

Imagion Biosystems Limited
Appendix 4D
Half-year report

1. Company details

Name of entity: Imagion Biosystems Limited
ABN: 42 616 305 027
Reporting Period: For the half-year ended 30 June 2017

2. Results for announcement to the market

	AUD \$
2.1 Revenues from ordinary activities	240,972
2.2 Loss from ordinary activities after tax attributable to the owners of Imagion Biosystems Limited	(4,152,273)
2.3 Loss for the half-year attributable to the owners of Imagion Biosystems Limited	(4,029,191)

Note: This is the first half yearly report so no percentage gains/losses are provided.

Dividends

There were no dividends declared or paid in the period.

Comments

This is the first half-year report for Imagion Biosystems Limited. Imagion Biosystems was listed on the Australian Stock Exchange (ASX) on 22 June 2017 following a successful capital raising of \$12,000,000.

3. Net tangible assets

	30 June 2017 Cents
Net tangible assets per ordinary security	4.9

4. Control or loss gained over entities

The Group did not gain control or lose control over any entities in the period

5. Joint Ventures

The Group is not involved in any joint ventures.

6. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

7. Attachments

Details of attachments (if any):

The Interim Report of Imagion Biosystems Limited for the half-year ended 30 June 2017 is attached.

8. Signed



Robert Proulx
Director
Albuquerque, New Mexico, United States of America

31 August 2017

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Imagion Biosystems Limited

ABN: 42 616 305 027

Consolidated Half-Year Report - 30 June 2017

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Imagion Biosystems Limited

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**Imagion Biosystems Limited
Directors Report
For the half-year ended 30 June 2017**

The directors present their report, together with the financial statements, on the consolidated entity consisting of Imagion Biosystems Ltd and the entities it controlled at the end of, or during, the half-year ended 30 June 2017. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons were directors of the group during the whole of the half-year and up to the date of this report, unless stated:

R Proulx
M Harsh
P Dichiaro
D Ludvigson
M Van Asten
J Naumoska
J Hazle *

* Participation of Dr. John Hazle as a Director is pending while under review for conflict of interest by his employer, the MD Anderson Cancer Center, as disclosed in the Company's Prospectus.

Principal activities

During the year the principal continuing activities of the group consisted of research and development in the areas of:
Nanotechnology;
Biotechnology;
Cancer Diagnostics; and
Superparamagnetic Relaxometry.

Review of operations

Revenue and Other Income comprised interest income, sales of nanoparticles, a government grant and adjustments to the valuation of a derivative financial instrument. The Company markets nanoparticles to customers through its website and expects to continue to do so, though revenue from this activity is not material. A grant from the state of New Mexico of \$109,000 is a one-time revenue item and the net effect of adjustments to a derivative financial instrument of \$128,000 is non-recurring as the loan associated with this item has been retired.

Total expenses of \$4.2 million were slightly less than projections. Legal, accounting and other expenses related to the Company's IPO, which were non-recurring exceeded projections while R&D expenditures were less than projections.

In the first half of 2017, the Company raised \$2.7 million in a stock offering to retire existing debt, \$3.5 million in a separate stock offering to fund operations and \$12 million in an Initial Public Offering to fund operations and to prepare the Company's technology for human trials.

Significant changes in the state of affairs

Imagion Biosystems Limited was listed on the Australian Stock Exchange (ASX) on 22 June 2017, following a successful capital raising of \$12 million in funds.

Management is executing its plan to bring Imagion's technology to human trials. Recently announced was an agreement with Starfish Medical as the first step toward designing the Company's human version of the detection instrument and build prototypes for clinical use.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

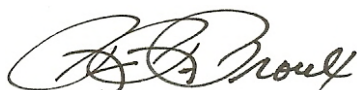
Likely developments and expected results of operations

Management expects spending to remain constant in future periods except for contracts and collaborations agreements to advance our progress toward human trials. These agreements would include, manufacturing or our formulated nanoparticle, design and prototype production of our instrument, clinical consultants among other things.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

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



Robert Proulx
Director

31 August 2017

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Imagion Biosystems Limited for the half year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 31 August 2017
Melbourne, Victoria

Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 30 June 2017

Consolidated
Half-Year
30 June 2017
\$

Revenue and other income	240,972
Expenses	
Employee benefits expense	(1,080,372)
Research and development costs	(1,023,745)
Interest	(858,582)
Professional fees	(621,264)
General expenses	(519,676)
Depreciation expense	(104,240)
Australian stock exchange fees	(79,840)
Finance costs	(70,550)
Share based payments expense	(34,199)
Foreign exchange loss	(777)
	<hr/>
Loss before income tax expense	(4,152,273)
Income tax expense	-
Loss after income tax expense for the half-year	(4,152,273)
Other comprehensive income	
<i>Items that may be reclassified subsequently to profit or loss</i>	
Foreign currency translation reserve	123,082
Income tax relating to these items	-
	<hr/>
Other comprehensive income for the half-year, net of tax	123,082
Total comprehensive income/(loss) for the half-year	<hr/> (4,029,191) <hr/>
Loss attributable to:	
Owners of Imagion Biosystems Limited	<hr/> (4,029,191) <hr/>
	Cents
Loss per share attributable to the owners of Imagion Biosystem Limited	
Basic loss per share	(0.0403)
Diluted loss per share	(0.0403)

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

Imagion Biosystems Limited
Consolidated Statement of Financial Position
As at 30 June 2017

		Consolidated	
	Note	30 June 2017	31 Dec 2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		12,340,228	27,641
Trade and other receivables		86,052	-
Prepayments		123,857	9,224
Other current assets		19,500	-
Total current assets		<u>12,569,637</u>	<u>36,865</u>
Non-current assets			
Property, plant and equipment		241,372	218,477
Total non-current assets		<u>241,372</u>	<u>218,477</u>
Total assets		<u>12,811,009</u>	<u>255,342</u>
Liabilities			
Current liabilities			
Trade and other payables		2,664,697	952,408
Lease liability		13,016	-
Borrowings	3	-	13,927,984
Total current liabilities		<u>2,677,713</u>	<u>14,880,392</u>
Non-current liabilities			
Lease liability		66,632	-
Total non-current liabilities		<u>66,632</u>	<u>-</u>
Total liabilities		<u>2,744,345</u>	<u>14,880,392</u>
Net assets		<u>10,066,664</u>	<u>(14,625,050)</u>
Equity			
issued capital	5	28,686,708	2
Reserves	6	610,649	453,368
Accumulated losses		(19,230,693)	(15,078,420)
Total equity		<u>10,066,664</u>	<u>(14,625,050)</u>

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

Imagion Biosystems Limited
Consolidated Statement of Changes in Equity
As at 30 June 2017

Consolidated	Issued capital \$	Reserves	Accumulated losses \$	Total equity \$
Balance at incorporation	2	-	-	2
Assumption of liabilities from related party on formation	-	-	(14,043,943)	(14,043,943)
Loss after income tax expense for the half-year	-	-	(1,034,477)	(1,034,477)
Other comprehensive income for the half-year, net of tax	-	453,368	-	453,368
Total comprehensive income for the period		453,368	(1,034,477)	(581,109)
Transactions with owners in their capacity as owners:				
Contributions of equity	-	-	-	-
Costs of contributions of equity	-	-	-	-
Share-based payments	-	-	-	-
Balance at 31 December 2016	2	453,368	(15,078,420)	(14,625,050)

Consolidated	Issued capital \$	Reserves	Accumulated losses \$	Total equity \$
Balance at 1 January 2017	2	453,368	(15,078,420)	(14,625,050)
Loss after income tax expense for the half-year	-	-	(4,152,273)	(4,152,273)
Other comprehensive income for the half-year, net of tax	-	123,082	-	123,082
Total comprehensive income for the period	-	123,082	(4,152,273)	(4,029,191)
Transactions with owners in their capacity as owners:				
Contributions of equity	32,610,259	-	-	32,610,259
Costs of contributions of equity	(3,923,553)	-	-	(3,923,553)
Share-based payments	-	34,199	-	34,199
Balance at 30 June 2017	28,686,708	610,649	(19,230,693)	10,066,664

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

Imagion Biosystems Limited
Consolidated Statement of Cash Flows
For the half-year ended 30 June 2017

	Note	Consolidated 30 June 2017 \$
Cash flows from operating activities		
Receipts from customers and grants (inclusive of sales and other taxes)		108,957
Payments to suppliers and employees (inclusive of sales and other taxes)		(2,701,860)
Interest received		1,464
Interest and other finance costs paid		<u>(132,160)</u>
Net cash used in operating activities	2	<u>(2,723,599)</u>
Cash flows from investing activities		
Payments for property, plant and equipment		<u>(19,936)</u>
Net cash used in investing activities		<u>(19,936)</u>
Cash flow from financing activities		
Lease repayments		(12,842)
Proceeds from the issue of shares		18,208,278
Share issue costs		(99,812)
Proceeds from notes issued		84,503
Repayment of notes issued		<u>(3,108,683)</u>
Net cash provided by financing activities		<u>15,071,444</u>
Net increase in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year		12,327,909
Effects of exchange rate changes on cash and cash equivalents		27,641
		<u>(15,322)</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>12,340,228</u></u>

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

Imagion Biosystems Limited
Notes to the Financial Statements
For the Half Year Ended 30 June 2017

Note 1: Summary of Significant Accounting Policies

These general purpose Financial Statements for the interim half-year period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the Corporations Act 2001, as appropriate for for-profit orientated entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *'Interim Financial Reporting'*.

These general purpose Financial Statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcement made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

New, revised or amending Accounting Standard and Interpretations adopted

The consolidated entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Comparatives

The consolidated entity commenced operations on the 6 December 2016. As a result, no comparatives are able to be provided for the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows for the comparable interim period of the immediately preceding reporting period. The statement of Financial Position contains a comparative statement of Financial Position as of the end of the immediately preceding reporting period.

Share Based Payments

The consolidated entity operates an equity-settled share based payment employee incentive scheme. The fair value of the equity to which employees became entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Imagion Biosystems Limited
Notes to the Financial Statements
For the Half Year Ended 30 June 2017

Note 2: Reconciliation of profit after income tax to net cash flows from operating activities

	30 June 2017
	A\$
Loss after income tax expense for the half-year	(4,152,273)
<i>Adjustments for:</i>	
Depreciation expense	104,240
Other income – fair value adjustment	(127,877)
Foreign exchange loss	777
Share based payments expense	34,199
Interest	858,582
	<u>(3,282,352)</u>
<i>Changes in operating assets and liabilities:</i>	
Increase in trade and other payables	600,880
Increase in other current assets	(19,500)
Increase in prepayments	(22,503)
Increase in lease liabilities	224
Increase in borrowing costs	165
Increase in accounts receivable	(513)
	<u>(513)</u>
Net cash used in operating activities	<u><u>(2,723,599)</u></u>

Note 3: Borrowings

	Consolidated	Consolidated
	30 June 2017	31 December
		2016
	A\$	A\$
Promissory note	(a) -	9,094,074
Convertible notes	(b) -	4,470,153
Non-convertible promissory notes	(c) -	363,757
	<u>-</u>	<u><u>13,927,984</u></u>

Imagion Biosystems Limited
Notes to the Financial Statements
For the Half Year Ended 30 June 2017

Note 3: Borrowings

(a) Promissory Notes

	Consolidated 30 June 2017	Consolidated 31 December 2016
	A\$	A\$
Face value of promissory notes issued	7,666,571	7,666,571
Derivative financial liability	1,427,503	1,427,503
Extinguishment of note liability	(8,866,667)	-
Other movements recognised through profit and loss	105,926	-
Conversion to ordinary shares	<u>(333,333)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>9,094,074</u>

The amount of AUD\$8,866,667 (US\$6,650,000) was converted to shares on 7 February 2017. The remaining amount of AUD\$333,333 (USD\$250,000) of the promissory notes were converted to 1,666,667 shares in the company on completion of the Initial Public Offering. The promissory note did not accrue interest.

(b) Convertible Notes

	Consolidated 30 June 2017	Consolidated 31 December 2016
	A\$	A\$
Face value of notes issued	2,987,617	2,987,617
Derivative financial liability	1,482,536	1,482,536
Fair value of convertible note derivative recognised through the profit and loss	(861,194)	-
Other movements recognised through profit and loss	(275,626)	-
Interest expense	42,397	-
Redemption of convertible note liability	(2,666,667)	-
Payment – interest expense	(42,397)	-
Conversion to ordinary shares	<u>(666,666)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>4,470,153</u>

In February 2017, the Company redeemed certain Notes by the payment of AUD\$2,666,667 (\$US2,000,000) in cash. The remaining Notes, having a total face value of AUD\$666,667 (US\$500,000), were converted into 3,333,333 ordinary shares on completion of the Initial Public Offer on 22 June 2017.

Interest accrued on the notes at 8% per annum.

Imagion Biosystems Limited
Notes to the Financial Statements
For the Half Year Ended 30 June 2017

Note 3: Borrowings

(c) Non-Convertible Promissory Notes

	Consolidated 30 June 2017 A\$	Consolidated 31 December 2016 A\$
Opening balance	363,757	-
Additional notes issued	81,169	363,757
Interest expense	18,671	-
Movement in foreign currency	1,737	-
Repayment – principal	(446,663)	-
Repayment - interest	<u>(18,671)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>363,757</u>

In January 2017, the company issued an additional note for AUD\$81,169 (US\$65,000). The entire balance of the interim notes including interest was repaid on completion of the offer on the 22 June 2017.

Note 4: Contingent Liabilities

As of 30 June 2017, the Company was not party to any material litigation, claims or suit whose outcome could have material effect to the financial statements (31 December 2016: Nil).

Note 5: Issued Capital

	31 Dec 2016 Shares	Consolidated 30 June 2017 Shares	31 Dec 2016 A\$	30 June 2017 A\$
Ordinary shares - fully paid	20	203,766,385	2	28,686,708
<i>Movements in ordinary share capital</i>				
Details		Date	Shares	A\$
Balance		1 January 2017	20	2
Issue of shares		7 February 2017	124,616,364	6,247,602
Issue of shares		22 June 2017	79,150,001	26,362,657
Sub total		30 June 2017	<u>203,766,385</u>	<u>32,610,261</u>
Costs of capital raising				<u>(3,923,553)</u>
Closing balance				<u>28,686,708</u>

Imagion Biosystems Limited
Notes to the Financial Statements
For the Half Year Ended 30 June 2017

Note 6: Reserves

	Consolidated 30 June 2017 A\$
Share based payment reserve – options	34,199
Foreign currency translation reserve	<u>576,450</u>
Total	<u>610,649</u>

Note 7: Subsequent Events

No other matters or circumstances have arisen since the end of the financial period that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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**Imagion Biosystems Limited
Directors Declaration**

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 5 to 13 are in accordance with the Corporations Act 2001, including:
- (i) complying with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'*, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date and
- (b) there are reasonable grounds to believe that Imagion Biosystems Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors, pursuant to section 303(5)(a) of the Corporations Act 2001.



Robert Proulx
Director

Albuquerque, New Mexico, United States of America

31 August 2017

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
IMAGION BIOSYSTEMS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Imagination Biosystems Limited which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Imagination Biosystems 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Imagion Biosystems Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Imagion Biosystems Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 31 August 2017
Melbourne, Victoria