Linius Technologies Limited

ABN 84 149 796 332

Appendix 4D

Half-year report

31 December 2018

Reporting period

Report for the half-year ended 31 December 2018.

Previous corresponding period is the half-year ended 31 December 2017.

Results for announcement to the market

		Increase/(decrease) over previous corresponding period	
	$	$	%
Revenue from ordinary activities	76,774	73,914	2,584%
Profit/(Loss) from ordinary activities after tax attributable to members	(6,426,164)	(2,347,253)	(55.9%)
Net profit/(loss) for the period attributable to members	(6,426,164)	(2,347,253)	(55.9%)

Dividends

No dividends were paid or declared during the financial period and it is not proposed to pay dividends.
No dividends have previously been declared or paid in prior financial periods and there are no dividend reinvestment plans in place.

Explanation of results

Results for the 6 months to December 2018

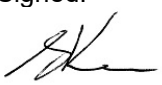
The principal activities during this six months have been the commercialisation and continued development of the patented Linius Video Virtualization Engine™. During the period the entity has expanded its operations and increased its marketing activities in pursuing the commercialisation of the software.

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

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	0.47 cents	0.37 cents

Signed:



Stephen Kerr
CFO & Company Secretary

28 February 2019
Melbourne

Linius Technologies Limited

ABN 84 149 796 332

ASX CODE: LNU

Half-Year Report
31 December 2018

The information in this half-year report should be read in conjunction with the annual report of Linius Technologies Limited for the year ended 30 June 2018

Corporate Information

Directors	Gerard Bongiorno – Executive Chairman Christopher Richardson – CEO and Executive Director Stephen McGovern – Non-Executive Director
Company Secretary	Stephen Kerr
Registered office and principal place of business	Suite 13, Level 3, 299 Toorak Road South Yarra VIC 3141 Telephone: (03) 8672 7186
Website	www.linius.com
Auditors	KPMG 727 Collins Street MELBOURNE VIC 3008
Bankers	National Australia Bank Limited
Stock Exchange	Australian Securities Exchange Level 40, Central Park 152-158 St Georges Tce PERTH WA 6000
ASX Code	LNU
Share Register	Advanced Share Registry Ltd 110 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9389 8033 Facsimile: (08) 9262 3723

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Linius Technologies Limited (referred to hereafter as the 'Company' or 'parent entity' or 'Linius') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

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

Gerard Bongiorno
Christopher Richardson
Stephen McGovern

Principal activities
During the financial period the principal continuing activities of the consolidated entity were video technology and computer software development.

Dividends
No dividends were paid or declared during the financial period.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $6,426,164 (31 December 2017 loss: $4,078,911). The consolidated entity had net assets of $8,159,206 at 31 December 2018 (30 June 2018: $14,101,948) and cash on hand of $5,217,853 (30 June 2018: $10,766,028).

The principal activities of the entity during this six months have been the continued development and commercialisation of the Linius Video Virtualization Engine™. The entity is an Australian company that has designed and patented the world's first video virtualisation technology. The technology transforms large inflexible video files into small highly flexible data structures. The patented process applies two techniques to video – data indexing and virtualisation, which means that video can be indexed, spliced and edited in real time.

During the half year to December 2018 the Company has continued its strategic focus, summarised as:

Vision:	To make all of the worlds video accessible as data
Mission:	To become the *de facto* standard for the management and broadcast of video
Commercialisation:	Linius patented VVE Technology to deliver to mass markets in 3 ways: - Industry specific divisions and solution sets built around VVE - Mass distribution through partners, such as IBM - Self-service to global markets through a SaaS model

Linius is setting up the business to scale rapidly and globally. The Company is making key investments in easily replicable solution sets, establishing channel-partner distribution relationships, and providing the technology globally as a Software as a Service (SaaS) platform.

During the half year, Linius made significant inroads towards delivering on the strategy to scale. Specific industries being targeted include:

Sports – Deliver subscription-based hyper-personalized sports channels
News – Develop new revenue models with hyper-personalized news
Education – Unleash the value of video: learning, teaching, research & business
Corporate Comms – Boost employee performance and meet compliance
Gambling – Drive subscription and gambling revenues with granular data
Security & Defense – Assemble and distribute actionable intelligence
Media & Entertainment – Reduce piracy and drive workflow efficiency

Each of these value propositions, with the exception of piracy reduction, is an outcome of Linius' ability to deliver hyper-personalised video experiences. Many of the world's leading technology companies have business strategies centered on personalization — Facebook, Google, and Amazon, to name a few — but until now this has proven impossible with video. Linius has provided and demonstrated the answer and is perfectly positioned to deliver the next evolution of TV.

The Company remains committed to its commercial strategy and has established three vectors for growth.

1. Direct Sales

The company has a small direct sales team. Direct sales of commercial deals and proof-of-concept projects (POCs) are intended to commercially validate the technology and provide case studies in specific target markets, ahead of a mass market roll out through partners on our SaaS platform, LVS.

2. Channel Partners

The Company has established a strong partner network and continues to invest in these relationships. Linius' partners are actively introducing their clients to Linius, and investing in building solutions with virtual video.

3. Linius Video Services (LVS)

The Company has made a significant investment in building and launching LVS — a self-service platform allowing clients to deliver their own solutions with no involvement by Linius personnel. It is the technical core of the business. It is fully functional and following the successful beta release in the December half began to be mass marketed commencing in February 2019.

LVS is a mechanism to quickly make virtual video available to the huge global addressable market. The company will continue to work with partners to introduce new capabilities onto LVS.

Commercial Highlights

In the December half the Company made substantial progress on all three vectors of commercialization.

On the direct sales front, the Company signed Newstag as its first commercial client. Towards the end of the half, Newstag launched a hyper-personalized news search service, powered by Linius, on their site. The service is available at https://newstag.com/aisearch. Newstag expects to begin introducing Linius to news agencies around the world in the March 2019 quarter. The Company expects initial revenue from Newstag in the March Quarter, and follow-on revenue from future clients introduced by Newstag.

In addition to this commercial win, two POCs went live in the half: Warner Bros. and Oklahoma State University. Subsequent to the close of the half, the testing phase of the Warner Bros. POC was concluded and demonstrated the playout of Warner Bros movies. The Company is now evaluating the results of those tests with Warner Bros,. Finally, the Oklahoma State POC has been a great success, with OK State TV staff acting as a reference both internally and externally for commercial prospects. The ability to search and assemble unique virtual videos based on facial recognition can be seen at https://ostate.tv/ai-search.

The Company continued to build out its network of resellers and partners during the quarter. These partners are actively developing their own products on LVS, and building their sales pipelines. Although these relationships are yet to generate revenue, the Company considers the investment by these partners in development of solutions based on LVS as continued validation of the commercial value of Linius' patented VVE technology.

Notable channel developments include Certus Solutions, Amazon AWS and Microsoft Azure, and MediAmp. Certus is the largest and fastest growing IBM systems integration company in Australia and New Zealand, and will deliver hyper-personalization and search solutions, as well as associated services, to clients throughout APAC.

Linius' technology became available on Amazon AWS and Microsoft Azure marketplaces. Linius' presence on these portals is the next step in the Company's plan to leverage the billions of dollars being invested in cloud infrastructure, to enable the Company to scale rapidly. These listings make it easier for organizations throughout Microsoft's and AWS' vast networks to search, assemble and deliver previously impossible hyper-personalized video streams on-the-fly.

MediaAMP is a US-based higher-education cloud service provider, focused on delivering video technology to the nearly 5,000 colleges and universities in the US. During the December quarter, MediaAMP began introducing Linius to both their existing client base and their sales pipeline. The plan is for MediaAMP both to replicate the existing education-vertical solution proven in the OK State POC, and to build their own product, integrating Linius technology into their current offering, in order to offer a hyper-personalized experience to students, administrators, and alumni at US higher-education institutions.

Perhaps most significantly, Linius SaaS platform — Linius Video Services — exited beta test and became commercially available during the half. Over the long term, the Company expects LVS to be a significant portion of its business. The cloud is now mainstream, with 96% of organizations using it in one way or another, and a growing trend towards use of public cloud.[1] LVS, as a multi-cloud platform, is ideally positioned to ride this trend; and it serves the specific need of allowing inventors, entrepreneurs, and businesses of all sizes to innovate with virtual video.

Other Highlights: Blockchain

Linius aims to fulfill the promise of blockchain to move beyond cryptocurrencies. The Linius blockchain will be used to protect, distribute and monetize the video itself. When a virtual file is transferred, the Linius VVE will send the actual video data to be played out only after the content owners' rules have been satisfied.

With current methodologies, a video blockchain is generally considered challenging due to the size of the video files. The Internet standard video format of MP4 does not work in a blockchain. Virtual videos are fractions of a percent of the size of current videos. They're ideally suited as digital assets, which can be recorded, transferred and managed by a blockchain.

During the half the Company began execution of its previously announced blockchain strategy. The Company continues to believe that virtual video remains the only mechanism by which blockchain can be used to fulfil its purpose of protecting ownership rights of video as a digital asset. The company is now engaging with several organisations as commercial pilot partners.

Subsequent to the end of the half, the Company announced that it had successfully embedded virtual video in a blockchain, proving that blockchain technology can be directly applied to video. In the coming weeks, Linius intends to have the virtual video playing on a blockchain-aware player. At that point, Linius anticipates hosting a webinar to demonstrate this functionality.

To register for the upcoming webinar, subscribe to receive Linius Investor Updates here:
https://www.linius.com/investor_updates/

Significant changes in the state of affairs

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

[1] IT governance critical as cloud adoption soars to 96 percent in 2018, CIO Magazine, https://www.cio.com/article/3267571/governance/it-governance-critical-as-cloud-adoption-soars-to-96-percent-in-2018.html

Going concern

For the half year ended 31 December 2018, the Group had an operating net loss of $6,426,164 (2017: $4,078,911) and net cash outflows from operating activities of $5,533,396 (2017: $3,467,263).

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration, which forms part of this Directors' Report, is set out on page 21.

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

On behalf of the directors



Gerard Bongiorno
Executive Chairman

28 February 2019
Melbourne

Linius Technologies Limited
Contents
31 December 2018

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General information

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

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

Registered office	Principal place of business
Suite 13, Level 3 299 Toorak Road South Yarra VIC 3141	Suite 13, Level 3 299 Toorak Road South Yarra VIC 3141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2019.

Linius Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated December 2018 $	Consolidated December 2017 $
Revenue			
Interest income		76,774	2,860
Expenses			
Administrative expenses		(332,749)	(220,697)
Amortisation expenses		(270,000)	(270,000)
Depreciation expenses		(4,451)	(2,838)
Employee expenses		(323,342)	(171,240)
Consultant expenses		(1,897,500)	(1,105,690)
Director remuneration expenses		(262,035)	(213,635)
Share based payments expenses		(483,422)	(342,756)
Financial and compliance expenses		(144,878)	(104,627)
Marketing and promotional expenses		(392,119)	(278,982)
Software development expenses		(1,967,552)	(930,847)
Patent expenses		(27,849)	(48,126)
Legal expenses		(75,315)	(68,329)
Travel and accommodation expenses		(321,726)	(324,004)
Loss before income tax		(6,426,164)	(4,078,911)
Income tax (expense) credit		-	-
Loss after income tax expense for the year attributable to owners of the parent		(6,426,164)	(4,078,911)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the parent		(6,426,164)	(4,078,911)
Loss per share for loss attributable to the owners of the parent		**Cents**	**Cents**
Basic and diluted loss per share		(0.69)	(0.55)
Weighted average number of shares used in determining basic loss per share		937,757,874	736,313,163

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

Linius Technologies Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated December 2018 $	Consolidated June 2018 $
Assets			
Current assets			
Cash and cash equivalents		5,217,853	10,766,028
Other receivables		190,036	265,192
Total current assets		5,407,889	11,031,220
Non-current assets			
Intellectual property	4	3,735,000	4,005,000
Property, plant and equipment		30,042	19,713
Total non-current assets		3,765,042	4,024,713
Total assets		9,172,931	15,055,933
Liabilities			
Current liabilities			
Trade and other payables		972,572	928,944
Employee provisions		41,153	25,041
Total current liabilities		1,013725	953,985
Total liabilities		1,013,725	953,985
Net assets		8,159,206	14,101,948
Equity			
Issued capital	5	30,047,557	30,047,557
Reserves		4,846,582	4,363,160
Accumulated losses		(26,734,933)	(20,308,769)
Total equity		8,159,206	14,101,948

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

Linius Technologies Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Equity settled benefits reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2017	12,575,410	2,062,705	(9,594,671)	5,043,444
Loss after income tax expense for the half year	-	-	(4,078,911)	(4,078,911)
Total comprehensive loss for the half year	-	-	(4,078,911)	(4,078,911)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	6,048,660	-	-	6,048,660
Equity-settled share based payments	-	342,756	-	342,756
Total transactions with owners of the Company	6,048,660	342,756	-	6,391,416
Balance at 31 December 2017	18,624,070	2,405,461	(13,673,582)	7,355,949

Consolidated	Issued capital $	Equity settled benefits reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	30,047,557	4,363,160	(20,308,769)	14,101,948
Loss after income tax expense for the half year	-	-	(6,426,164)	(6,426,164)
Total comprehensive loss for the half year	-	-	(6,426,164)	(6,426,164)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	-	-	-	-
Equity-settled share based payments	-	483,422	-	483,422
Total transactions with owners of the Company	-	483,422	-	483,422
Balance at 31 December 2018	30,047,557	4,846,582	(26,734,933)	8,159,206

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

Linius Technologies Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated December 2018 $	Consolidated December 2017 $
Cash flows from operating activities			
Payments to suppliers		(5,614,218)	(3,470,123)
Interest received		80,822	2,860
Net cash used in operating activities		(5,533,396)	(3,467,263)
Cash flows from investing activities			
Payments for property plant & equipment		(14,779)	(6,266)
Net cash used in investing activities		(14,779)	(6,266)
Cash flows from financing activities			
Proceeds from issue of shares	5	-	6,262,500
Capital raising costs		-	(213,840)
Net cash from financing activities		-	6,048,660
Net (decrease) / increase in cash and cash equivalents		(5,548,175)	2,575,131
Cash and cash equivalents at the beginning of the half year		10,766,028	959,270
Cash and cash equivalents at the end of the half year		5,217,853	3,534,401

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

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2018

Note 1. Significant accounting policies

Reporting entity

Linius Technologies Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("half year financial statements") as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity primarily involved in technology, including research and development of technology products, software development and the commercialisation and licencing of computer software.

Basis of preparation

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

The interim financial statements are intended to provide users with an update on the latest annual financial statements of Linius Technologies Limited. As such, the interim financial statements do not contain information that represents relatively insignificant changes occurring during the half-year of the company. It is therefore recommended that the interim financial statements be read in-conjunction with the annual financial statements of the company for the year ended 30 June 2018.

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 February 2018.

These interim financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018, which are available at the Company's registered office located at Suite 0313, Level 3, 299 Toorak Road, South Yarra, Victoria and on the website www.Linius.com .

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018.

This is the first set of the Group's financial statements where AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* have been applied. There has been no impact on the profit or loss and the financial position as a result of applying AASB 9 and AASB 15.

Going concern

For the half year ended 31 December 2018, the Group incurred an operating net loss of $6,642,164 (2017: $4,078,911) and net cash outflows from operating activities of $5,533,396 (2016: $3,467,263).

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

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

- projected net cash outflows from operating activities, which are expected to continue for a period of at least twelve months from the date of approval of these financial statements;
- confidence in achieving expected sales through its commercialisation activities;
- prudent management of costs as required including the ability to control expenditures in line with cash resources available;
- being able to raise additional capital funds through conducting a capital raising to enable the continuation of the development and commercialisation activities as planned; and
- the Directors have prepared cash flow projections for the period from 1 January 2019 until 31 March 2020 that support the Group's ability to continue as a going concern. These cashflow projections assume the Group obtains sufficient additional capital funds from shareholders or other parties in order to continue development activities as planned. If such funding is not achieved, as stated above, the Group will be required to reduce expenditure to the level of funding available.

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

Note 1. Significant accounting policies (continued)

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

Note 2. Commitments and contingent liabilities

The consolidated entity has no contingent liabilities at the date of this report (June 2018: Nil).

The consolidated entity has the following commitments at 31 December 2018.

	Consolidated	
	December 2018 $	June 2018 $
Lease commitments – operating		
Committed at the reporting date, but not recognised as liabilities, payable:		
Within one year	51,236	-
	51,236	-

Note 3. Segment Reporting

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

Note 4. Intellectual property

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

	Consolidated	
	December 2018 $	June 2018 $
Intellectual property at cost	5,400,000	5,400,000
Accumulated amortisation	(1,665,000)	(1,395,000)
	3,735,000	4,005,000

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

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

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

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

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

(i) Market capitalisation approach
Since listing on ASX, the shares of Linius have traded in a ready market, supporting the value of the intellectual property asset. The assets of the Group at 31 December 2018 consist principally of cash of $5,217,853 and intellectual property, after amortisation, of $3,735,000. Net assets are $8,159,206.
Linius shares closed at a price of 5.1 cents per share on 31 December 2018. Total fully paid ordinary shares on issue at 31 December 2018 are 939,347,548. This gives a market capitalisation of Linius of $47.9 million. Given the nature of its operations and the Groups early stage commercial development, the directors believe that the recoverable amount of the intellectual property on the balance sheet at 30 December 2018 is supported by the market value of Linius.

(ii) Discounted cashflow approach
The recoverable amount of the CGU (being the Group as a whole at this stage of the Group's lifecycle) was estimated based on the value in use of the Group, determined by discounting the future cash flows to be generated from the continuing use of the Group's intellectual property. The following were key assumptions in the value in use analysis:

- Cash flows were forecast for a five year period. The terminal value of the Group was based on the fifth year cash flow and a long-term growth rate of 3%, which is consistent with market assumptions of the long term growth target for Australia of between 2% and 3%.
- Revenue was based on a staged pipeline of licence income being earned, which is anticipated to grow at a monthly linear rate up until 2020 year and at set step up percentages from 2021 – 2023. Expenses are set based on the 2019 budget, increasing by anticipated growth required to support the increase in revenue forecast.
- An after tax discount rate of 15% was applied in determining the recoverable amount of the Group. The discount rate was estimated based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group being in its growth phase and the risks inherent in the cash flow forecast.

The recoverable amount of the CGU was determined to be higher than its carrying amount, indicating that no impairment was necessary. In addition, reasonably possible changes in key assumptions were considered, such as changes in revenue and expenses; sufficient headroom exists.

Note 5. Equity - issued capital

	Legal Parent		Consolidated	
	December 2018 Shares	June 2018 Shares	December 2018 $	June 2018 $
Ordinary shares - fully paid	939,347,548	935,597,548	30,047,557	30,047,557

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent
Legal parent		
Balance as at 30 June 2018		935,597,548
Share based payment of consulting fees	August 2018	2,500,000
Share based payment of consulting fees	December 2018	1,250,000
Balance as at 31 December 2018		939,347,548

Movements in ordinary share capital (continued)

Details	Date	$
Consolidated entity		
Balance as at 30 June 2018		30,047,557
Share based payment of consulting fees	August 2018	-
Share based payment of consulting fees	December 2018	-
Balance as at 31 December 2018		30,047,557

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

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 6. Share-based payments

Employee share option plan
An employee share option plan (ESOP) has been established by the Group, whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the company to personnel of the Group. The options are issued for nil consideration and are granted in accordance with time based and/or performance targets established by the Board.

Loan funded share plan
A loan funded share plan (LFSP) has been established by the Group, pursuant to which, at the discretion of the Board, fully paid ordinary shares in the Company may be acquired by certain key personnel and Directors using financial assistance given by the Company. Participants will acquire or be issued loan funded shares at market value as at the grant date using a loan provided by the Company. The loan is interest-free and limited recourse in accordance with the loan terms and the LFSP rules. The LFSP rules require the loan to be repaid before a participant can sell their shares. The shares are granted in accordance with time based and/or performance targets established by the Board. For financial reporting purposes, loan funded shares are accounted for as options.

There were no issues of Options or Loan Funded Shares during the half year period to 31 December 2018.

Options and loan shares on issue to Directors, executives, staff and consultants

As at 31 December 2018 the following share based payment arrangements were in existence:

Issue date	Expiry date	Exercise price	Balance at 30 June 2018 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 31 December 2018 Number	Vested and exercisable at end of the period Number
29/04/2016	31/03/2019	$0.05	61,500,000	-	-	-	61,500,000	61,500,000
30/11/2016	30/11/2019	$0.045	11,500,000	-	-	-	11,500,000	9,200,000
28/11/2017	28/11/2022	$0.05	20,000,000[1]	-	-	-	20,000,000[1]	15,000,000[1]
28/11/2017	28/05/2019	$0.075	10,000,000	-	-	-	10,000,000	10,000,000
15/01/2018	30/06/2021	$0.045	3,750,000	-	-	-	3,750,000	1,250,000
15/02/2018	31/12/2019	$0.07	3,375,000	-	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.075	3,375,000	-	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.08	3,375,000	-	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.085	3,375,000	-	-	-	3,375,000	3,375,000
22/02/2018	30/06/2021	$0.05	2,000,000	-	-	-	2,000,000	1,333,334
28/02/2018	30/09/2019	$0.16	10,000,000	-	-	-	10,000,000	10,000,000
28/02/2018	30/09/2019	$0.22	10,000,000	-	-	-	10,000,000	10,000,000
28/05/2018	08/02/2020	$0.17	1,000,000	-	-	-	1,000,000	1,000,000
Total			143,250,000	-	-	-	143,250,000	132,783,334
Weighted average exercise price			$0.074				$0.074	$0.076

1. Loan shares

The following share based payment arrangements were in existence at 30 June 2018.

Issue date	Expiry date	Exercise price	Balance at 30 June 2017 Number	Issued during the period Number	Exercised during the period Number	Expired or forfeited during the period Number	Balance at 30 June 2018 Number	Vested and exercisable at end of the period Number
29/04/2016	31/03/2019	$0.05	61,500,000	-	-	-	61,500,000	61,500,000
30/11/2016	30/11/2019	$0.045	11,500,000	-	-	-	11,500,000	4,600,000
28/11/2017	28/11/2022	$0.05	-	20,000,000[1]	-	-	20,000,000[1]	10,000,000[1]
28/11/2017	28/05/2019	$0.075	-	10,000,000	-	-	10,000,000	10,000,000
15/01/2018	30/06/2021	$0.045	-	3,750,000	-	-	3,750,000	1,250,000
15/02/2018	31/12/2019	$0.07	-	3,375,000	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.075	-	3,375,000	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.08	-	3,375,000	-	-	3,375,000	3,375,000
15/02/2018	31/12/2019	$0.085	-	3,375,000	-	-	3,375,000	3,375,000
22/02/2018	30/06/2021	$0.05	-	2,000,000	-	-	2,000,000	666,667
28/02/2018	30/09/2019	$0.16	-	10,000,000	-	-	10,000,000	10,000,000
28/02/2018	30/09/2019	$0.22	-	10,000,000	-	-	10,000,000	10,000,000
28/05/2018	08/02/2020	$0.17	-	1,000,000	-	-	1,000,000	1,000,000
Total			73,000,000	70,250,000	-	-	143,250,000	122,516,667
Weighted average exercise price			$0.049	$0.10			$0.074	$0.078

1. Loan shares

At 31 December 2018, the unissued ordinary shares of Linius Technologies Limited under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
31/03/2019	unlisted	5 cents	61,500,000
30/11/2019	unlisted	4.5 cents	11,500,000
30/5/2019	unlisted	7.5 cents	63,760,000
31/12/2019	unlisted	7 cents	3,375,000
31/12/2019	unlisted	7.5 cents	3,375,000
31/12/2019	unlisted	8 cents	3,375,000
31/12/2019	unlisted	8.5 cents	3,375,000
30/09/2019	listed	16 cents	62,083,350
30/09/2019	unlisted	22 cents	10,000,000
30/06/2021	unlisted	4.5 cents	3,750,000
30/06/2021	unlisted	5 cents	2,000,000
08/02/2020	unlisted	17 cents	1,000,000
			229,093,350

Expenses arising from share based payment transactions

Net expenses arising from share based payment transactions recognised during the financial period were $483,422 ($342,756 for prior comparative period). This was in respect of the vesting charge attributed to options and loan funded shares for the six-month period.

Note 7. Fair value measurement

Due to the nature of the consolidated entity's operating profile, the Directors and management do not consider that the fair values of the consolidated entity's financial assets and liabilities are materially different from their carrying amounts at 31 December 2018.

Note 8. Related party transactions

	Consolidated December 2018 $	Consolidated December 2017 $
Transactions with key management personnel:		
Entity related to Gerard Bongiorno	77,272	69,272
Entity related to Stephen McGovern	49,163	49,163
Entity related to Christopher Richardson	135,600	95,200
Entity related to Stephen Kerr	60,000	56,000

Transactions relate to payment of director and executive remuneration and consulting fees.

	Consolidated December 2018 $	Consolidated June 2018 $
Amounts owing to key management personnel (included in trade and other payables):		
Entity related to Gerard Bongiorno	6,600	11,000
Entity related to Stephen McGovern	9,013	9,013
Entity related to Christopher Richardson	22,600	30,379
Entity related to Stephen Kerr	11,000	11,000

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

Note 9. Tax expense

The consolidated entity's effective tax rate in respect of its continuing operations for the six months ended 31 December 2018 was nil percent due to the non-recognition of tax benefits arising from the operating loss incurred before tax. Management does not yet consider it probable that future taxable profits will be available against which unrecognised tax losses and temporary differences will be utilised and therefore these items have not been brought to account at balance date.

Note 10. Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Linius Technologies Limited
Directors' declaration
31 December 2018

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

1. the condensed half year financial statements and notes set out on pages 7 to 17, are in accordance with the Corporations Act 2001, including;

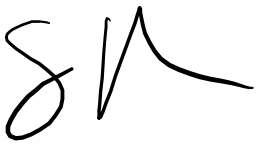
    (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance, for the six month period ended on that date; and

    (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors



Gerard Bongiorno
Executive Chairman

28 February 2019
Melbourne

KPMG

Independent Auditor's Review Report

To the shareholders of Linius Technologies Limited

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Linius Technologies Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2018.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

The ***Half year*** is the 6 months ended on 31 December 2018.

Material uncertainty related to going concern – emphasis of matter

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

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Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*.
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Linius Technologies Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Tony Batsakis
Partner

Melbourne
28 February 2019

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

To the Directors of Linius Technologies Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Linius Technologies Limited for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

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Tony Batsakis
Partner
Melbourne
28 February 2019

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