \$0.3 million, given the \$0.7 million in cash held by CCS at the date of acquisition.

The Acquisition on 31 December 2021 resulted in the inclusion of CCS' net assets of \$7.5 million into the financial reporting of the Group, including \$3.4 million intangibles, \$3.4 million deferred tax assets and \$0.7m for cash, debtors, inventory and creditors at that time. The \$7.5 million value is based on the \$4.0 million acquisition consideration, together with the value of LBT's existing 50% interest in CCS of \$3.5 million. Refer to Note 26 of the Annual Financial Report.

Accordingly, the Annual Financial Report for the Group for the year ended 30 June 2022 presents the financial information of LBT consolidated with its 100% owned subsidiary company, CCS, resulting in the gross amount of all CCS revenues and expenses post 31 December 2021 being included in the Group's Consolidated Statement of Comprehensive Income/(Loss), the gross amount of all cash flows post 31 December 2021 being included in the Group's Consolidated Statement of Cash Flows and the gross amount of CCS' assets and liabilities as at 30 June 2022 being included in the Group's Consolidated Statement of Financial Position.

Prior to the Acquisition, LBT continued to equity account for its previously held 50% interest in CCS.

The consolidated net loss after income tax for the Year was (\$6.64) million, comprising a loss before income tax of (\$8.76) million less an income tax benefit of \$2.12 million. The loss before income tax of (\$8.76) million comprised:

- \$2.90 million in total revenue, including \$1.66 million of revenue from APAS® Independence sales, together with associated licence fees and maintenance & support income;
- (\$0.80) million for cost of goods sold;
- (\$4.66) million for total employee expenses;
- (\$2.93) million depreciation and amortisation;
- (\$1.75) million other expenses including marketing, research & development and corporate expenses;
- (\$0.55) million equity accounting provision for LBT's 50% share of the loss of its joint venture company, CCS, prior to the acquisition of the remaining 50% of CCS on 31 December 2021; and
- (\$0.97) million loss on revaluation of LBT's pre-existing 50% joint venture interest. On 31 December 2021, LBT revalued its previously held 50% equity interest and shareholder loans to fair value, based on the acquisition consideration paid for the other 50% interest and shareholders loans acquired from Hettich (refer Note 26 of the Annual Financial Report).

The net assets of the Group have decreased by \$3.6 million from 30 June 2021, to \$21.3 million at 30 June 2022.

Cash utilisation of (\$6.8) million in the Year was largely to fund the Group's net operating expenses of (\$4.9) million, (\$0.6) million for the continued development of additional analysis modules, (\$0.1) million other capital expenditure, (\$0.3) million for LBT's 50% share of funding CCS prior to the acquisition of the other 50% equity interest, (\$0.3) million net cash consideration paid for the CCS acquisition, and (\$0.6) million financing outflows.

The loan provided by the South Australian Government is being repaid in quarterly instalments of principal and interest through to November 2024. During the Year, the SA Government deferred interest and principal payments by 6 months, with repayments having recommenced in February 2022. At 30 June 2022, the remaining principal balance is \$2.5 million.

LBT recognised a current tax asset of \$1.21 million which is attributable to the Research and Development Tax Incentive claim lodged for eligible expenditure incurred during the Year.

Financial Position

Net assets of the Group decreased by \$3.6 million from \$24.9 million at 30 June 2021 to \$21.3 million at 30 June 2022.

Cash on hand and at the bank decreased to \$2.8 million at 30 June 2022 (2021: \$9.6 million). At 30 June 2022, the cash balance is augmented by receivables of \$3.0 million.

Significant Changes in State of Affairs

There have been no significant changes in the state of affairs of the Group during the year, other than the acquisition of CCS, noted earlier.

The COVID-19 pandemic has continued to impact the Group's commercialisation progress throughout the Year. However, the Group has observed a progressive improvement in customer access in both Europe and the United States. Pathology laboratories have made investments in COVID-19 testing infrastructure, with COVID-19 testing now becoming a routine part of their business. Their attention is now shifting to identifying operational efficiencies in other parts of their business, as labour shortages and increased labour costs emerge in the industry.

After Balance Date Events

There were no material subsequent events.

About LBT Innovations

LBT Innovations (LBT) improves patient outcomes by making healthcare more efficient. Based in Adelaide, South Australia, the Company has a history of developing world leading products in microbiology automation. Its first product, MicroStreak®, was a global first in the automation of culture plate specimen processing. The Company's second product, the Automated Plate Assessment System (APAS® Independence) uses LBT's intelligent imaging and machine learning software to automate the imaging, analysis and interpretation of culture plates following incubation. The technology remains the only US FDA-cleared artificial intelligence technology for automated culture plate reading and is being commercialised through LBT's wholly owned subsidiary Clever Culture Systems AG (CCS). Channel partners for the sale and distribution of the APAS® Independence are in place for the United States (Thermo Fisher Scientific, Inc; Exclusive Distributor) and selected countries in Europe (Beckman Coulter, Inc; Marketing Agent).

Environmental Issues

The Group's operations are not subject to significant environmental regulation under the laws of Australia or Switzerland.

Information on Directors

Information on Directors as at the date of this report is as follows.



Joanne Moss

Independent Chair of the Board of Directors

(commenced 1 July 2021 and assumed the role as Chair on 1 October 2021)

Qualifications

Bachelor of Laws (University of Technology Sydney)

Master of Laws (University of New South Wales)

Certificate in Chinese Law and Legal Systems
(East China University of Political Science and Law)

Australian Company Directors Course (AICD)

US Director Professionalism Course (NACD)

Experience

Joanne is an experienced Non-Executive Director and Committee Chair for technologically disruptive public companies. She has a deep understanding of their commercial drivers and pressure points coupled with the skill set required to oversee enterprise strategy around global commercialisation, scale up, partnerships and capital raisings. Her prior executive experience in legal, risk, governance, compliance, privacy and stakeholder engagement allows her to ambitiously drive commercial objectives in a holistic, ethical and sustainable manner.

An accomplished industry representative, Joanne is a media trained corporate spokesperson, roundtable facilitator, lecturer and keynote speaker on innovation, technology, leadership, capital markets and ESG.

Joanne was previously Chief Legal and Corporate Affairs Officer within a Fortune 500 brand. Prior to that, she was a Corporate Adviser and Dispute Resolution Lawyer with a global top-tier law firm.

Joanne has been recognised as a finalist for two national Corporate Lawyer Awards and a Women in Law Award and was formerly a member of Global Leaders in Law and the ACC GC 100.

Joanne is an Australian and US trained board director.

Interest in Shares ⁽¹⁾	Nil	Ordinary Shares
Interest in Options	Nil 1,250,000	Options Expiring 29 December 2031
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

(1) LBT has agreed with Ms Moss to initially set aside 100% of her Directors fees from 1 June 2022, reducing to 75% for the month of September 2022 and 25% from 1 October 2022, to be settled through LBT Shares rather than cash, subject to shareholder approval at LBT's AGM.

Information on Directors cont.



Brenton Barnes

Chief Executive Officer and Managing Director

Qualifications

Master of Project Management (University of Adelaide)

Diploma of Commerce (Sydney Institute of Business and Technology)

Graduate, Australian Institute of Company Directors (Australian Institute of Company Directors)

Experience

Brent became CEO and Managing Director of LBT in 2016, becoming the second CEO of the company and taking over from the founder. Since joining, Brent has focused on building internal capability across scientific, artificial intelligence and engineering disciplines that maximise the development opportunities of the machine vision intellectual property generated by the company. This strategy facilitated the development of LBT's flagship product APAS® Independence, enabling the company to transition to a sales and commercialisation focus.

Prior to this, Brent spent 11 years as a Senior Executive overseeing a range of global functions at Cochlear Limited (ASX:COH).

Brent brings a big company vision with a global outlook to LBT.

Interest in Shares	575,658	Ordinary Shares
Interest in Options	1,500,000 6,000,000	Options Expiring 7 August 2026 25 November 2025
Third Party Holdings		
- Barnes' Love Work Live	713,606	Ordinary Shares
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

**Simon Arkell**

Non-Executive Director

Qualifications

MBA (Orfalea College of Business at Cal Poly San Luis Obispo)

Bachelor's degree in Economics (University of New Mexico)

Experience

Simon is currently co-founder and President of Deep Lens, a recently acquired, US-based artificial intelligence company focused on the identification and enrolment of patients to clinical oncology trials. Deep Lens is backed by Northpoint Ventures, Sierra Ventures, Rev1 Ventures and Tamarind Hill Partners.

Prior to Deep Lens, Simon was the GM of software platforms and analytics at Greenwave Systems, Inc. which acquired Predixion Software, the company Simon founded in 2009 and ran as CEO until its exit in September 2016. Predixion raised over \$46 million from strategic and venture investors and was named a visionary for advanced analytics by Gartner in 2016.

Prior to Predixion, Simon was an Operating Partner with Triton Pacific Capital Partners, was President and COO of an Oracle consulting company with 600 employees in 10 countries, was a Principal with boutique investment banking firm, and in 1998 he co-founded Versifi Technologies, Inc. in Newport Beach, California, a venture backed leader in the enterprise content management space which was acquired in 2000.

Simon is program Chairman for Megan's Wings, a children's cancer charity and serves on the boards of the President's Council and the Dean's Advisory Council for the Orfalea College of Business at Cal Poly San Luis Obispo where he holds an MBA. He also holds a Bachelor's degree in Economics from the University of New Mexico. Originally from Adelaide, South Australia, Simon is also a two-time Olympian for Australia in the pole vault, and from 1990 to 1996 broke nine Australian and two Commonwealth records while also winning the gold medal at the 1990 Commonwealth Games.

In 2015, Simon received the award for outstanding CEO for mid-sized companies at the Orange County Tech Alliance awards.

Interest in Shares ⁽²⁾	57,239	Ordinary Shares
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

(2) LBT has agreed with Mr Arkell to pay 25% of his Directors fees in shares from 1 April 2021 for four years, subject to annual shareholder approval at LBT's AGM.

Information on Directors cont.



Damian Lismore

Non-Executive Director

Qualifications

GAICD (Graduate Member of Australian Institute of Company Directors)

CA ANZ (Member of Chartered Accountants, Australia and New Zealand)

FCA (Fellow of Chartered Accountants in Ireland)

BA (Honours) Accountancy

Experience

Damian has held a number of Directorships and has extensive commercial, international and listed company experience (both ASX and NASDAQ), covering many industries including healthcare and technology. In his Executive career, he held CEO, CFO and Company Secretarial roles and continues to act as an advisor to CEOs, boards and business owners.

With a background in M&A, licensing and business financing, Damian has a track record in helping businesses grow. Damian is CFO of Scout Bio Inc, a Frazier Healthcare backed company, commercialising gene therapy products. Previously Damian was CFO at Nexvet Biopharma plc, which attracted significant US institutional backing and listed on NASDAQ in 2015. The business evolved to have research capabilities in Australia, clinical operations in the US and manufacturing operations in Ireland. In 2017, following the successful completion of clinical trials for its lead program the business was acquired by Zoetis Inc. Damian was also CFO at Biota and was instrumental in securing and managing major licenses with global pharmaceutical companies and securing a major US grant that allowed the business to transition from the ASX to NASDAQ.

Damian broadens the board skillset with his global outlook, networks and strong commercial acumen.

Interest in Shares ⁽³⁾	272,480	Ordinary Shares
Interest in Options	500,000	Options Expiring 28 November 2029
Directorships held in Other Listed Entities	Control Bionics Limited	
Interest in Contracts	Nil	

(3) LBT has agreed with Mr Lismore to pay 25% of his Directors fees in shares from 1 April 2021 for four years, subject to annual shareholder approval at LBT's AGM.



Brian O'Dwyer

Non-Executive Director

Qualifications

Bachelor of Business Studies (Dublin City University)

CGMA, Accounting (The Chartered Institute of Management Accountants)

Experience

Brian has more than 20 years of experience in the healthcare and laboratory testing industry. He is currently the Chief Executive Officer of Q2 Solutions, a leading clinical trials laboratory testing organisation and subsidiary of IQVIA (NYSE: IQV), a leading global provider of advanced analytics, technology solutions, and clinical research services to the life sciences industry.

Having previously held a number of senior roles at Eurofins Central Laboratory and ICON Plc, Brian brings deep industry knowledge and expertise in laboratory testing businesses to the Board. His experience spans across the establishment, management, integration and restructuring of both business and commercial operations through the clinical research spectrum.

Brian strengthens the Board's skillset with strategic planning, business strategy and leadership skills.

Interest in Shares ⁽⁴⁾	Nil	Ordinary Shares
Interest in Options	500,000	Options Expiring 28 November 2031
Directorships held in Other Listed Entities	Nil	
Interest in Contracts	Nil	

(4) LBT has agreed with Mr O'Dwyer to pay 100% of his Directors fees in shares from 1 April 2022 for one year, subject to shareholder approval at LBT's AGM

Company Secretary

The following person held the position of Company Secretary at the end of the financial year.



Raymond Ridge

Qualifications

Bachelor's Degree, Accounting and Finance at the University of South Australia, Member of the Institute of Chartered Accountants Australia and New Zealand, and a Certificated Member of the Governance Institute of Australia.

Experience

Ray has held senior executive positions in finance, compliance and commerce across a range of industries. Ray has previously held the roles of Company Secretary and CFO for two other ASX listed companies, including RHS Ltd, and is currently Company Secretary for two other ASX listed companies.

Remuneration Report (Audited)

This report details the nature and amount of remuneration of each Key Management Person of the Group.

Remuneration Policy

The Remuneration Policy of the Group has been designed to align Key Management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term incentives (STI) and long-term incentives (LTI) based on key performance areas affecting the Group's financial performance.

The key objectives of the Nominations and Remuneration Committee are to appropriately and effectively attract and retain the best Executives and Directors to lead and manage the Group.

This Remuneration Policy was developed by the Nominations and Remuneration Committee and approved by the Board. The Remuneration Policy has been tailored to ensure alignment between management and shareholder interests through:

- Performance bonuses based on key performance indicators (KPIs), and
- Issue of options to the Directors and Executives to encourage the alignment of personal and shareholder interests.

The fixed remuneration component is determined with regard to market conditions, with advice from remuneration specialists as required, so that the Group can recruit and retain the best available talent.

The Nominations and Remuneration Committee is responsible for approving remuneration structures and processes for incentives, bonuses and options. The Nominations and Remuneration Committee is responsible for setting the Managing Director's annual key performance targets, and assessing/measuring annually the achievement of the Managing Director against those targets. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can decide changes to the Nominations and Remuneration Committee's recommendations. Any change must be justified by reference to measurable performance criteria.

The relationship between the Board's policy and the Group's performance in terms of earnings and shareholder wealth is illustrated by the following table that shows the gross revenue, profits/(losses), available cash and closing LBT share prices on 30 June for the past five years. During the financial year, LBT's share price traded between a low of \$0.064 and a high of \$0.1575.

	2022	2021	2020	2019	2018
Revenue	\$2.90m	\$2.11m	\$1.75m	\$2.90m	\$5.96m
Net Profit / (Loss) for the Year	(\$6.64m)	(\$7.26m)	(\$5.64m)	(\$4.35m)	(\$2.69m)
Available Cash	\$2.79m	\$9.62m	\$7.10m	\$10.18m	\$7.57m
Year-End Share Price	\$0.078	\$0.076	\$0.23	\$0.115	\$0.115

In the year ended 30 June 2022, the following milestones were considered relevant in assessing the Group's performance:

- In September, Thermo Fisher Scientific, Inc (Thermo Fisher) was appointed as the exclusive distributor for the APAS® Independence in the United States. The APAS® Independence complements their portfolio of clinical microbiology products, in particular being the largest supplier of clinical culture plates in the United States. Under the five-year agreement, Thermo Fisher will take over all sales and marketing activities for the APAS® Independence in the United States, as well as providing installation, maintenance and support services to customers. The strategic partnership significantly expands the Group's customer reach and brand presence in the largest market globally.
- In October, the Group received clearance from the United States Food and Drug Administration (FDA) for the APAS® Independence with the MRSA analysis module. This FDA clearance means the Group now has regulatory cleared modules in the United States for the reading of the two highest volume specimen types (Urine and MRSA), adding to the potential throughput and utility of the APAS® Independence in the US market. The APAS® Independence remains the only FDA cleared product that automates culture plate reading.
- On 31 December 2021, LBT acquired the remaining 50% of its joint venture company, CCS, from Hettich for \$4.0 million payable in cash, LBT Shares and Options over LBT Shares. The acquisition included the transfer of Hettich's shareholder loans to LBT and establishes CCS as a wholly owned subsidiary of LBT with no outstanding debt or consideration owing to Hettich. The transaction provides LBT with full operational control of CCS at a key time in the commercialisation of LBT's APAS® technology.
- Completion of five instrument sales – four instruments were sold to TFS (together with a commitment for a fifth instrument which will be shipped early in the 2023 financial year) and a direct sale of one instrument to the Albany Medical Centre. Additionally, a further instrument was sold to TFS as a demonstration instrument.
- In Europe, the Group has continued to progress sales directly and in partnership with its European Marketing Agent, Beckman Coulter. There has been a concentrated focus on executing customer evaluations to advance sales opportunities with five successful evaluations completed across France, Germany and the United Kingdom.

Remuneration Report (Audited) cont.

- A reduction in LBT's cash-based operating expenses to 12% under the Board approved budget, being an important element of managing the Group's capital post 100% ownership and funding of CCS.
- The Group has progressed the development of its APAS®-AMR module for the interpretation of antimicrobial susceptibility tests. An early version of the module has been released to the Group's EU key opinion leader, Labor Dr Wisplinghoff, for initial end user feedback. The Group also progressed the expansion of additional plate types for its Urine analysis modules for both EU and US markets.
- The Group completed its planned Board renewal process. Ms Joanne Moss joined the LBT Board as Chair-Elect on 1 July 2021. A structured handover was completed with outgoing chair, Ms Kate Costello, who retired from the LBT Board on 30 September 2021. On 4 October 2021, Mr Brian O'Dwyer was appointed as Non-Executive Director. Both Ms Moss and Mr O'Dwyer were elected as Directors at LBT's AGM held in November.

Non-Executive Director Terms and Conditions

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Nominations and Remuneration Committee determines payments to Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate remuneration pool for Non-Executives Directors is \$285,000, as approved by shareholders at LBT's 2007 AGM. Amounts in excess of this maximum, or a change to this maximum, are subject to approval by shareholders.

Fees for Non-Executive Directors are not linked to the performance of the Group to maintain independence.

To align Directors' interests with shareholder interests, newly appointed Non-Executive Directors are granted 500,000 options, and the Chair 1,250,000 options, with an exercise price set based on the market price of LBT shares at the time of their appointment. These options have a ten-year term and a two-year vesting period. The options are an important component of attracting and retaining high calibre Directors. To strengthen alignment between Directors' interests with that of shareholders, Directors are encouraged to hold shares in LBT. This was formalised as a Board policy in March 2021, requiring all Directors to acquire the equivalent of one year's Directors fees within the first four years of their term.

Consistent with this policy, all Non-Executive Directors have elected to set aside a portion of their monthly Directors fees, to be settled in LBT shares, subject to approval of shareholders at LBT's AGM each year. The number of LBT Shares to be issued in lieu of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of LBT's shares traded on the ASX during each month. Messrs Arkell and Lismore continue to set aside 25% of their gross monthly Directors fees (having commenced 1 April 2021), Mr O'Dwyer has elected to set aside 100% of his monthly Directors fees from 1 April 2022 for one year and Ms Moss has elected to initially set aside 100% of her Directors fees from 1 June 2022, reducing to 75% for the month of September 2022 and 25% from 1 October 2022. The Directors' may elect to cease these arrangements once they have accumulated or otherwise acquired the equivalent of one year's Directors fees.

Directors' fees for Australian resident Non-Executive Directors are inclusive of the superannuation guarantee contribution required by the government, which was 10% in the 2021/22 financial year. They do not receive any other retirement benefits.

Executive Terms and Conditions

CEO and Managing Director

The remuneration for the CEO and Managing Director has four components:

- A salary package of \$307,397 inclusive of statutory superannuation applied until 30 June 2022. From 1 July 2022 the CEO and Managing Director's salary was revised to \$330,000 inclusive of statutory superannuation;
- An annual STI comprising a maximum annual bonus of 30% of the CEO and Managing Director's annual salary package. The maximum bonus was \$92,219 for the 2022 financial year. The proportion of the maximum bonus that is awarded each year is determined by the Nominations and Remuneration Committee and approved by the Board, based on their assessment of the achievement of preset objectives. The objectives are set by the Board annually at the commencement of each financial year and are aligned with the Group's KPIs as noted above.
- An LTI that principally aligns with shareholder interests, in respect to growth in share price, to incentivise, retain and reward the CEO and Managing Director. The LTI was based on findings by a remuneration consultant, Wexford Hayes engaged to benchmark the remuneration package of LBT's CEO and Managing Director against a selection of comparable companies. The granting of options under the LTI was approved by shareholders at LBT's AGM held on 25 November 2020.
- The LTI comprises 6,000,000 share options to take up ordinary shares at an exercise price of \$0.16 each and if not exercised will expire on 25 November 2025. The exercise price was based on the same price as the July 2020 placement. The options are available for initial vesting in three tranches of 2,000,000 each at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years. Any unvested options at 2023 or 2024 carry forward for retesting at the following year, subject to the higher share price performance hurdles in the later years. Any unvested options, following the assessment of the 30 June 2025 share performance hurdles, will lapse. Further details are provided in Note 18 of the Financial Statements.

Executives

All Executives receive a base salary, based upon performance, professional qualifications and experience, and superannuation, fringe benefits, options and performance incentives. The Managing Director reviews Executive packages annually with reference to the Group's performance, individual performance, and comparable information from industry sectors and other listed companies in similar industries.

During the Year, the Board, through the Nominations and Remuneration Committee, finalised the terms of an STI and LTI structure for the Executive team, that aligns with performance targets, consistent with the Group's and the Managing Director's objectives for adding shareholder value. The purpose of the STI and LTI for the Executive team is to align and motivate/reward individual performance in contributing to the Group's objectives and to assist with retention of Executives that are key to building shareholder value over the next five years.

The STI is an annual bonus of up to a maximum of 10% of an individual's base remuneration including superannuation, set according to performance of the Group against its annual KPI's (70%) and against individual performance (30%).

The LTI comprises a total 4,200,000 share options, issued on 14 January 2022 to six Executives, to take up ordinary shares at an exercise price of \$0.12 each. The options vest on 14 January 2026, subject to share price performance hurdles, and if not exercised will expire on 14 April 2026. Further details are provided in Note 18 to the Financial Statements.

The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Executive Key Performance Indicators (KPIs):

KPIs are set annually:

- By the Board on recommendation from the Nominations and Remuneration Committee;
- To target areas the Board believes hold greater potential for business expansion and profit;
- To cover financial and non-financial as well as short and long-term goals; and
- Compared to budgeted figures for the Group and respective industry standards.

Remuneration Report (Audited) cont.

Performance in relation to the KPIs is formally assessed annually, with bonuses being awarded depending on an assessment of the KPIs achieved.

KPIs are reviewed by the Nominations and Remuneration Committee in light of their desired and actual outcomes. The efficacy of the KPIs is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year. Where advisable, independent reports are obtained from external organisations. KPIs for the CEO and Managing Director are set in key result areas of Sales & Distribution, Finance, Partnering/Pipeline Development, Analysis Module Development and Corporate Strategy with an emphasis on achieving the Group's financial goals. KPIs for the Executive Team are set in alignment with the CEO and Managing Director's KPIs, adapted as appropriate for each individual. Any bonus payment is negotiated in line with achievement of KPIs and is approved by the Board.

Superannuation

Executives receive a superannuation guarantee contribution required by the government, which was 10% in the 2021/22 financial year, they do not receive any other retirement benefits. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

Shares and Options

Shares provided to Directors and Executives are valued at the fair value of the services provided, or otherwise valued based on the market price of the shares provided, at the date of Board or shareholder approval to issue the shares, as applicable. Options granted to Directors and Executives are valued at their fair value using the Binomial option-pricing model, with the exception of 6 million options granted to the CEO and Managing Director in late 2020 and the 4.2 million LTI options granted to the Executive team on 13 January 2022, for which the options were valued using a Monte Carlo simulation.

The Board implemented a framework for allocating options to all staff, subject to annual review and Board approval. Under this framework, options were allocated to all staff in the 2020 and 2021 financial years. The objective of this process is to assist in motivating all LBT employees around the common LBT Group objectives of increasing shareholder value through an increasing LBT share price and to assist with retention. The approved framework provides for allocation to employees in four bands, depending on individual roles within the Group, with an exercise price at 35–40% above the prevailing market price for LBT shares at the time of Board approval. All options lapse following cessation of employment. This process aligns the interests of option holders with those of shareholders and creates a direct relationship between remuneration outcomes and Group performance. Option holders will only benefit in circumstances where there is a material increase in the underlying LBT share price from the time of grant of the options.

Key Management Personnel Remuneration

2022	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total	Proportion Performance Based
	\$000	\$000	\$000	\$000	\$000	\$000	%
Directors							
Mr B Barnes ^{(1) (8)}	317	-	28	60	123	528	35%
Ms Moss ^{(4) (7) (9)}	67	-	8	7	39	121	-
Mr S Arkell ^{(2) (9)}	43	-	-	14	13	70	-
Mr D Lismore ^{(2) (9)}	49	-	4	18	14	85	-
Mr B O'Dwyer ^{(4) (9)}	27	-	-	14	12	53	-
Mrs C Costello ⁽⁵⁾	16	-	5	-	-	21	-
Other Key Management Personnel							
Mr P Bradley ^{(2) (5)}	208	-	21	16	4	249	8%
Mr R Ridge ^{(2) (5)}	204	-	-	16	4	224	9%
Total	931	-	66	145	209	1,351	-

2021	Cash Salary, Fees & Commissions	Cash Bonus	Superannuation Contributions	Shares	Options	Total	Proportion Performance Based
	\$000	\$000	\$000	\$000	\$000	\$000	%
Directors							
Mr B Barnes ^{(1) (11) (8)}	317	38	25	7	73	460	24%
Mrs C Costello	62	-	20	-	-	82	-
Dr C Popper ⁽¹²⁾	44	-	-	-	-	44	-
Mr S Arkell ^{(2) (9)}	42	-	-	3	26	71	-
Mr D Lismore ^{(2) (9)}	41	-	4	3	29	77	-
Other Key Management Personnel							
Mr P Bradley ^{(2) (8)}	203	-	20	6	4	233	-
Mr R Ridge ^{(2) (8)}	171	-	8	7	4	190	-
Total	880	38	77	26	136	1,157	-

- (1) The Board determined an annual bonus for the CEO and Managing Director, based on an assessment of performance against the annual Corporate KPI's, up to a maximum of 30% of his annual salary. The annual bonus for the 2022 year was \$59,942 (2021: \$37,638). The 2022 annual bonus is payable in LBT Shares subject to shareholder approval. If shareholder approval is not granted the bonus will be payable in cash.
- (2) The fair value of options issued to newly appointed Directors, following shareholder approval on 27 November 2019. The fair value of the options are expensed over the two year vesting periods.
- (3) Eligible employees received options via LBT's ESOP at an exercise price of \$0.175 per share. If not exercised, these options will expire on 26 August 2025.
- (4) The fair value of unlisted options issued to newly appointed Directors, following shareholder approval on 29 November 2021. The options were granted as follows: 1,250,000 options to Ms Moss (exercise price \$0.081, vest 29 December 2023, if not exercised will expire 29 December 2031), and 500,000 options to Mr O'Dwyer (exercise price \$0.136, vest 29 December 2023, if not exercised will expire 29 December 2031). The fair value of the options are expensed over the two year vesting periods.
- (5) Mrs Costello retired as Chair and Non-Executive on 30 September 2021.
- (6) An Executive team LTI was implemented to mirror the LTI share price growth targets for the CEO and Managing Director. As part of this LTI, 550,000 share options each were issued on 14 January 2022 to Messrs Ridge and Bradley, to take up ordinary shares at an exercise price of \$0.12 each. The options vest on 14 January 2026, subject to share price performance hurdles, and if not exercised will expire on 14 April 2026. Further details are provided earlier in the Remuneration Report and in Note 18 to the Financial Statements. The fair value of the options was calculated as \$30,250 for each of Messrs Ridge and Bradley, using a Monte Carlo simulation, and is being expensed over the vesting period through to 14 January 2026. The expense recognised through to 30 June 2022 is \$3,476 each for Messrs Ridge and Bradley. Due to the vesting hurdles, these options are considered performance based.
- (7) Ms Moss commenced as a Non-Executive Director on 1 July 2021 and was appointed Chair on 1 October 2021.
- (8) The LTI for the CEO and Managing Director comprises 6,000,000 share options to take up ordinary shares at an exercise price of \$0.16 each and if not exercised will expire on 25 November 2025. The options are available for initial vesting in three tranches of 2,000,000 each at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years. Further details are provided earlier in the Remuneration Report and in Note 18 to the Financial Statements. The fair value of the options was calculated as \$418,000, using a Monte Carlo simulation, and is being expensed over the vesting period through to 25 November 2025. The expense recognised through to 30 June 2022 is \$123,000 (2021: \$72,000). Due to the vesting hurdles, these options are considered performance based.
- (9) The Board formalised a policy requiring all Non-Executive Directors to invest a minimum of one year's Directors fees within four years of joining the Board. Under this policy, all Non-Executive Directors have elected to set aside a portion of their monthly Directors fees, to be settled in LBT shares, subject to approval of shareholders at LBT's AGM each year. The number of LBT Shares to be issued in lieu of a portion of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of LBT's shares traded on the ASX. Messrs Arkell and Lismore continue to set aside 25% of their gross monthly Directors fees, Mr O'Dwyer has elected to set aside 100% of his monthly Directors fees from 1 April 2022 for one year and Ms Moss has elected to initially set aside 100% of her Directors fees from 1 June 2022, reducing to 75% for the month of September 2022 and then 25% from 1 October 2022.
- (10) A Short Term Incentive plan (STI) was implemented for the Executive Team for the year ended 30 June 2022. The STI is an annual bonus of up to a maximum of 10% of an individual's annual salary, set according to performance of the Group against its annual KPI's (70%) and against individual performance (30%). The annual bonus is approved by the Board. The purpose of the STI is to retain, incentivise and align the Executive Team with the annual Corporate KPI's. The bonus is payable in LBT Shares.
- (11) LBT reduced all eligible employees to a four-day working week under a COVID-19 JobKeeper directive, from Monday 1st June 2020 to 25 September 2020. As an alternative, employees who wished to revert to their normal working hours were offered LBT shares in lieu of payment for one day per week over that period. The issue price was \$0.10 (10 cents). The shares were issued in two tranches, being 31 July and 2 October. Messrs Barnes, Bradley and Ridge all elected to participate in the offer. Mr Barnes' participation was subject to shareholder approval, and the shares were issued on 18 December 2020.
- (12) Dr Popper retired on 31 May 2021.

Voting at 2021 AGM

LBT received 82.94% of 'yes' votes on its remuneration report for the 2021 financial year.

LBT did not receive any specific feedback at the AGM on its remuneration report.

This concludes the Remuneration Report, which has been audited.

Meetings of Directors

During the financial year to 30 June 2022, sixteen meetings of Directors were held. Attendances by each Director during the reporting period were:

	Number eligible to attend	Number attended
Ms J Moss	16	16
Mr B Barnes	16	16
Mr S Arkell	16	13
Mr D Lismore	16	16
Mr B O'Dwyer (appointed 4 October 2021)	11	10
Mrs C Costello (retired 30 September 2021)	5	5

During the financial year to 30 June 2022, four meetings of the Audit and Risk Committee were held. Attendances by each member during the reporting period were:

	Number eligible to attend	Number attended
Mr D Lismore (Chair)	4	4
Mr S Arkell	4	4

During the financial year to 30 June 2022, three meetings of the Nominations and Remuneration Committee were held. Attendances by each member during the reporting period were:

	Number eligible to attend	Number attended
Mr D Lismore (Chair)	3	3
Ms J Moss (appointed 1 September 2021)	2	2
Mrs C Costello (retired 30 September 2021)	1	1

Indemnifying Officers or Auditor

LBT has paid a premium to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct, while acting in the capacity of Director of LBT or any subsidiary, other than conduct involving a willful breach of duty. The amount of premium has not been disclosed as it is confidential under the terms of the insurance policy.

Option Details

At the date of this report, the unissued ordinary shares of LBT under option are as follows:

Date of Expiry	Exercise Price	Number of Options	No of Shares due on Conversion
11/12/2023	\$0.045	100,000	100,000
18/11/2024	\$0.237	1,315,000	1,315,000
31/12/2024	\$0.250	8,000,000	8,000,000
26/08/2025	\$0.175	998,335	998,335
25/11/2025	\$0.160	6,000,000	6,000,000
11/04/2026	\$0.141	500,000	500,000
14/04/2026	\$0.120	4,200,000	4,200,000
07/08/2026	\$0.157	1,500,000	1,500,000
22/12/2026	\$0.320	100,000	100,000
28/02/2027	\$0.400	200,000	200,000
28/11/2029	\$0.080	500,000	500,000
28/11/2029	\$0.063	500,000	500,000
29/12/2031	\$0.136	500,000	500,000
29/12/2031	\$0.081	1,250,000	1,250,000
		25,663,335	25,663,335

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of LBT or any other body corporate.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or any subsidiary company, or to intervene in any proceeding to which the Company or a subsidiary company is a party, for the purpose of taking responsibility on behalf of the Company or any subsidiary company for all or any part of those proceedings.

The Company nor its subsidiary were a party to any proceedings during the reporting period.

Non-Audit Services

There were no fees for non-audit services paid/payable to the external auditors during the years ended 30 June 2022 and 30 June 2021.

Auditor Independence Declaration

The auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 28.

Rounding of Amounts

LBT has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded off to the nearest \$1,000.

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



Joanne Moss
Chairman



Brenton Barnes
Chief Executive Officer and Managing Director

Dated at Adelaide this 29th day of August 2022.

Auditor's Independence Declaration



LBT INNOVATIONS LIMITED

ABN 95 107 670 673

AUDITOR'S INDEPENDENCE DECLARATION

As the lead auditor for the audit of the financial report of LBT Innovations Limited and controlled entity for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

A stylized, handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
29 August 2022

A handwritten signature in blue ink, appearing to read 'Travis Rickard'.

Travis Rickard
Director

hlb.com.au

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

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd Audit (SA) Pty. Ltd. is a member of HLB International, the global advisory and accounting network.

Consolidated Statement of Comprehensive Income/(Loss)

For the Year Ended 30 June 2022

	Note	2022 \$000	2021 \$000
Revenue	2	2,128	1,123
Other Income	2	772	987
Cost of Goods Sold (consumables and cost of manufacture)		(802)	-
Installation, Shipping and Sales Commission Expenses		(148)	-
Employee Benefits Expense	3b	(4,658)	(4,280)
Corporate Expenses	3a	(669)	(552)
Research and Development Expenses		(238)	(220)
Marketing Expenses		(134)	(33)
Sustaining Engineering		(87)	-
Finance Expenses		(104)	(116)
Other Expenses	3c	(361)	(297)
Depreciation and Amortisation Expense		(2,931)	(2,399)
Share of Loss of Joint Ventures Accounted for Using the Equity Method	10	(554)	(3,717)
Loss on Revaluation of Joint Venture Interest	26d	(973)	-
Consolidated Loss Before Income Tax		(8,759)	(9,504)
Income Tax Benefit	4	2,118	2,244
Consolidated Net Loss for the Half Year		(6,641)	(7,260)
Other Comprehensive Income/(Loss)			
Items that may be reclassified subsequently to Profit or Loss			
Foreign Currency Translation		-	(174)
Consolidated Total Comprehensive Loss for the Half Year		(6,641)	(7,434)
Basic Loss per Share (cents per share)	20	(2.18)	(2.53)
Diluted Loss per Share (cents per share)	20	(2.18)	(2.53)

The accompanying notes form part of the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 \$000	2021 \$000
Assets			
Current Assets			
Cash and Cash Equivalents	5	2,788	9,615
Trade and Other Receivables	6	2,004	1,078
Inventory	7	981	-
Current Tax Asset		1,206	874
Total Current Assets		6,979	11,567
Non-Current Assets			
Plant and Equipment	8	89	105
Right of Use Assets	9	1,830	1,974
Investments Accounted for using the Equity Method	10	-	-
Other Financial Assets	11	-	4,687
Deferred Tax Assets	21a	6,472	2,534
Intangible Assets	12	16,154	14,822
Total Non-Current Assets		24,545	24,122
Total Assets		31,524	35,689
Current Liabilities			
Trade and Other Payables	13	1,473	1,408
Lease Liabilities	14	192	179
Other Financial Liabilities	15a	1,191	997
Total Current Liabilities		2,856	2,584
Non-Current Liabilities			
Lease Liabilities	14	1,631	1,743
Other Financial Liabilities	15b	1,499	1,985
Deferred Tax Liabilities	21b	3,969	4,332
Provisions	16	234	165
Total Non-Current Liabilities		7,333	8,225
Total Liabilities		10,189	10,809
Net Assets		21,335	24,880
Equity			
Issued Capital	17	46,271	43,544
Reserves	18	1,651	1,297
Accumulated Losses		(26,587)	(19,961)
Total Equity		21,335	24,880

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2022

	Option Reserve	Foreign Currency Translation Reserve	Share Capital	Accumulated Losses	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 30 June 2020	1,039	237	35,549	(12,713)	24,112
New Shares Issued	-	-	8,368	-	8,368
Shares Issued as Remuneration	-	-	144	-	144
Options Granted as Remuneration	207	-	-	-	207
Options Exercised	-	-	-	-	-
Options Lapsed	(12)	-	-	12	-
Capital Raising Costs	-	-	(555)	-	(555)
Tax Effect Attributable to Capital Raising Costs	-	-	38	-	38
Other Comprehensive Income	-	(174)	-	-	(174)
Net Loss for the Year	-	-	-	(7,260)	(7,260)
Balance at 30 June 2021	1,234	63	43,544	(19,961)	24,880
New Shares Issued	-	-	2,790	-	2,790
Shares Issued as Remuneration	-	-	13	-	13
Options Granted as Remuneration	229	-	-	-	229
Options Exercised	-	-	-	-	-
Options Lapsed	(15)	-	-	15	-
Capital Raising Costs	-	-	-	-	-
Tax Effect Attributable to Capital Raising Costs	-	-	(76)	-	(76)
Other Comprehensive Income	-	-	-	-	-
Options Issued for CCS Acquisition	203	-	-	-	203
Foreign Currency Translation Loss on Equity Accounting (Note 10(b))	-	(274)	-	-	(274)
Reclassify Foreign Currency Translation Reserve (On Cessation of Equity Accounting) (Note 26(d))	-	211	-	-	211
Net Loss for the Year	-	-	-	(6,641)	(6,641)
Balance at 30 June 2022	1,651	0	46,271	(26,587)	21,335

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2022

	Note	2022 \$000	2021 \$000
Cash Flows from Operating Activities			
Revenue from Customers		465	18
Revenue from Consulting Services to Joint Venture Company		281	883
Government Grants Received		565	557
Payments to Suppliers and Employees		(7,098)	(4,930)
Short-Term Lease Payments		-	(88)
Research and Development Tax Concession		824	826
Interest Received		14	61
Net Cash used in Operating Activities	19	(4,949)	(2,673)
Cash Flows from Investing Activities			
APAS® Analysis Module Development (intangible asset)		(584)	(561)
Payments for Plant and Equipment		(49)	(73)
Payments for Right of Use Asset (office fit-out)		(22)	(38)
Loan Provided to Joint Venture Company		(303)	(1,070)
Cash Payment on Subsidiary Acquisition		(283)	-
Net Cash used in Investing Activities		(1,241)	(1,742)
Cash Flows from Financing Activities			
Cash Proceeds from New Shares Issued		-	8,468
Loans Received		-	-
Loan Repayments		(473)	(925)
Repayment of Lease Principal		(164)	(54)
Capital Raising Costs		-	(555)
Net Cash provided by Financing Activities		(637)	6,934
Net Increase (Decrease) in Cash and Cash Equivalents		(6,827)	2,519
Cash and Cash Equivalents at Beginning of Year		9,615	7,096
Cash and Cash Equivalents at End of Year	5	2,788	9,615

The accompanying notes form part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies

The annual financial reports present, for the first time, the financial information of LBT Innovations Limited (**LBT** or the **Company**) consolidated with its 100% owned company, Clever Culture Systems AG (**CCS**) (collectively, the **Group**) from 31 December 2021, being the date that LBT obtained control of CCS through the completion of its acquisition of the other 50% ownership of CCS from Hettich Holding Beteiligungs- und Verwaltungs-GmbH (Hettich). The fair values of the CCS assets and liabilities acquired are disclosed in Note 26.

Prior to full ownership of CCS, LBT continued to equity account for its previously held 50% interest in CCS. This equity accounting information is presented in Notes 10 and 11. On 31 December 2021, equity accounting ceased and LBT revalued its previously held 50% equity interest and shareholder loans to fair value based on the acquisition consideration paid for the other 50% interest and shareholders loans acquired from Hettich (refer Note 26). This resulted in a loss of \$973,000 on the revaluation of LBT's pre-existing 50% interest and shareholder loans.

Following the CCS Acquisition on 31 December 2021, the Group has revised its categorisation of transactions presented in the Consolidated Statement of Comprehensive Income/(Loss), together with Notes 2 and 3, to better reflect the nature of the Group's operations. The prior year comparatives have also been amended to provide a consistent presentation in the Consolidated Statement of Comprehensive Income/(Loss), Note 2 and Note 3.

LBT is a public company incorporated and domiciled in Australia and the consolidated financial report was authorised for issue on 29 August 2022 by the Directors of LBT.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The consolidated 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 consolidated financial report complies with all International Financial Reporting Standards (IFRS) in their entirety and are presented in Australian dollars, which is the Group's functional and presentation currency.

The consolidated 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.

Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 27.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of LBT Innovations Limited (the Group) as at 30 June 2022 and the results of all subsidiaries for the period from when control was obtained through to the reporting date of 30 June 2022. LBT Innovations Limited and its subsidiary, together are referred to in these financial statements as the 'Group'.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

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

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

Going Concern basis of Accounting

The Group's financial statements have been prepared on the basis of continuity of operations, the realisation of assets and the satisfaction of liabilities in the ordinary course of business. As disclosed in the financial statements, the Group has incurred a net loss after taxes of \$6,641,000 and had net cash outflows from operating and investing activities of \$6,190,000 for the year ended 30 June 2022. These events and conditions represent a material uncertainty on the ability of the Group to continue as a going concern.

The future viability of the Group is largely dependent on the number and timing of sales, and on its ability to raise capital to finance its operations. The Group's level of sales and ability to raise capital as and when needed could have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Group, the Group may be required to delay, reduce or eliminate research and development programs, reduce costs, reduce or eliminate commercialisation efforts, obtain funds through arrangements with collaborators or pursue merger or acquisition strategies. The Group believes that it has sufficient liquidity to prepare the financial statements on a going concern basis. The financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts, nor to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Accounting Policies

a) Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income or loss based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 tax assets, arising from deductible temporary differences and unused tax losses carried forward, are recognised to the extent that it is probable that future tax profits will be available against which the deductible temporary differences and carried forward tax losses 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 Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The assessment of the ability of the Group to generate such future taxable profits is based upon the same assumptions as used in the impairment testing of the Group's intangible assets (refer Note 1 (f)).

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.

Depreciation

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. Statement of Significant Accounting Policies cont.

Plant and Equipment cont.

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

Class of Fixed Asset	Depreciation Rate Per Annum
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 costs can be reliably measured.

The development was finalised for the APAS® Independence instrument together with the Urine Analysis module applicable to Australia in the year ended 30 June 2019.

Amortisation of the APAS® development costs commenced from August 2018, being the month of the first sale of an APAS® Independence instrument. LBT have assessed the useful life of the instrument to be 8 years, based on a review of other similarly priced capital items involving new technology within the same culture plate process. The amortisation is calculated on a straight-line basis as being the most appropriate method to reflect the realisation of the future economic benefits arising from the development of the APAS® technology.

APAS® Analysis Module Development Costs

The APAS® Independence instrument will not function without the Analysis Module (AM) software. A separate AM needs to be developed for each particular specimen type and for the different particular type of culture plate media used. Different geographies globally utilise different culture plate media for the same specimen testing. A core group of AMs are required to ensure at least the two most common specimen tests are available on the most commonly used culture plate media used in each of the target markets. The development costs for these core group of AMs are required to realise the sales potential of the physical instrument. These development costs have been capitalised as a separate asset from August 2018 onwards.

APAS® Analysis Module Development Costs

CCS Development costs include costs incurred by CCS for the engineering and design of the physical APAS® Independence instrument, and the costs associated with clinical trials and regulatory clearance for Analysis Modules. These costs were restated to fair value as at 31 December 2021, being the date that LBT obtained control of CCS through the completion of its acquisition of the other 50% ownership of CCS from Hettich. The fair values of the CCS assets and liabilities acquired are disclosed in Note 26.

License 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

d) Financial Instruments

Financial instruments are initially measured at fair value 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 – Financial Instruments

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value the loss allowance is recognised in profit or loss.

Financial Assets

Financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial Liabilities

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

e) Investment Accounted for Using the Equity Method

Investment in Joint Venture

In 2013, LBT established a joint venture company, Clever Culture Systems AG (**JV Company**), with Hettich. LBT held a 50% interest in the JV Company into which it contributed CHF25,000 share capital and granted an exclusive licence to use its APAS® technology. Hettich also held a 50% interest in the JV Company into which it contributed CHF25,000 share capital and an initial shareholder loan of \$4 million. Subsequent funding was provided by LBT and Hettich equally as shareholder loans.

Following 31 December 2021, when LBT obtained 100% ownership and control of CCS through the completion of its acquisition of the other 50% ownership of CCS from Hettich, the financial information of CCS and LBT are consolidated.

Prior to the 31 December 2021, LBT accounted for its 50% investment in the JV Company using the equity method in accordance with AASB 128 Investments in Associates & Joint Ventures. This equity accounting information is presented in Notes 10 and 11. Under the equity method, the investment in the JV Company was 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 comprised 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.

The continued equity accounted adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil during the year ended 30 June 2019. Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company were recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of those shareholder loans were more in the nature of an 'equity' style risk.

The financial statements of the JV Company were aligned to the same reporting period as LBT and were amended where the JV Company's accounting policies are inconsistent with that of LBT.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. Statement of Significant Accounting Policies cont.

Investment in Joint Venture cont.

The assets and liabilities of the JV Company were translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses were translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences were recognised in other comprehensive income through the foreign currency reserve in equity.

During the six-months prior to the date of Acquisition on 31 December 2021, LBT's 50% share of the change in net assets of the JV Company over that period was a loss of \$554,000 (2021: \$3,717,000). The equity accounted loss, net of any foreign exchange impact, was applied to reduce the carrying amount of LBT's shareholder loans.

On 31 December 2021, equity accounting ceased and LBT revalued its previously held 50% equity interest and shareholder loans to fair value based on the acquisition consideration paid for the other 50% interest and shareholders loans acquired from Hettich (refer Note 26). This resulted in a loss of (\$973,000) on the revaluation of LBT's pre-existing 50% interest and shareholder loans, and the foreign currency reserve of \$211,000 was recognised in profit or loss.

Subsequent to 31 December 2021, the functional currency for CCS was amended to AUD. The AUD financial information for CCS is consolidated into the Group's financial statements post 31 December 2021.

f) Impairment of Non-Financial Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset. An impairment test is also performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

An impairment test compares the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in the profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

Critical Accounting Estimates and Judgements

The Directors evaluate managements' estimates and judgements incorporated into the financial statements based on historical knowledge and 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 Group.

Key Estimates – Impairment

The carrying amount of \$16.2 million (2021: \$19.5 million) for the following assets are dependent on sufficient future cash flows generated through sales of the APAS® instrument and ongoing licence fees:

- \$Nil (2021: \$4.7 million) loan to CCS, including accrued interest (refer Note 11). On 31 December 2021, LBT completed its acquisition of Hettich's 50% equity interest in CCS (Acquisition). Therefore, as at 31 December 2021, CCS was a wholly owned subsidiary of LBT, and the loans between LBT and CCS were eliminated upon consolidation. Refer Note 26 for the Acquisition and consolidation accounting;
- \$16.2 million (2021: \$14.8 million) intangible assets, being the capitalised development costs for the APAS® instrument and development modules – refer Note 12. The increase in the intangible assets was a result of the recognition of \$3,416,000 being the fair value of the intangible assets held by CCS at Acquisition.

In the addition to the carrying value of APAS® related assets noted above, the Group also recognised a deferred tax asset of \$3.4 million upon the CCS Acquisition, comprising deductible temporary differences and unused carried forward tax losses. At 30 June 2022, the Group's deferred tax assets associated with CCS are \$3.5 million. Deferred tax assets arising from deductible temporary differences and unused carried forward tax losses, for both CCS and LBT, are recognised to the extent that it is probable that future tax profits will be available against which the deductible temporary differences and carried forward tax losses may be utilised. This assessment of future taxable profits is based upon the same assumptions as used in the impairment testing of the intangible assets outlined in this note. Refer Note 1 (a) for the Group's Income Tax Accounting Policy.

In the prior year ended 30 June 2021 (prior to the Acquisition), LBT first assessed the \$4.7 million loan to CCS as a financial asset pursuant to the requirements of Accounting Standard AASB 9 Financial Instruments (refer Note 1(d)). There was no recognition of a credit loss provision on the basis of the assessed ability for CCS to repay the full value of the loan based on expected future profitability of CCS through sales of the APAS® instrument. Following this assessment of the financial asset in the year ended 30 June 2021, the total carrying amount of the APAS® related assets were then formally assessed against their estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

This formal assessment was undertaken in both the years ending 30 June 2021 and 30 June 2022, where the total carrying amount of the APAS® related assets of \$16.2 million (2021: \$19.5 million) were assessed against their estimated recoverable amount, consistent with Accounting Standard AASB 136 Impairment of Assets. The recoverable amount was assessed using a value-in-use calculation, comprising a forecast of cash flows associated with future sales of the APAS® instrument, discounted to net present value. The forecast incorporates various key assumptions outlined further below. For the purpose of the cash flow forecasts, the cash generating unit has been identified as comprising the Group in its entirety. In the prior year ended 30 June 2021, the cash generating unit comprised LBT and its 50% share of forecast cash flows from the then JV Company, CCS. The discounted cash flow forecast indicates a recoverable amount of \$49.6 million (2021: \$25.9 million). The assessed recoverable amount remains in excess of the carrying value of the APAS® related assets by \$33.4 million (2021: \$6.4 million). On this basis, Directors have concluded an impairment of the APAS® related assets is not required.

The increase in the estimated recoverable amount from \$25.9 million, for the impairment testing as at 30 June 2021, to \$49.6 million for the impairment testing as at 30 June 2022, is primarily a result of the CCS Acquisition, with the forecast future cash flows now including 100% of the forecast cashflows for CCS (2021: 50%).

COVID-19 Impact

During the prior year ended 30 June 2021, COVID-19 significantly impacted the target market for the APAS® instrument, being pathology laboratories and hospitals. These pathology laboratories and hospitals, being heavily focused on COVID-19 testing, reduced conventional testing and redeployed of resources, and in many cases implemented temporary expenditure restrictions. These measures meant customers were unavailable to showcase, evaluate or even discuss the technology. Restrictions on travel impacted attendance industry conferences, with only some of these occurring in a virtual format.

In the first half of the current year ended 30 June 2022, the COVID-19 pandemic continued to impact commercialisation progress. Global travel restrictions and limitations on external visitors to healthcare systems reduced the opportunity for face-to-face customer meetings. This restricted the Group's sales progress, impacting progression of near-term sales opportunities and the ability to generate new leads. It is these new leads that would have formed the basis of instrument sales over the ensuing 12-18 months. Despite this, the Group did finalise the appointment of Thermo Fisher as the exclusive distributor for the APAS® Independence in the United States. This was an important commercialisation milestone, setting the base for lead generation and sales in the largest market globally, as the world continues to move out of the pandemic.

In the second half of the current year ended 30 June 2022, the Group has observed a progressive improvement in customer access in both Europe and the United States. Pathology laboratories have completed investments in COVID-19 testing infrastructure, and their attention is shifting to identifying operational efficiencies in other parts of their business. This trend is expected to continue, as laboratories adapt to COVID-19 testing becoming an established routine test that is a permanent part of their business. Customer access is only now returning towards pre-pandemic levels.

While the Directors are satisfied that management's cash flow forecast is achievable, there remains uncertainty with regard to the key assumptions for sales and sales growth rates. In the event that sales or sales growth rates are significantly less than forecast, this could materially impair the \$16.2 million (2021: \$19.5 million) APAS® related assets recognised in the financial statements.

Assumptions

A description of the assumptions underlying the forecast cash flows is described below.

Sales Projections

Sales projections are based on a unit sales price of approximately USD300,000 (\$400,000) per instrument and USD30,000 (\$40,000) per instrument per annum ongoing licence fee with an expected minimum useful life of 6 years per instrument, less distributor fees ranging from 30% to 35%. The unit sales are based upon the targeted markets and prior experience in bringing a new medical device technology to the market, together with historical market knowledge for other devices in the culture plate process, involving new technology at a similar price per unit.

The forecast period is 5 years through to June 2027. The appointment of Thermo Fisher, in September 2021, as exclusive distributor in the United States, was a key commercialisation milestone for the Group. Thermo Fisher's sales process has first focused on developing a wide pipeline of qualified sales leads. After six months, in March 2022 Thermo Fisher placed an order for five instruments, based on market feedback and interest being received during this initial phase of sales activity. Thermo Fisher is progressing a number of more advanced sales opportunities to place these five instruments. Whilst this order was a welcome early sign of confidence, the Group maintains the view that the sales cycle for this new technology will remain 12 to 18 months. That time-frame sees Thermo Fisher's end-customer sales commencing and building over the course of the financial year ended 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

Impairment of Non-Financial Assets cont.

Key Estimates – Impairment cont.

In the EU, the marketing agent agreement with Beckman Coulter continues. The Group is working towards appointing a full distributor and expects the initial 12 to 18 month sales cycle will apply to that EU distributor.

Although the APAS® instrument is physically complete, the achievement of sales potential will require regulatory cleared Analysis Modules and/or Evaluation Modules to support clinical testing by the instrument of at least two specimen types (Urine and MRSA), using the culture plates most commonly used in each of the US and the EU for those specimen types, and an Analysis Module for Antimicrobial Resistance testing. The Group expects to have this core group of Analysis Modules substantially developed by April 2023, with regulatory submissions targeted through to December 2023.

Sales are assumed to significantly grow following the initial 12 to 18 month period after the appointment of distributors in the key geographies. It is expected that the sales cycle will shorten as the number of instruments in the market build and the APAS® Independence becomes a wider known and used technology. Sales during the forecast period are forecast to reach a peak of approximately 94 instrument sales per annum in the final year of the forecast period (year ending 30 June 2027). The sales modelling remains consistent with the impairment testing in the prior year ended 30 June 2021, which included peak sales of 96 instruments in that final year.

Terminal Value

The terminal value is calculated based on a reduced ongoing sales projection of 20% of the year six peak sales, or 19 instruments per annum, with the installed base reducing over time to 113 units. A price earnings multiple of three times earning has been used, reflecting that the instrument would be late in its product life cycle at that point. Terminal value also includes the annual licence fee 'run-off' for the installed base at June 2027, assuming an average of five annual licence renewals per instrument following the year of sale.

Discount Rate

A nominal pre-tax discount rate of 23.7% has been used in the discounted cash flow modelling (2021: 20%). This is based on the average longer-term Price-Earnings ratio of ASX listed entities, adjusted for management's view of a risk premium appropriate for LBT as a listed entity that is pre-break-even revenues, for the current stage of commercialisation of the APAS® instrument. The increase in the nominal pre-tax discount rate is a result of the increased inflation.

Sensitivity of Assumptions

Sensitivity of the discounted cash flow forecast to separate changes in the above assumptions is provided as follows:

- The pre-tax nominal discount rate can be increased to 50% (2021: 24%) before the discounted cash flow forecast approximates the carrying value of \$16.2 million (2021: \$19.5 million);
- The number of units sold can be reduced by 49% (2021: 25%) across the forecast period before the discounted cash flow forecast approximates the carrying value of \$16.2 million (2021: \$19.5 million);
- The average sales price per instrument together with the ongoing license fee can be reduced by 36% (2021: 15%) before the discounted cash flow forecast approximates the carrying value of \$16.2million (2021: \$19.5 million); or
- AUD exchange rate against relevant currencies would need to increase by 86%, without any increase in the instrument pricing, before the discounted cash flow forecast approximates the carrying value of \$16.2 million (2021: \$19.5 million). For example, the AUD:USD would need to increase from 0.6689 to 1.2814 and the AUD:EUR would need to increase from 0.6589 to 1.2256. This was included in the sensitivity analysis for the first time for the year ended 30 June 2022.

g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at call deposits with banks or financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

h) Revenue Recognition

Revenue from Contracts with Customers

In accordance with AASB 15, sales are recognised by the Group by dividing the sales contracts into two performance obligations, each being a promise to transfer to the customer a good or service that is distinct. Revenue is then recognised when (or as) the Group satisfies each performance obligation by transferring a promised good or service (i.e. an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. The performance obligations are as follows:

- One year maintenance and support. Part of the total contracted sale price is attributed to this service based on the list price of \$40,000 per annum for annual maintenance and support following the one-year 'free' maintenance and support included in the contract price. This portion of the contracted sales price is recognised as revenue over the course of that 12-month warranty period.
- The remainder of the contracted sales price is attributed to the sale of the instrument. This portion of the contracted sales price is recognised as revenue once the instrument is delivered at the customer site.

Each Analysis Module enables the instrument to read and interpret different specimen types. An annual end user licence agreement is entered into by CCS for each Analysis Module required by a customer. Annual licence fees are recognised as revenue when the end customer enters into the annual end user licence agreement. Prior to the Acquisition of the remaining 50% of CCS on 31 December 2021, LBT would only recognise the amount of 6,000 CHF per annum for each Analysis Module license, based on a pre-existing agreement between LBT and its then 50% owned JV Company. Post 31 December 2021 the full amount of the end user licence fee earned by CCS is now recognised in the consolidated financial statements.

Annual fees payable for maintenance & support are recognised progressively over the year that these services are provided. Future instruments sold in the US through Thermo Fisher will have maintenance and support services provided by Thermo Fisher.

Revenue from Consulting Services provided to CCS

LBT's staff provided a number of services to CCS, such as general management of the JV Company, management of the design and development of the APAS® instrument, management of the supplier of the instrument clinical trials, regulatory submissions, and some sales related activities outside of Australia including installation and support at potential customer sites and key opinion leader sites.

The costs of staff time were invoiced by LBT on a cost plus a standard mark-up for oncosts through until the date of acquisition and 100% ownership of CCS by LBT on 31 December 2021. The invoicing from the provision of services was recognised as revenue in the month the services were provided.

Interest Revenue

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

Government Grants

Government grants, including JobKeeper payments, 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.

Other Revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

i) Share-Based Payments

Equity Settled Transactions

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

1. Statement of Significant Accounting Policies cont.

Share Based Payments cont.

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 or in the case of options subject to shareholder approval, then fair value at the date of shareholder approval. The fair value is determined using the Binomial option pricing model. Although for more complex options that include market vesting conditions, the Group utilises a Monte Carlo simulation together with a net present value calculation.

The cost of equity-settled transactions is recognised, 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.

j) 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.

k) 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.

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

Prior to 31 December 2021, foreign currency transactions of LBT's then JV Company, CCS, were 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.

l) Comparative Figures

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

m) Leases – the Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group. However, all contracts that are classified as short-term leases (i.e. a lease with a lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease.

Lease payments included in the measurement of the lease liability are as follows:

- Fixed lease payments less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Lease payments under extension options, if lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. Statement of Significant Accounting Policies cont.

Leases – the Group as lessee cont.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date, as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

n) Business Combinations

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

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

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

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

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

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

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

The business combination disclosures related to gaining control of CCS on 31 December 2021 are detailed in Note 26.

o) Adoption of New and Revised Accounting Standards (issued but not yet effective)

At the date of authorisation of the financial statements, the Group has not applied any new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective, as they will not have a material impact on the financial statements of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

2. Revenue

	2022	2021
	\$000	\$000
Instrument Sales	1,504	-
License Fees ⁽¹⁾	98	35
Maintenance Revenue	61	-
Revenue from Consulting Services	59	-
Revenue from Consulting Services to JV Company	406	1,088
Revenue	2,128	1,123
Government Grants ⁽²⁾	620	676
Foreign Exchange Gain (Loss)	11	(3)
Interest ⁽³⁾	141	314
Other Income	772	987

1. Includes \$27,000 (2021: \$35,000) revenue received from CCS prior to the acquisition of the other 50% of CCS on 31 December 2021 (CCS was required to pay LBT 6,000 CHF per annum per analysis module license. Following the acquisition of the other 50% of CCS, the consolidated Group recognises the full revenue generated from end customers.
2. Grant Income for the Year comprises \$620,000 in relation to the matched funding being provided by the Government under the BTB grant for the development of an analysis module for Antibiotic Sensitivity Testing. (ASX Announcement 3 September 2020). For the year ended 30 June 2021, Grant income comprised \$382,000 JobKeeper payments, \$50,000 PAYG Cash Boost, and \$244,000 under the same BTB grant.
3. Interest Income includes \$127,000 (2021: \$238,000) accrued on loans to CCS, prior to obtaining control of CCS on 31 December 2021.

3. Loss for the Year

Loss Before Income Tax Benefit includes the following Items:

	2022	2021
	\$000	\$000
(a) Corporate Expenses		
ASX Fees and Share Registry costs	82	88
Auditors Remuneration ⁽¹⁾	53	49
Insurance	103	56
Corporate Consulting and Legal ⁽²⁾	273	239
General Office Expenses and Other	158	120
Total Corporate Expenses	669	552
(b) Employee Benefits Expense	4,429	4,073
Share Based Payments (refer Note 24) ⁽⁴⁾	229	207
Total Employee Benefits Expense	4,658	4,280
(c) Other Expenses		
Short-Term Lease Payments and Outgoings	24	158
Travel and Accommodation	201	38
Patents and Trademarks	69	13
APAS® Independence customer maintenance and support	47	-
Other	20	88
Total Other Expenses	361	297

1. The Auditor did not provide any Non-Audit Services to the Group during the Year.
2. Consulting expenses during the Year included \$123,000 related to the acquisition of the other 50% ownership of CCS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

3. Loss for the Year cont.

3. Employee benefits expense includes \$204,000 (2021: \$6,000) of remuneration to Directors and Employee otherwise settled, or proposed to be settled, through the issuance of LBT Shares, as follows:
- \$53,000 (2021: \$6,000) of Directors Fees, where individual Directors have elected to receive part of their cash based Directors fees in LBT shares. Shares relating to \$7,000 of this expense (together with the \$6,000 owing for 2021) was issued following shareholder approval at the 2021 AGM, and \$46,000 remains subject to approval by shareholders LBT's 2022 AGM. (refer Notes 15 and 17)
 - \$59,942 (2021: bonus was paid in cash) payable as an annual bonus to the CEO and Managing Director. The F22 bonus is payable in cash, however the CEO and Managing Director elected to receive the bonus in LBT Shares, subject to approval at LBT's 2022 AGM. (refer Remuneration Report)
 - \$91,000 payable in LBT Shares as an annual bonus for the Executive Team for the year ended 30 June 2022. The maximum annual bonus is 10% of an individual's annual salary, with the actual amount awarded according to performance of the Group against its annual Corporate KPI's (70%) and against individual performance (30%). The Shares were issued in August 2022.

The total liability to be settled through the issuance of LBT Shares at 30 June 2022 is \$197,000 (2021: \$6,000) – refer Note 15.

4. Share based payments relate to a total of \$228,000 (2021: \$207,000) expensed in the period for options granted to employees and Directors (refer Note 18).

4. Income Tax

	2022	2021
	\$000	\$000
a) The Components of Tax Benefit Comprise:		
Current Tax	1,206	1,080
Deferred Tax – Origination and Reversal of Temporary Differences	962	1,164
Adjustment recognised for prior periods	(50)	-
Income Tax Benefit	2,118	2,244
b) The Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss is Reconciled to the Income Tax as follows:		
Prima Facie Income Tax Benefit on the Pre-Tax Accounting Loss, at the domestic tax rates applicable in the countries concerned	2,282	2,471
Adjusted for the Tax Effect of:		
R&D Concession Claim	398	319
Capital Raising Costs	73	107
Non-Deductible Expenses	(472)	(1,004)
Other	(163)	351
Income Tax Benefit	2,118	2,244

5. Cash and Cash Equivalents

	2022	2021
	\$000	\$000
Cash on Hand and at Bank	1,328	837
Cash on Deposit	1,460	8,778
Total Cash and Cash Equivalents	2,788	9,615

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

6. Trade and Other Receivables

	2022	2021
	\$000	\$000
Trade Receivables	1,739	666
Other Receivables	218	357
GST Refundable	47	55
Trade and Other Receivables	2,004	1,078

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days, unless otherwise disclosed.

Current Trade Receivables includes receivables denominated in USD, US\$1,109,000 (A\$1,610,000) for amounts due from the sales of APAS® instruments. Of this amount, US\$795,000 (A\$1,153,000) is receivable from Thermo Fisher, as the Group's exclusive distributor in the United States. [Current Trade Receivables in the prior year ended 30 June 2021 included 1) \$268,000 receivable from LBT's then 50% owned JV Company, CCS. Post 100% acquisition of CCS by LBT on 31 December 2021 all inter entity balances are eliminated upon consolidation; and 2) \$398,000 related to the sale of an APAS® instrument in Australia (with LBT as distributor for CCS, LBT's then 50% owned JV Company). The sale was recognised in the year ended 30 June 2019 and the contract provided for a payment plan over 3 years. Payment was received in the current Year.]

Credit Risk

All receivables are within agreed payment terms.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than Thermo Fisher as exclusive distributor for the APAS® Independence in the United States. The class of assets described as "Trade and Other Receivables" (Note 6) is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has credit risk exposures in Australia, the EU and the US.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date. As at 30 June 2022, the Group has determined that no credit loss provision is required.

7. Inventory

	2022	2021
	\$000	\$000
Finished Goods	407	-
Work in Progress	363	-
Spare Parts	211	-
Total Inventory ¹	981	-

1. Inventory held by 100% owned CCS (Refer Note 26 for the acquisition and consolidation accounting).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

8. Plant and Equipment

	2022	2021
	\$000	\$000
Plant and Equipment at Cost	273	461
Less: Accumulated Depreciation	(184)	(356)
Total Plant and Equipment	89	105

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	105	66
Additions	37	85
Disposals	-	-
Depreciation Expense	(53)	(46)
Closing Balance	89	105

9. Right of Use Assets

The Group's right of use assets comprise the lease of office space. During the year ended 30 June 2021, LBT entered into a new lease, to consolidate its two office premises into one. The remaining term of the lease is 3.9 years.

This right of use assets calculation at 30 June 2021 consisted of a signed property lease for its sole office in Adelaide CBD, commencing 15 April 2021. This is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The rent increases on an annual basis by 3.5% or CPI whichever is the greater.

Options to extend or terminate

An option exists to renew the lease at the end of the five-year term for an additional term of 5 years. The extension option is only exercisable by the Group. The extension option is included in the calculation of the lease liability and right to use asset only to the extent management are reasonably certain to exercise that option.

Variable Lease Payments

The Group does not have any variable lease payments.

	2022	2021
	\$000	\$000
<i>(i) AASB 16 related amounts recognised in the Statement of Financial Position</i>		
Leased Building	2,088	2,024
Less: Accumulated Depreciation	(258)	(50)
Total Right of Use Assets	1,830	1,974

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

9. Right of Use Assets cont.

	2022	2021
	\$000	\$000
Movements in Carrying Amount		
Movements in carrying amounts of Right of Use Assets between the beginning and the end of the year were as follows:		
Opening Balance	1,974	6
Recognised on Lease Commencement	-	2,024
CPI Rental Adjustment	64	-
Depreciation Expense	(208)	(56)
Closing Balance	1,830	1,974

(ii) AASB 16 related amounts recognised in the Statement of Statement of Comprehensive Income/(Loss)

Depreciation Charge related to Right of Use Assets	(208)	(56)
Interest Expense on Lease Liabilities (under Finance Costs)	(64)	(5)
Short-Term Leases Expense	-	(112)
(iii) Total Year Cash Outflows for Leases	(164)	(54)

10. Investments Accounted for Using the Equity Method

a) Recognition of Carrying Amounts	2022	2021
	\$000	\$000
Investment in Joint Venture at Cost (Note 1 (e))	-	1,539
Foreign Currency Translation Reserve	-	192
Share of Cumulative Loss in Joint Venture	-	(1,731)
Closing Balance	-	-

The voting power held by LBT through to 31 December 2021 was 50%. LBT equity accounted for 50% share of the financial results of CCS through to 31 December 2021. Financial statements of CCS are aligned to the same reporting period as LBT and have been amended where the accounting policies were inconsistent with that of LBT. From 31 December 2021, LBT ceased equity accounting for its equity interest in CCS and commenced consolidating the financial results of its 100% owned subsidiary CCS from that date (Refer Note 26 for further details related to the accounting related to the Acquisition).

Prior to the Acquisition

Prior to the Acquisition, the previous adjustments to the investment value from applying LBT's 50% share of the reducing net assets in the joint venture company resulted in the investment value being reduced to nil. Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company were recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans are more in the nature of an 'equity' style risk (refer Note 11).

b) Summarised Financial Information for Joint Ventures

Set out below is the summarised financial information for the JV Company, CCS, through to the date of Acquisition on 31 December 2021. Unless otherwise stated, the disclosed information reflects the amounts presented in the financial statements of CCS as at 31 December 2021 in Australian Dollars, 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

10. Investments Accounted for Using the Equity Method cont.

Summarised Financial Position

	31/12/21	2021
	Prior to Acquisition	
	\$000	\$000
Asset		
Current Assets		
Cash and Cash Equivalents	717	321
Trade and Other Receivables	357	954
Inventory	1,281	747
Total Current Assets	2,355	2,022
Non-Current Assets		
Intangible Assets	12,241	12,854
Total Non-Current Assets	12,241	12,854
Total Assets	14,596	14,876
Current Liabilities		
Trade and Other Payables	1,553	407
Total Current Liabilities	1,553	407
Non-Current Liabilities		
Non-Current Financial Liabilities (loans from Joint Venture shareholders)	30,056	29,826
Total Non-Current Liabilities	30,056	29,826
Total Liabilities	31,609	30,233
Net Liabilities	(17,013)	(15,357)
LBT's Share (%)	50%	50%
LBT's Share of Joint Venture's Net Liabilities	(8,507)	(7,678)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

10. Investments Accounted for Using the Equity Method cont.

Summarised Financial Information for CCS cont.

Summarised Financial Performance

	31/12/21	2021
	Prior to Acquisition	
	\$000	\$000
Revenue	52	682
Depreciation and Amortisation	(1,191)	(2,428)
Interest Expense	(303)	(272)
Other Expenses	334	(2,394)
Loss After Tax from Continuing Operations	(1,108)	(4,412)
Other Comprehensive Income	-	-
Total Comprehensive Loss for the Year	(1,108)	(4,412)
Dividends Paid	-	-
LBT's Share of Joint Venture's Comprehensive Loss	(554)	(2,206)
Foreign Currency Translation	(274)	141

11. Other Financial Assets

	2022	2021
	\$000	\$000
Interest on Loan to Joint Venture	-	747
Loan to Joint Venture	-	11,618
Provision: Joint Venture Losses	-	(7,678)
Total Other Financial Assets	-	4,687

LBT had a 50% interest in a JV Company, CCS, through to 31 December 2021. The purpose of the joint venture was to finalise the development of LBT's APAS® technology, and subsequent manufacture, distribution and sales of that technology. On 31 December 2021, LBT completed its acquisition of Hettich's 50% equity interest in CCS. Therefore, as at 31 December 2021, CCS was a wholly owned subsidiary of LBT, and the loans between LBT and CCS are eliminated upon consolidation. Refer Note 26 for the acquisition and consolidation accounting.

Prior to the Acquisition

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

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

Previous adjustments to the investment value from applying LBT's share of the reducing net assets in the JV Company, resulted in the investment value being reduced to nil (refer Note 10). Consistent with Accounting Standard AASB 128, once the investment value was reduced to nil, LBT's share of further reductions in the net assets of the JV Company were recognised as a provision against the recoverability of the shareholder loans to reflect that the repayment of the shareholder loans were more in the nature of an 'equity' style risk.

During the Year through to the date of the Acquisition, LBT's 50% share of the change in net assets of CCS was a loss of (\$554,000), or (\$828,000) including the foreign currency translation loss of (\$274,000). The amount of (\$828,000) was applied to increase the provision against the recoverability of the shareholder loan to (\$8,506,000).

The balance of the loans at 31 December 2021 of \$4,281,000, including the accrued interest and the loan provision, were eliminated upon the cessation of equity accounting on that date. The summarised financial information for CCS at 31 December 2021 is provided in Note 10.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

12. Intangible Assets

	2022	2021
	\$000	\$000
APAS® Development Costs (Note 1 (c))	18,491	18,491
Less: Accumulated Amortisation	(9,121)	(6,824)
	9,370	11,667
Analysis Module Development (Note 1 (c))	3,741	3,155
Less: Accumulated Amortisation	-	-
	3,741	3,155
CCS Development Costs (Fair Value on Acquisition)	3,416	-
Less: Accumulated Amortisation	(373)	-
	3,043	-
Total Intangible Assets	16,154	14,822

Movements in Carrying Amount

	AM Development Costs	APAS® Development Costs	CCS Development Costs	Total Intangible Assets
	\$000	\$000	\$000	\$000
Balance 30 June 2020	2,594	13,964	-	16,558
Additions	561	-	-	561
Disposals	-	-	-	-
Amortisation Expense	-	(2,297)	-	(2,297)
Impairment	-	-	-	-
Balance 30 June 2021	3,155	11,667	-	14,822
Additions ⁽¹⁾	586	-	3,416	4,002
Disposals	-	-	-	-
Amortisation Expense	-	(2,297)	(373)	(2,670)
Impairment	-	-	-	-
Balance 30 June 2022	3,741	9,370	3,043	16,154

1. The amount of \$4,319,000 was the fair value of the intangibles acquired as part of the Acquisition of CCS (refer to Note 26).

13. Trade and Other Payables

	2022	2021
	\$000	\$000
Trade Creditors and Other Payables	823	654
Other Payables	650	754
	1,473	1,408

In the prior year ended 30 June 2021, Trade Creditors and Other Payables included \$280,000 for the transfer price payable by LBT to CCS for the purchase of the instrument sold by LBT, as the appointed distributor in Australia. CCS had granted LBT deferred payment terms, consistent with the deferred terms agreed between LBT and the end customer. The amount payable by LBT had been discounted to net present value. Refer Note 6 for the corresponding receivable. Post the Acquisition of the other 50% ownership of CCS, on 31 December 2021, all inter entity balances are eliminated upon consolidation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

14. Lease Liability

The Group's Lease Liability relates to the lease of LBT's office space. LBT consolidated its two office premises into one in April 2021 with the remaining term of the lease being 3.9 years with an option to extend for a further 5 years (refer Note 9 for further details). The lease liability has been calculated with the assumption that the lease will be extended to 2031.

	2022 \$000	2021 \$000
a) Current Lease Liability	192	179
b) Non-Current Lease Liability	1,631	1,743
Total Lease Liability	1,823	1,922

15. Other Financial Liabilities

	2022 \$000	2021 \$000
a) Current		
Loan ⁽¹⁾	965	951
Unearned Income ⁽²⁾	29	40
Share-Based Liability to Directors and Employees ⁽³⁾	197	6
Total Current Other Financial Liabilities	1,191	997
b) Non-Current		
Loan ⁽¹⁾	1,499	1,985
Total Non-Current Other Financial Liabilities	1,499	1,985

1. LBT secured a \$4 million loan from the South Australian Government. The interest rate for the loan is a 2% margin above the South Australian Government cost of funds and the South Australian Government have received a first ranking general security over LBT and its assets. The loan is being repaid through fixed quarterly repayments of \$256,000 comprising principal and interest. The South Australian Government paused interest and principal repayments for six months during the year ended 30 June 2022. Repayments recommenced in February 2022. The loan is scheduled to be repaid by November 2024.
2. Unearned income relates to the sale of an APAS® instrument and represents that portion of the contracted end customer price that is attributable to the first-year warranty period. This part of the contracted price has been treated as a contract liability to provide these services in the future and are recognised as revenue as these warranty services are provided (refer Note 1 (h)).
3. The 30 June 2022 amount of \$197,000 comprises 1) an annual bonus due to the Managing Director of \$60,000, subject to shareholder approval 2) an annual bonus of \$91,000 for the Executive team (Shares issued August 2022), and 3) \$46,000 in Directors fees to be paid in LBT Shares, subject to Shareholder approval (2021: \$6,000 Directors fees). Refer Note 3(b) and the Remuneration Report.

16. Provisions

	2022 \$000	2021 \$000
Non-Current		
Provision Long Service Leave	234	165
Total Non-Current Provisions	234	165

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

17. Issued Capital

	2022	2021
	\$000	\$000
Issued and Paid Up Capital		
319,901,544 (30 June 2021: 289,115,164) Ordinary Shares Fully Paid	49,854	47,052
Less: Costs Associated with Capital Raising		
Opening Balance	(3,508)	(2,991)
Capital Raising Costs	-	(555)
Tax Effect of Capital Raising Costs	(75)	38
Total Issued Capital	46,271	43,544
Ordinary Shares	No.	No.
At the Beginning of the Reporting Period	289,115,164	235,539,786
New Shares Issued Placement 15 July 2020	-	50,000,000
New Shares Issued Employee Incentive Plan 4 August 2020 ⁽¹⁾	-	483,810
New Shares Issued Share Purchase Plan 17 August 2020	-	2,296,250
New Shares Issued Employee Incentive Plan 9 October 2020 ⁽¹⁾	-	423,049
New Shares Issued Employee Incentive Plan 18 December 2020 ⁽¹⁾	-	96,869
New Shares Issued CEO and MD's Annual Bonus 18 December 2020 ⁽²⁾	-	275,400
New Shares Issued in lieu of Directors Fees 29 December 2021 ⁽³⁾	126,003	-
New Shares Issued on Subsidiary Acquisition 30 December 2021 ⁽⁴⁾	30,660,377	-
At Balance Date	319,901,544	289,115,164

- As part of cost reduction measures implemented as a response to the COVID-19 pandemic, the Group implemented a four-day work week between 1 June 2020 to 27 September 2020. Eligible employees were offered the ability to elect to continue to work a five-day working week, with the fifth day paid in shares. The offer price of \$0.10 per share represented a 4% discount to the volume weighted average price for the five trading days prior to Board approval of the offer to employees on 29 April 2020. The shares were issued in two tranches on 4 August 2020 and 9 October 2020. A third issue, on 18 December 2020, related to the CEO and Managing Director's participation in the offer, being subject to shareholder approval at LBT's AGM on 25 November 2020. An expense of \$74,000 is included in employee benefits expense for the year ended 30 June 2021 (Refer Note 3(b)).
- As part of his remuneration, the CEO and Managing Director is eligible for a maximum annual cash bonus of 30% of his annual salary, subject to achievement of performance targets set annually by the Board. For the year ended 30 June 2020, the Board awarded a cash bonus of \$57,834. Mr Barnes elected to receive \$44,064 of this cash bonus in LBT shares, at price per share of \$0.16, being the same price as the July placement. The bonus was recognised as an expense in the year ended 30 June 2020. The shares were issued following shareholder approval at the AGM held on 25 November 2020. An expense of \$44,064 is included in share-based payments within the employee benefits expense (Refer Note 3(b)).
- The Group has a formal Policy which represents an ongoing commitment for all Non-Executive Directors, current and future, to invest a minimum of one year's Directors fees within 4 years of commencing. Directors may elect to acquire shares on market or sacrifice a portion of their gross Directors fees. At the AGM on 29 November 2021 approval was provided for the Issue of 52,239 shares to Simon Arkell and 68,764 shares to Damian Lismore consisting of 6 months of sacrificed Directors fees between April and September 2021, with \$7,000 included in employee benefits expense for the year ended 30 June 2022 and \$6,000 for the year ended 30 June 2021 (Refer Note 3(b)).
- LBT obtained full ownership of its JV Company, CCS, on 31 December 2021. The consideration was \$4.0 million consisting of \$1.0 million cash, 30.66 million shares and 8.0 million options exercisable at \$0.25 expiring 31 December 2024. The issue price of the shares was based on the market closing price of LBT's shares on the trading day prior to execution of the binding Share Purchase Deed of \$0.091 or a total of \$2.78 million. The shares are held in escrow until 31 December 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

17. 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 one vote when a poll is called. LBT decides all resolutions at a general meeting by a poll, consistent with ASX Corporate Governance Principles 4th edition.

Option Holders

Each option entitles the holders to subscribe for one ordinary share in the capital of LBT. 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 Group in order to ensure that the Group can fund its operations and continue as a going concern.

The Group'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 Group's capital by assessing the Group'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.

The Group has fully drawn-down its \$4,000,000 loan facility provided by the South Australian government. The balance of the loan at 30 June 2022 is \$2,464,000 (refer Note 15). There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

18. Reserves

	2022	2021
	\$000	\$000
Option Reserve ⁽¹⁾	1,651	1,234
Foreign Currency Translation Reserve ⁽²⁾	-	63
Total Reserves	1,651	1,297

1. The option reserve represents the cumulative amortised value of share options issued as share based remuneration. (refer Note 24)
2. Exchange rate differences arising on the translation of LBT's 50% share of the net liabilities of CCS from CHF to AUD, which incurred a foreign currency translation loss of (\$274,000) through to 31 December 2021, and an ending balance on that date of (\$211,000) which was reduced to nil as part of the cessation of equity accounting upon the acquisition of the other 50% of CCS from Hettich on 31 December 2021. (refer Note 26)

Options Reserve

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

	Number	Value \$000
Options Reserve Opening Balance 1 July 2021	11,896,669	1,234
Chair Options ⁽¹⁾	1,250,000	39
Director Options ⁽²⁾	500,000	12
CEO and MD Long Term Incentive Options Granted ⁽³⁾	-	123
Director Options ⁽⁴⁾	-	28
Options Granted on Subsidiary Acquisition ⁽⁵⁾	8,000,000	203
Executives Long Term Incentive Options Granted ⁽⁶⁾	4,200,000	27
Options Lapsed ⁽⁷⁾	(183,334)	(15)
Options Reserve Closing Balance 30 June 2022	25,663,335	1,651

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

18. Reserves cont.

The total of \$229,000 (2021: \$207,000) for employee options is included in the share-based payments expense for the Year (refer to Note 3(b)), relating to items 1 to 4 and 6, detailed further below.

1. An issue of 1,250,000 options to Joanne Moss (LBT Chair) was approved at the AGM on 29 November 2021. The options have a two-year vesting period and an expiry date of 29 December 2023. The combined fair value of the options was calculated to be \$98,038. In accordance with AASB 2 "Share based Payment", the fair value of the options is being expensed over the two-year vesting period.
2. It is the practice of the Group to issue 500,000 options to new Directors upon commencement, subject to shareholder approval. 500,000 options were issued to Mr Brian O'Dwyer in Year. These options have a two-year vesting period and an expiry date of 29 December 2031. The combined fair value of the options was calculated to be \$36,695. In accordance with AASB 2 "Share based Payment", the fair value of the options is being expensed over the two-year vesting period.
3. Based on the conclusions of a report from a Remuneration Specialist, LBT's Board proposed a Long-Term Incentive (LTI) that principally aligns with shareholder interest, in respect to growth in share price, to incentivise, retain and reward the Managing Director. The LTI was approved by shareholders at LBT's AGM held on 25 November 2020. The LTI comprises 6,000,000 share options to take up Ordinary shares at an exercise price of \$0.16 each and if not exercised will expire on 25 November 2025. The exercise price was based on the same price as the July 2020 placement. The options are available for initial vesting in three tranches at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years.

The fair value of the options was calculated as \$418,000, using a Monte Carlo simulation. The Monte Carlo simulation creates simulated share prices over the vesting period of the options, and then tests to determine if the share price hurdles are met. If the hurdle is not met, then the value attributed is zero. If the hurdle is met, then the expected option value is calculated on that day. The expected option value is discounted to calculate a present value for each simulation, and the average of all simulations is then taken to provide a value for the options. Inputs into the Monte Carlo simulation included the share price at the date of shareholder approval of \$0.125, share price volatility over the past 4 years of 93.52% and a risk-free rate based on the historical data available from the Reserve Bank of Australia for 5 year Treasury Bonds. In accordance with AASB 2 "Share based Payment", the \$418,000 fair value of the options is being expensed over the vesting period through to 25 November 2025.

4. It is the practice of the Group to issue 500,000 options to new Directors upon commencement, subject to shareholder approval. In the year ended 30 June 2020, 500,000 share options were granted to each of two Directors, Messrs Arkell and Lismore. These options had a two-year vesting period and an expiry date of 28 November 2029. The combined fair value of the options was calculated to be \$151,153. In accordance with AASB 2 "Share based Payment", the fair value of the options were expensed over the two-year vesting period.
5. LBT obtained full ownership of its JV Company, CCS, on 31 December 2021. As part of the consideration paid for the Acquisition of the 50% equity interest held by Hettich, LBT issued 8,000,000 unlisted options to Hettich at exercise price of \$0.25 and an expiry date of 31 December 2024. The fair value of the options was calculated as \$203,000 using the binomial valuation method and a volatility of 80%.
6. An Executive team LTI was implemented to mirror the share price growth targets of the LTI for the CEO and Managing Director. As part of this LTI, 4,200,000 share options, were issued on 14 January 2022, to take up ordinary shares at an exercise price of \$0.12 each. The options vest on 14 January 2026, subject to share price performance hurdles, and if not exercised will expire on 14 April 2026. Further details are provided earlier in the Remuneration Report. The fair value of the options was calculated as \$0.055 per option or \$231,000 in total, using a Monte Carlo simulation, and is being expensed over the four-year vesting period through to 14 January 2026.
7. 183,334 employee options lapsed during the Year due to cessation of employment, with the fair value of these options removed from the options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

19. Cash Flow Information

	2022	2021
	\$000	\$000
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Net Loss for the Year	(6,641)	(7,260)
Add Back Non-Cash Items		
Amortisation	2,670	2,297
Depreciation	261	102
Share Based Payments Expense	229	207
Employee Benefits Expense paid/payable through LBT Shares	204	6
Unrealised Foreign Exchange (Gains) / Losses	3	3
Share of Joint Venture Loss using the Equity Method	554	3,717
Loss on Revaluation of Joint Venture Interest	973	-
Tax Effect Attributable to Capital Raising Costs	(73)	38
Interest Income on CCS Loan Income	(127)	(234)
Changes in Assets and Liabilities		
(Increase) / Decrease in Current Trade and Other Receivables	(1,432)	(967)
(Increase) / Decrease in Non-Current Trade and Other Receivables	-	370
(Increase) / Decrease in Inventory	299	-
(Increase) / Decrease in Deferred Tax Asset	(524)	(995)
(Increase) / Decrease in Current Tax Asset	(332)	(148)
Increase / (Decrease) in Current Trade and Other Payables	(719)	730
Increase / (Decrease) in Non-Current Trade and Other Payables	-	(273)
Increase / (Decrease) in Provisions	69	45
Increase / (Decrease) in Deferred Tax Liability	(363)	(311)
Cash Flow used in Operating Activities	(4,949)	(2,673)

20. Loss Per Share

	2022	2021
	\$000	\$000
Reconciliation of Net Loss to Loss per Share		
Net Loss	(6,641)	(7,260)
Net Loss used in the Calculation of Basic Earnings per Share	(6,641)	(7,260)
Net Loss used in the Calculation of Diluted Earnings per Share	(6,641)	(7,260)
Weighted Average Number of Ordinary Shares Outstanding used in the Calculation of Basic and Diluted Loss per Share	305,066,526	286,568,643

The number of ordinary shares used in the calculation of Diluted Loss per Share is the same as the number used in the calculation of Basic Loss per Share in the year ended 30 June 2022 and the prior year ended 30 June 2021, as options are not considered dilutive as a loss was incurred in both years.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

21. Tax

	2022	2021
	\$000	\$000
a) Assets		
Deferred Tax Assets Comprise:		
Accrued Expenses	9	12
Leave Entitlements	152	128
Capital Raising Costs	107	180
Lease Liabilities	456	480
CCS Intangible Assets Fair Value Adjustment	1,256	-
CCS Tax losses	2,230	-
Other	2,262	1,734
Total Deferred Tax Assets	6,472	2,534
b) Liabilities		
Deferred Tax Liabilities Comprise:		
Intangible Assets	3,219	3,647
Right of Use Assets	457	498
Other	293	187
Total Deferred Tax Liabilities	3,969	4,332
c) Reconciliations		
i Gross Movements		
The Overall Movement in the Net Deferred Tax balance is as follows:		
Opening Balance (Net Deferred Tax Liability)	(1,798)	(3,104)
CCS Intangible Assets Fair Value Adjustment (refer Note 26)	1,410	-
CCS Tax losses (refer Note 26)	2,004	-
(Charge) / Credit to Income Statement	962	1,268
(Charge) / Credit to Equity	(75)	38
Closing Balance – Net Deferred Tax Asset / (Net Deferred Tax Liability)	2,503	(1,798)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

21. Tax cont.

	2022 \$000	2021 \$000
c) Reconciliations cont.		
ii Deferred Tax Assets		
The Movement in Deferred Tax Assets for Each Temporary Difference During the Year is as follows:		
Accrued Expenses		
Opening Balance	12	28
(Charge) / Credit to Income Statement	(3)	(16)
Closing Balance	9	12
Provision for Leave		
Opening Balance	128	111
(Charge) / Credit to Income Statement	24	17
Closing Balance	152	128
Capital Raising Costs		
Opening Balance	180	165
(Charge) / Credit to Income Statement	-	(23)
(Charge) / Credit to Equity	(73)	38
Closing Balance	107	180
Lease Liabilities		
Opening Balance	480	3
(Charge) / Credit to Income Statement	(24)	477
Closing Balance	456	480
CCS Intangible Assets Fair Value Adjustment		
Opening Balance	-	-
CCS Acquisition	1,410	-
(Charge) / Credit to Income Statement	(154)	-
Closing Balance	1,256	-
CCS Tax Losses		
Opening Balance	-	-
CCS Acquisition	2,004	-
(Charge) / Credit to Income Statement	226	-
Closing Balance	2,230	-
Other		
Opening Balance	1,734	1,232
(Charge) / Credit to Income Statement	530	502
(Charge) / Credit to Equity	(2)	-
Closing Balance	2,262	1,734
iii Deferred Tax Liabilities		
The Movement in Deferred Tax Liabilities for Each Temporary Difference During the Year is as follows:		
Intangible Assets		
Opening Balance	3,647	4,489
Charge / (Credit) to Income Statement	(428)	(842)
Closing Balance	3,219	3,647
Unearned Income		
Opening Balance	-	11
Charge / (Credit) to Income Statement	-	(11)
Closing Balance	-	-
Right of Use Asset		
Opening Balance	498	2
Charge / (Credit) to Income Statement	(41)	496
Closing Balance	457	498

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

21. Tax cont.

	2022	2021
	\$000	\$000
Other		
Opening Balance	187	141
Charge / (Credit) to Income Statement	106	46
Closing Balance	293	187

22. Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Names and positions of key management personnel of LBT in office at any time during the financial year:

Directors

Mr B Barnes	Chief Executive Officer and Managing Director
Ms J Moss (commenced 1 July 2021)	Independent Director – Non-Executive
Mr S Arkell	Independent Director – Non-Executive
Mr D Lismore	Independent Director – Non-Executive
Mr B O'Dwyer (commenced 4 October 2021)	Independent Director – Non-Executive
Mrs C Costello (retired 30 September 2021)	Independent Director – Non-Executive

Key Management Personnel

Mr P Bradley	VP of Global Business Development (General Manager CCS)
Mr R Ridge	Chief Financial Officer and Company Secretary

Key Management Personnel (KMP) remuneration has been included in the remuneration section of the Directors' Report.

The totals of remuneration paid to KMP of the Group during the year was as follows:

	2022	2021
	\$000	\$000
Short-Term Employee Benefits	931	918
Post-Employment Benefits	66	77
Share-Based Payments (Shares)	145	26
Share-Based Payments (Options)	209	136
Total KMP Compensation	1,351	1,157

Short-Term Employee Benefits

These amounts include fees and benefits paid to the Non-Executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other KMP.

Post-Employment Benefits

These amounts are the current year's superannuation contributions made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

22. Related Party Transactions cont.

b) Option Holdings

2022							
Directors	Balance 01/07/22	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/22	Total Vested & Exercisable 30/06/22	Total Unvested 30/06/22
Mr B Barnes	7,500,000	-	-	-	7,500,000	1,500,000	6,000,000
Ms J Moss ⁽¹⁾	-	1,250,000	-	-	1,250,000	-	1,250,000
Mr S Arkell	500,000	-	-	-	500,000	500,000	-
Mr D Lismore	500,000	-	-	-	500,000	500,000	-
Mr B O'Dwyer ⁽¹⁾	-	500,000	-	-	500,000	-	500,000
Mrs C Costello ⁽³⁾	-	-	-	-	-	-	-
Key Management Personnel							
Mr P Bradley ⁽⁴⁾	750,000	550,000	-	-	1,300,000	750,000	550,000
Mr R Ridge ⁽⁴⁾	150,000	550,000	-	-	700,000	150,000	550,000
	9,400,000	2,850,000	-	-	12,250,000	3,400,000	8,850,000
2021							
Directors	Balance 01/07/20	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30/06/21	Total Vested & Exercisable 30/06/21	Total Unvested 30/06/21
Mr B Barnes ⁽⁶⁾	1,500,000	6,000,000	-	-	7,500,000	1,500,000	6,000,000
Mrs C Costello	-	-	-	-	-	-	-
Dr C Popper ⁽⁵⁾	-	-	-	-	-	-	-
Mr S Arkell	500,000	-	-	-	500,000	-	500,000
Mr D Lismore	500,000	-	-	-	500,000	-	500,000
Key Management Personnel							
Mr P Bradley ⁽²⁾	700,000	50,000	-	-	750,000	750,000	-
Mr R Ridge ⁽²⁾	100,000	50,000	-	-	150,000	150,000	-
	3,300,000	6,100,000	-	-	9,400,000	2,400,000	7,000,000

- Options issued to newly appointed Directors, following shareholder approval on 29 November 2021.
- Eligible employees received options via LBT's ESOP at an exercise price of \$0.175 per share. If not exercised, these options will expire on 26 August 2025.
- Mrs C Costello retired on 30 September 2021.
- An Executive team LTI was implemented to mirror the share price growth targets of the LTI for the CEO and Managing Director. As part of this LTI, 550,000 share options each were issued on 14 January 2022 to Messrs Ridge and Bradley, to take up ordinary shares at an exercise price of \$0.12 each. The options vest on 14 January 2026, subject to share price performance hurdles, and if not exercised will expire on 14 April 2026. Further details are provided earlier in the Remuneration Report and in Note 18 to the Financial Statements. The fair value of the options was calculated as \$30,250 for each of Messrs Ridge and Bradley, using a Monte Carlo simulation, and is being expensed over the vesting period through to 14 January 2026.
- Dr C Popper retired on 31 May 2021.
- The LTI for the CEO and Managing Director comprises 6,000,000 share options to take up ordinary shares at an exercise price of \$0.16 each and if not exercised will expire on 25 November 2025. The options are available for initial vesting in three tranches of 2,000,000 each at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years. Further details are provided in the Remuneration Report. The fair value of the options was calculated as \$418,000, using a Monte Carlo simulation, and is being expensed over the vesting period through to 25 November 2025.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

22. Related Party Transactions cont.

c) Shareholdings

2022

Directors	Balance	Received as	Options	Net Change	Balance
Mr B Barnes	1,289,264	-	-	-	1,289,264
Ms J Moss	-	-	-	-	-
Mr S Arkell ⁽⁴⁾	-	57,239	-	-	57,239
Mr D Lismore ⁽⁴⁾	203,716	68,764	-	-	272,480
Mr B O'Dwyer	-	-	-	-	-
Mrs C Costello ⁽⁵⁾	3,349,943	-	-	-	3,349,943
Key Management Personnel					
Mr P Bradley	167,125	-	-	-	167,125
Mr R Ridge	160,245	-	-	-	160,245
Total	5,170,293	126,003	-	-	5,296,296

2021

Directors	Balance	Received as	Options	Net Change	Balance
Mr B Barnes ⁽¹⁾⁽³⁾	916,995	372,269	-	-	1,289,264
Mrs C Costello	3,349,943	-	-	-	3,349,943
Dr C Popper ⁽²⁾	300,000	-	-	-	300,000
Mr S Arkell ⁽⁴⁾	-	-	-	-	-
Mr D Lismore ⁽⁴⁾	203,716	-	-	-	203,716
Key Management Personnel					
Mr P Bradley ⁽³⁾	94,754	72,371	-	-	167,125
Mr R Ridge ⁽³⁾	66,667	93,578	-	-	160,245
Total	4,932,075	538,218	-	-	5,470,293

126,003 (2021: 538,218) LBT shares were issued to the applicable above KMPs who had elected to receive LBT shares in lieu of cash otherwise owing as part of their normal remuneration.

- For the year ended 30 June 2020, the Board awarded a cash bonus of \$57,834. Mr Barnes elected to receive \$44,064 of this cash bonus in LBT shares, at price per share of \$0.16, being the same price as the July placement. 275,400 shares were issued on 18 December 2020, following shareholder approval at the AGM held on 25 November 2020.
- The ending balance for Dr C Popper for the 2021 financial year is as at the date of her retirement, being 31 May 2021.
- As part of cost reduction measures implemented as a response to the COVID-19 pandemic, LBT implemented a four-day work week between 1 June 2020 to 27 September 2020. Eligible employees were offered the ability to elect to continue to work a five-day working week, with the fifth day paid in shares. The offer price of \$0.10 per share represented a 4% discount to the volume weighted average price for the five trading days prior to Board approval of the offer to employees on 29 April 2020. The shares were issued in two tranches on 4 August 2020 and 9 October 2020. A third issue, being 96,869 shares on 18 December 2020, related to the CEO and Managing Director's participation in the offer following shareholder approval at LBT's AGM on 25 November 2020.
- The Board formalised a policy requiring all Non-Executive Directors to invest a minimum of one year's Directors fees within 4 years of joining the Board. Under this policy, Messrs Arkell and Lismore are setting aside 25% of their gross monthly Directors fees from 1 April 2021 to be settled in LBT shares, subject to approval of shareholders at LBT's AGM each year. The number of LBT Shares to be issued in lieu of 25% of each month's Directors fees is determined by a monthly volume weighted average price (VWAP) of LBT's shares traded on the ASX.
- The ending balance for Mrs Catherine Costello for the 2022 financial year is as at the date of her retirement, being 30 September 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

22. Related Party Transactions cont.

d) Directors' Related Entity Transactions with the Group

There were no related entity transactions throughout the year.

e) Joint Venture Related Entity Transactions with LBT

CCS is a wholly owned subsidiary of LBT following the Acquisition by LBT of the other 50% equity interest in CCS on 31 December 2021. Prior to 31 December 2021, the pre-existing 50% equity interest in CCS was accounted for using the equity method of accounting. For details of interest held in joint venture, refer to Notes 10 and 11.

In preparing the consolidated financial statements, all transactions and balances between LBT and CCS, post 31 December 2021, are eliminated in full. The following transactions with CCS, prior to 31 December 2021, are included in the financial statements:

- Revenue for consulting services provided \$406,000 (2021: \$1,088,000);
- Additional funds provided to CCS as a loan to be repaid from future profitability \$303,000 (2021: \$1,070,000) – Refer Note 11; and

Interest accrued on the loan to CCS of \$127,000 (2021: \$238,000) – Refer Note 11.

23. Financial Risk Management

a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, and accounts receivable, borrowings and payable. The Group does not invest in any derivative instruments.

i) Treasury Risk Management

The Board has established an investment policy that is reviewed on a regular basis.

The Board receives regular reports to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance.

ii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest Rate Risk

Interest rate risk is managed with a mixture of short-term fixed and floating rate deposits. At 30 June 2022 \$1.5 million (2021: \$8.8 million) of the Group's cash was held in short-term deposits with a fixed interest rate.

LBT secured a \$4,000,000 loan from the South Australian Government. The interest rate for the loan is a 2% margin above the South Australian Government cost of funds and the South Australian Government have received a first ranking general security over LBT and its assets. The remaining balance of the loan at 30 June 2022 is \$2,464,000. The loan is being repaid through fixed quarterly repayments of \$256,000 comprising principal and interest. The South Australian Government paused interest and principal repayments for six months during the year ended 30 June 2022. Repayments recommenced in February 2022. The loan is scheduled to be repaid by November 2024.

Foreign Currency Risk

LBT can be exposed to fluctuations in foreign currencies arising from the receipts of milestone, license, loan and royalty payments in currencies other than the Group's measurement currency. At the prior year balance date of 30 June 2021, the Group had exposure in one of the loans to CCS of €346,527 (\$548,302) with interest on this loan totaling €34,551 (\$54,669). These loans are now eliminated in preparation of the consolidated financial statements as at 30 June 2022.

Following the acquisition of the other 50% equity interest in CCS, the Group prepares consolidated financial statements which include transactions within CCS. As such, the consolidated Group is exposed to the impact of fluctuations in exchange rates on sales in the United States which are denominated in USD and on sales in the European Union which are denominated in EUR and GBP.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash deposits are maintained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

23. Financial Risk Management cont.

Financial Risk Management Policies cont.

Credit Risk

The Group manages credit risk by reviewing exposures and ensuring it maintains sufficient cash deposits to meet its operational needs. The maximum exposure to credit risk is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- Only banks and financial institutions with a credit rating of 'A' long term (Standard and Poors rating) are used; and
- All potential customers are assessed for credit worthiness taking into account their size, market position and financial standing.

The Group's most significant trade debtor is Thermo Fisher, being the Group's exclusive distributor for the APAS® Independence in the United States. Current Trade Receivables at 30 June 2022 includes US\$795,000 (A\$1,153,000) receivable from Thermo Fisher. Payment terms under the distribution agreement are 45 days.

The statement of financial position for the prior year ended 30 June 2021 included a loan receivable of \$11,618,000 from LBT's then 50% owned JV Company, CCS, together with accrued interest of \$747,000. A provision had been made against these loans of \$7,678,000 (refer Note 11). At 30 June 2022, these loans are now eliminated in full in preparing the consolidated financial statements comprising LBT and CCS, following the Acquisition of the other 50% equity interest in CCS on 31 December 2021.

b) Financial Instrument Composition and Maturity Analysis

The tables below provides the amounts related to the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the statement of financial position.

	Weighted Average Effective Interest Rate %		Floating Interest Rate \$ 000		Within 1 Year \$ 000		1 to 5 Years \$ 000		Over 5 Years \$ 000		Non-Interest Bearing \$ 000		Total \$ 000	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Financial Assets														
Cash and Cash	0.2%	0.2%	2,788	9,610	-	-	-	-	-	-	-	5	2,788	9,615
Receivables	2.0%	2.0%	-	-	-	-	-	4,687	-	-	2,004	1,043	2,004	5,730
Total Financial Assets			2,788	9,610	-	-	-	4,687	-	-	2,004	1,048	4,792	15,345
Financial Liabilities														
Trade Payables	0%	0%	-	-	-	-	-	-	-	-	1,707	1,573	1,707	1,573
Lease Liabilities	3.4%	3.4%	-	-	192	179	789	706	842	1,037	-	-	1,823	1,922
Employee Shares	0%	0%	-	-	-	-	-	-	-	-	197	6	197	6
Loan	2.8%	2.8%	-	-	965	951	1,499	1,985	-	-	-	-	2,464	2,936
Total Financial Liabilities			-	-	1,157	1,130	2,288	2,691	842	1,037	1,904	1,579	6,191	6,437

All current trade payables are expected to be paid within four months of balance date.

c) Net Fair Values

The net fair values of all current financial assets and liabilities approximate their carrying value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

23. Financial Risk Management cont.

d) Sensitivity Analysis

The Group has performed a sensitivity analysis to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity, which could result from a change in these risks.

At 30 June 2022, the effect on profit and equity after tax as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2022	2021
	\$000	\$000
Change in Profit		
- Increase in Interest Rate by 1.5%	40	91
- Decrease in Interest Rate by 1.5%	(40)	(91)
Changes in Equity		
- Increase in Interest Rate by 1.5%	40	91
- Decrease in Interest Rate by 1.5%	(40)	(91)

24. Share-Based Payments

Grant Date	Expiry Date	Exercise Price	Balance 30 June 2021	Granted	Forfeited ^(b)	Balance 30 June 2022
11 December 2013	11 December 2023	\$0.045	100,000	-	-	100,000
31 January 2016	22 December 2026	\$0.320	100,000	-	-	100,000
9 May 2016	11 April 2026	\$0.141	500,000	-	-	500,000
18 November 2016	7 August 2026 ⁽¹⁾	\$0.157	1,500,000	-	-	1,500,000
1 March 2017	28 February 2027	\$0.400	200,000	-	-	200,000
27 November 2019	28 November 2029 ⁽¹⁾	\$0.080	500,000	-	-	500,000
27 November 2019	28 November 2029 ⁽¹⁾	\$0.630	500,000	-	-	500,000
28 November 2019	18 November 2024	\$0.237	1,440,000	-	(125,000)	1,315,000
31 August 2020	26 August 2025	\$0.175	1,056,669	-	(58,334)	998,335
18 December 2020	30 June 2023 ⁽²⁾	\$0.160	2,000,000	-	-	2,000,000
18 December 2020	30 June 2024 ⁽²⁾	\$0.160	2,000,000	-	-	2,000,000
18 December 2020	30 June 2025 ⁽²⁾	\$0.160	2,000,000	-	-	2,000,000
29 December 2021	29 December 2031 ⁽¹⁾	\$0.136	-	500,000	-	500,000
29 December 2021	29 December 2031 ⁽¹⁾	\$0.081	-	1,250,000	-	1,250,000
30 December 2021	31 December 2024 ⁽⁴⁾	\$0.250	-	8,000,000	-	8,000,000
13 January 2022	14 April 2026 ⁽³⁾	\$0.120	-	4,200,000	-	4,200,000
			11,896,669	13,950,000	(183,334)	25,663,335

The total of \$229,000 (2021: \$207,000) was expensed as Share Based Payments relating to options granted to Directors and employees (footnotes 1 to 3 below) – for further information refer to Notes 18 and 3(b). A further \$204,000 (2021: \$6,000) in amounts owing to Directors and employees were otherwise satisfied, or are planned to be satisfied, through the issue of LBT Shares – for further information refer to Notes 17 and 3(b).

- Options issued to Directors upon commencement cannot be exercised until the second anniversary after the grant date. Any options held at the date a Director ceases to be an officer automatically lapse within 90 days unless the Board approves an extension. Accordingly, it is considered that these options do not fully vest until such time as they can be exercised. In accordance with AASB 2 "Share-based Payment", the fair value of the options has been (are being) expensed over the vesting period. Historical volatility has been the basis for determining expected share price volatility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

24. Share-Based Payments cont.

2. Options are available for initial vesting in three tranches at 30 June 2023, 2024 and 2025, subject to the share price performance hurdles in each of those years as set out in the table below (Refer Note 18 for further details):

	30 June 2023	30 June 2024	30 June 2025
Upper benchmark (2,000,000 options)	\$0.352	\$0.457	\$0.594
Lower benchmark (800,000 options)	\$0.276	\$0.332	\$0.398

3. An Executive team LTI was implemented to mirror the share price growth targets of the LTI for the CEO and Managing Director. As part of this LTI, 4,200,000 share options, were issued on 14 January 2022, to take up ordinary shares at an exercise price of \$0.12 each. The options vest on 14 January 2026, subject to share price performance hurdles, and if not exercised will expire on 14 April 2026. Further details are provided earlier in the Remuneration Report and Note 18.
4. LBT obtained full ownership of its JV Company, CCS, on 31 December 2021. As part of the consideration paid for the Acquisition of the 50% equity interest held by Hettich, LBT issued 8,000,000 unlisted options to Hettich at exercise price of \$0.25 and an expiry date of 31 December 2024. The fair value of the options was calculated as \$203,000 using the binomial valuation method and a volatility of 80% and was recognised as part of the consideration paid for the Acquisition.
5. Options lapsed upon cessation of employment. The options outstanding at 30 June 2022 had a weighted average exercise price of \$ 0.180 (2021: \$0.166) and a weighted average remaining contractual life of 3.8 years (2021: 4.7 years). Exercise prices range from \$0.045 to \$0.400 (2021: \$0.040 to \$0.450). The weighted average fair value of options granted during the year was \$0.192 (2021: \$0.162).

	Number of Options 2022	Weighted Average Exercise Price \$	Number of Options 2021	Weighted Average Exercise Price \$
Outstanding at the Beginning of the Year	11,896,669	0.166	4,990,000	0.200
Granted	13,950,000	0.192	7,073,336	0.162
Forfeited	(183,334)	0.217	(166,667)	0.231
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at Year End	25,663,335	0.180	11,896,669	0.166
Exercisable at Year End	5,713,335	0.172	4,896,669	0.194

25. Segment Reporting

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

- b) Revenue by Geographic Region

	2022	2021
	\$000	\$000
Australia	772	987
Switzerland	406	1,123
US	1,663	-
UK	35	-
Germany	24	-
Total Revenue	2,900	2,110

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

25. Segment Reporting cont.

c) Assets by Geographical Region

Prior to 31 December 2021, LBT held a 50% equity interest in the JV Company, CCS. On 31 December 2021, LBT acquired the other 50% equity interest in CCS. Therefore, the financial statements of the Group represent the consolidation accounts for LBT and CCS, with all loan and other transactions between the two companies being eliminated in full after 31 December 2021. At 30 June 2021, the carrying value of LBT's interest in the JV Company was \$4.7 million as represented by the balance of the loan account less a provision (refer Note 11).

CCS is domiciled in Switzerland, with product development and manufacture occurring in Australia.

d) Major Customers

LBT recognised sales of US\$795,000 (A\$1,153,000) to Thermo Fisher, as the Group's exclusive distributor in the United States.

As noted above, after 31 December 2021, all loans and other transactions between LBT and CCS are eliminated in preparing the consolidated financial statements for the Group. The financial statements include the following transactions between LBT and CCS prior to 31 December 2021:

- \$406,000 (2021: \$1,088,000) revenue from consulting services provided to CCS; and
- \$127,000 (2021: \$238,000) interest income accruing on the shareholder loans provided to CCS.

Net Income (excluding joint venture losses) from CCS accounted for 18% (2021: 63%) of external revenue.

26. Business Combination

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

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

a) Acquisition Consideration

The acquisition was satisfied by the issue of 30,660,377 LBT ordinary shares at an issue price of \$0.091 each (Refer Note 17), the issue of 8,000,000 unlisted options (Refer Note 18), and a cash payment of \$1,000,000:

	Fair Value
	\$000
Cash	(1,000)
Ordinary Shares Issued	(2,790)
Options Granted	(203)
Total Consideration	(3,993)

b) Acquisition Cash Flow

	\$000
Cash Consideration Paid	(1,000)
Less Cash held by CCS	717
Consolidated Net Cash Outflow	(283)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

26. Business Combination cont.

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

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

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

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

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

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

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

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

	LBT Book Value at 31/12/21 \$000	Fair Value \$000	Revaluation Amount \$000
Initial 50% Equity Interest (Note 10)	-	2,499	2,499
LBT Shareholder Loans, Net of Provisions (Note 11)	4,281	1,020	(3,261)
Total	4,281	3,519	(762)
Recognised in Other Comprehensive Income (Foreign Currency Translation Reserve)			211
Recognised in Profit or Loss			(973)
Total Revaluation			(762)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022**

26. Business Combination cont.

e) Fair Value of CCS Net Assets

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

	CCS Fair Value	Included in Consolidated Accounts
	\$000	\$000
Cash	717	717
Debtors and Prepayments	357	357
Inventory (Note 7)	1,281	1,281
Creditors and Accruals	(1,673)	(1,673)
Shareholder Loans Payable ⁽¹⁾	(2,514)	-
Deferred Tax Asset (Tax Losses) ⁽²⁾	2,004	2,004
Deferred Tax Asset (on Fair Value adjustment to Intangibles)	1,410	1,410
Intangible Assets (Note 12)	3,416	3,416
Fair value of the 100% equity interest in CCS	4,998	7,512

1. Inter entity loan balances are eliminated upon consolidation.
2. The tax jurisdiction for CCS is Switzerland. The amount of tax losses at the date of Acquisition, 31 December 2021, was CHF 11,440,000 (A\$17,249,000). Tax losses may be offset against future taxable profits to the extent the losses are utilised within 7 years from the relevant loss year. Based on assessment of estimated future cashflows, it was calculated that CHF 11,303,000 (A\$17,043,000) of the tax losses would be utilised. The applicable local tax rate of 11.76%, provides a Deferred Tax asset of CHF 1,329,000 (A\$2,004,000).

27. Parent Entity Information

Set out below is the supplementary information in relation to the parent entity, LBT Innovations Limited. The comparative information, for the prior year ended 30 June 2021, is not provided in this Note as consolidated financial reports were not prepared in that year (being prior to the acquisition of the remaining 50% ownership of CCS on 31 December 2021). As such, the comparative information for the year ended 30 June 2021 elsewhere in the financial statements represents the financial information for LBT Innovations Limited only.

Statement of Profit or Loss and Other Comprehensive Income

	Parent
	2022
	\$000
Loss After Income Tax	(6,320)
Total Comprehensive Loss	(6,320)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

27. Parent Entity Information cont.

Statement of Financial Position

	Parent
	2022
	\$000
Total Current Assets	5,997
Total Non-Current Assets	25,473
Total Assets	31,470
Total Current Liabilities	2,480
Total Non-Current Liabilities	7,334
Total Liabilities	9,814
Net Assets	21,656
Equity	
Issued Capital	46,271
Option Reserve	1,651
Accumulated Losses	(26,266)
Total Equity	21,656

Contingent Liabilities

The parent entity had no contingent liabilities as at 30 June 2022.

Capital Commitments – Property, Plant and Equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

28. Credit Standby Arrangements

The Group has a credit standby facility of \$50,000. This facility was used to the extent of \$15,644 at balance date.

29. Events After the Balance Sheet Date

There were no material subsequent events.

30. Group Details

The registered office and principal place of business of the Group is:

16 Anster Street
Adelaide SA 5000

Phone: +61 8 8227 1555

Website: www.lbtinnovations.com

Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - Comply with Accounting Standards, which as stated in accounting policy Note 1 to the financial statements constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and the Corporations Regulations 2001; and
 - Give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the Company;
2. The CEO and Managing Director and Chief Finance Officer have each declared that:
 - The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - The financial statements and notes for the financial year comply with the Accounting Standards; and
 - The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Board has received assurance from the CEO and Managing Director and the Chief Financial Officer that the declaration is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.

This declaration is made in accordance with a resolution of the Board of Directors.



Chief Executive Officer and Managing Director
Brenton Barnes



Chair
Joanne Moss

Dated at Adelaide this 29th day of August 2022.

Independent Auditor's Report



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

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of LBT Innovations Limited ("the Company") and its controlled entity ("the Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group 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* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$6,641,000 and had net cash outflows from operating and investing activities of \$6,190,000 during the year ended 30 June 2022. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 1(f) of the financial report, which describes the significant uncertainty about the key assumptions used for sales and sales growth used for the impairment assessment for APAS® related assets. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Acquisition of Clever Culture Systems Refer note 26 Business Combination	
<p>The acquisition of Clever Culture Systems ('CCS') is considered a Key Audit Matter due to the level of judgment included in accounting for business combinations, the judgement involved in the valuation of the net assets acquired, the non-cash purchase consideration and the significance of the business combination to the Group's financial position.</p> <p>The acquisition was completed on 31 December 2021. The purchase consideration included cash, shares and options issued totalling \$4m and is reported as provisional in the consolidated financial statements.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> - Obtained an understanding of management's process related to accounting for the acquisition. - Obtained the acquisition agreement and agreed the acquisition date and consideration paid to the underlying acquisition accounting. - Assessed the valuation of consideration paid in shares and options issued. - Assessed the appropriateness of the accounting treatment applied to the acquisition, including the fair values applied to assets and liabilities acquired. - Tested management's acquisition workings for mathematical accuracy. - Evaluated disclosures in the financial report for compliance with AASB 3 <i>Business Combinations</i>.
Impairment of Intangible Assets Refer note 12 Intangible Assets	
<p>The impairment of Intangible Assets is a Key Audit Matter as:</p> <ul style="list-style-type: none"> - Intangible Assets totalled \$17.0m representing the capitalised development costs in respect of APAS®, and intangible assets acquired through the acquisition of CCS. - Under Australian Accounting Standards, an entity is required to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, an entity shall estimate the recoverable amount of the asset. - Impairment indicators existed during the reporting period therefore required to test for impairment by comparing its recoverable amount with its carrying value. 	<p>We obtained the impairment assessment and impairment model prepared by management and approved by the Audit and Risk Committee, and performed the following:</p> <ul style="list-style-type: none"> - Tested the mathematical accuracy of the model. - Evaluated and assessed the key assumptions and estimates used in the model. - Performed sensitivity analysis on the key assumptions and assessed the effect on the carrying value. - Gained an understanding of the marketing activities being undertaken in respect of APAS®. - Assessed the appropriate discount rate based on the current market standing of the APAS® Instrument and future plans to sell and distribute this product.

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Independent Auditor's Report



The impairment testing process is complex and highly judgemental and is based on assumptions and estimates that are affected by expected future performance and market conditions.

- Considered the adequacy of the financial report disclosure regarding impairment and the carrying value for APAS®.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Director's Report for the year ended but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Independent Auditor's Report



Auditor's Responsibilities for the Audit of the Financial Report (continued)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditor's Report



REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of LBT Innovations Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd Audit (SA) Pty Ltd
Chartered Accountants

Adelaide, South Australia
29 August 2022

A handwritten signature in blue ink, appearing to read 'Travis Rickard'.

Travis Rickard
Director

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Shareholder Information

As at 5 August 2022

Statement of Issued Securities

The total number of shareholders is 2,965 and there are 319,901,544 ordinary fully paid shares (LBT Shares) on issue.

Total number of holders of unlisted options is 60 and there are 25,663,335 unlisted options as follows:

Options Expiry date	Number of holders	Number on issue	Number of unvested securities	Vesting date (if applicable)
11 December 2023	1	100,000	-	N/A
18 November 2024	16	1,315,000	-	N/A
31 December 2024	1	8,000,000	-	N/A
25 November 2025*	1	2,000,000	2,000,000	30 June 2023
25 November 2025*	1	2,000,000	2,000,000	30 June 2024
25 November 2025*	1	2,000,000	2,000,000	30 June 2025
26 August 2025	24	998,335	-	N/A
11 April 2026	1	500,000	-	N/A
14 April 2026*	6	4,200,000	4,200,000	14 January 2026
7 August 2026	1	1,500,000	-	N/A
22 December 2026	1	100,000	-	N/A
28 February 2027	2	200,000	-	N/A
28 November 2029	2	1,000,000	-	N/A
29 December 2031	1	1,250,000	1,250,000	29 December 2023
29 December 2031	1	500,000	500,000	29 December 2023

* Subject to share price growth vesting conditions.

Distribution of Securities

Equity Distribution	No. of Shareholders	Number of Option holders						
		Exp 11/12/23	Exp 18/11/24	Exp 31/12/24	Exp 25/11/25	Exp 25/11/25	Exp 25/11/25	Exp 26/08/25
1 – 1,000	161	-	-	-	-	-	-	-
1,001 – 5,000	473	-	-	-	-	-	-	-
5,001 – 10,000	583	-	-	-	-	-	-	-
10,001 – 100,000	1,322	-	14	-	-	-	-	23
100,001 and over	426	1	2	1	1	1	1	1
	2,965	1	16	1	1	1	1	24

Shareholder Information

As at 5 August 2022

Distribution of Securities cont.

Equity Distribution	Number of Option holders							
	Expiry 11/4/26	Expiry 14/04/26	Expiry 7/08/26	Expiry 22/12/26	Expiry 28/02/27	Expiry 28/11/29	Expiry 29/12/31	Expiry 29/12/31
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	1	2	-	-	-
100,001 and over	1	6	1	-	-	2	1	1
	1	6	1	2	2	1	1	1

The number of shareholdings held in less than marketable parcel is 771 totaling 2,542,489 shares.

Substantial Shareholders

There was one substantial holder of LBT Shares as at 5 August 2022, as follows:

Hettich Holding Beteiligungs-und Verwaltungs-GMBH holds 30,660,377 LBT Shares (being 9.58% of total LBT Shares on issue), together with 8,000,000 unlisted options with an exercise price of \$0.25 and an expiry date of 31 December 2024.

Voting Rights

Refer to Note 17 of the Annual Financial Report.

On Market Buy Back

There is no current on market buy back.

Restricted Securities

Hettich Holding Beteiligungs-und Verwaltungs-GMBH holds 30,660,377 LBT Shares that are subject to voluntary escrow. The escrow conditions cease on 31 December 2022.

Shareholder Information

As at 5 August 2022

Top 20 Shareholders

Rank	Name	Number of Shares	% of Shares
1	HETTICH HOLDING BETEILIGUNGS-UND VERWALTUNGS-GMBH	30,660,377	9.58
2	BIOMERIEUX SA\C	9,772,727	3.06
3	B MORAN PTY LTD	8,591,444	2.69
4	Z & F INTERNATIONAL TRADING LIMITED	6,451,613	2.02
5	MAZONI PTY LTD <THE UTIGER SUPER FUND A/C>	6,000,000	1.88
6	MR ROBERT ANDREW FINDER + MRS SHERYL JEAN FINDER <SHERROB9 S/F A/C>	5,401,665	1.69
7	MR RICHARD ANTHONY EARP	4,319,000	1.35
8	DR JIANSHENG ZHOU	4,261,817	1.33
9	KEW SUPERANNUATION FUND PTY LTD <K W SUPERANNUATION FUND A/C>	3,750,000	1.17
10	MR STEPHEN GOODWIN	3,500,000	1.09
11	MR DAVID MCKAY	3,456,632	1.08
12	MR HUGH BERKELEY GUTHRIE + MRS LUCYNA HALINA GUTHRIE <PODLASKA SUPER A/C>	3,302,988	1.03
13	MATANDREN PTY LTD <BURGESS TATE A/C>	3,159,836	0.99
14	MR DAVID CATTUZZO + MRS ELIZABETH CATTUZZO	3,100,000	0.97
15	RUIN PTY LTD <STEVE MATHWIN SUPER A/C>	3,005,262	0.94
16	BEARAY PTY LTD <BRIAN CLAYTON S/F A/C>	2,573,537	0.80
17	MISS VANJA BOSATLIJA <DZERID FAMILY A/C>	2,558,100	0.80
18	DR RUSSELL KAY HANCOCK	2,500,000	0.78
19	CITICORP NOMINEES PTY LIMITED	2,324,501	0.73
20	MR BRYAN PLIATSIOS	2,306,125	0.72
		110,995,624	34.70

Shareholder Information

As at 5 August 2022

Top 20 Option-holders (not listed)

Rank	Name	Number of Options	% of Options
1	HETTICH HOLDING BETEILIGUNGS-UND VERWALTUNGS-GMBH	8,000,000	31.17
2	MR BRENTON JOHN BARNES	7,500,000	29.22
3	MR PETER BRADLEY	1,300,000	5.07
4	SILVER STREET HOLDINGS PTY LTD <SILVER STREET HLDGS FAM A/C>	1,250,000	4.87
5	SONIA GIGLIO	1,237,500	4.82
6	DIANA MARGARET HILL	1,050,000	4.09
7	MR PABLO CESAR SOLIS MADRIGAL <SOLIS BALTODANO FAMILY A/C>	950,000	3.70
8	JACK BROWN	700,000	2.73
9	MR RAYMOND ROBERT RIDGE <RIDGE FAMILY A/C>	700,000	2.73
10	MR SIMON ARKELL	500,000	1.95
11	MR DAMIAN LISMORE	500,000	1.95
12	MR BRIAN O'DWYER	500,000	1.95
13	MR VAUGHAN WESSON	241,666	0.94
14	RHYS HILL	187,500	0.73
15	JULIE ANN WINSON	116,666	0.45
16	TOMISLAV COSIC	100,000	0.39
17	STEVEN GIGLIO	100,000	0.39
18	MR RHYS HILL	100,000	0.39
19	MANUEL PASTER FORERO MORALES	100,000	0.39
20	BRONWYN JUNE ROBERTSON	100,000	0.39
		25,233,332	98.32

Register of Securities

The register of securities is located at:

Computershare Investor Services Pty Limited
GPO Box 1903 Adelaide, South Australia 5001, Australia

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LBT Innovations

ABN 95 107 670 673

Directors

The names of the directors in office at the time of the Annual Report are:

Joanne Moss

Independent Chair and Non-Executive Director

Brenton Barnes

Chief Executive Officer and Managing Director

Simon Arkell

Non-Executive Director

Damian Lismore

Non-Executive Director

Brian O'Dwyer

Non-Executive Director

Company Secretary

Raymond Ridge

Chief Financial Officer

Raymond Ridge

Principal Place of Business & Registered Office

16 Anster Street Adelaide SA 5000

Phone: +61 8 8227 1555

Website: lbtinnovations.com

Lawyers

Thomson Geer Lawyers

19 Gouger Street Adelaide SA 5000

Auditors

HLB Mann Judd Audit (SA) Pty Ltd

169 Fullarton Rd Dulwich SA 5065

Share Register

Computershare Investor Services Pty Limited

GPO Box 1903 Adelaide SA 5001

Listed Securities

LBT: Ordinary Shares

