

Imagion Biosystems Limited
Appendix 4D
Half-year report
30 June 2019

1. Company details

Name of entity:	Imagion Biosystems Limited
ABN:	42 616 305 027
Reporting Period:	For the half-year ended 30 June 2019
Previous Period:	For the half-year ended 30 June 2018

2. Results for announcement to the market

					A\$
2.1	Revenues from ordinary activities	Up	19.50%	to	300,674
2.2	Loss from ordinary activities after tax attributable to the owners of Imagion Biosystems Limited	Down	76.61%	to	(986,690)
2.3	Loss for the half-year attributable to the owners of Imagion Biosystems Limited	Down	76.25%	to	(1,035,083)

Note

Dividends

There were no dividends declared or paid in the period.

Comments

Refer to Operations and Financial statement within the accompanying financial report.

3. Net tangible assets

	30 June 2019	31 December 2018
	Cents	cents
Net tangible assets per ordinary security	0.87	1.20

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.

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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 Half Year Report.

7. Attachments

Details of attachments (if any):

The Half Year Report of Imagion Biosystems Limited for the half-year ended 30 June 2019 is attached.

8. Signed



Robert Proulx
Director
San Diego, California, United States of America

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IMAGION BIOSYSTEMS LIMITED

ABN: 42 616 305 027

Consolidated Half-Year Report – 30 June 2019

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Imagion Biosystems Limited
Directors Report
For the half-year ended 30 June 2019

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 2019. 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:

- Mr Robert Romeo Proulx;
- Mr Michael John Harsh;
- Ms Bronwyn Le Grice;
- Mr David Gerald Ludvigson;
- Ms Jovanka Naumoska;
- Mr Mark Gerald Van Asten; and
- Dr John Hazle (resigned 27 June 2019).

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 and sales of nanoparticles. The Company markets nanoparticles to customers through its website and expects to continue to do so, though revenue from this activity is not material.

Employee related expenses were lower than the previous period ending 30 June 2018 due to one-time costs in 2018 related to the company's move from Albuquerque, New Mexico USA to San Diego, California USA.

R&D expenses were materially consistent with management projections as we as with the period ending 30 June 2018. R&D costs primarily comprise laboratory supplies and equipment and services contracted by the Company to prepare for human studies.

Significant changes in the state of affairs

On 24 June 2019, the company issued 5,300,000 options under the Incentive Stock Option Plan (ISO) to provide incentives for integral employees. The Options are each exercisable at \$0.028 and expiring on the earlier of 24 June 2024 or 30 days after the cessation of employment.

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

Imagion Biosystems Limited
Directors Report
For the half-year ended 30 June 2019

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 of our formulated nanoparticle, design and prototype production of our instrument, clinical consultants among other items.

Matters subsequent to the end of the financial period

No other matters or circumstances have arisen since 30 June 2019 that have 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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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
28 August 2019

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

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 2019, 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.



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R B MIANO
Partner

Dated: 28 August 2019
Melbourne, Victoria

Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue			
Revenue and other income		300,674	251,615
Research and development tax incentive		<u>2,057,286</u>	<u>-</u>
		2,357,960	251,615
Expenses			
Employee benefits expense		(1,433,621)	(2,302,732)
Research and development costs		(1,396,222)	(1,382,256)
Other Expenses		<u>(514,807)</u>	<u>(785,508)</u>
Profit/(loss) before income tax expense		(986,690)	(4,218,881)
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense		(986,690)	(4,218,881)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		<u>(48,394)</u>	<u>(139,170)</u>
Other comprehensive (loss) for the half-year, net of tax		(48,394)	(139,170)
Total comprehensive (loss) for the half year		<u>(1,035,084)</u>	<u>(4,358,051)</u>
Loss attributable to:			
Owners of Imagion Biosystems Limited		<u>(1,035,084)</u>	<u>(4,358,051)</u>
Loss per share attributable to the owners of Imagion Biosystem Limited			
		Cents	Cents
Basic loss per share		(0.0031)	(0.0206)
Diluted loss per share		(0.0031)	(0.0206)

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 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents		1,140,329	4,367,097
Trade and other receivables		47,267	140,481
R&D tax incentive receivable		2,061,918	-
Other current assets		152,699	408,021
Total current assets		3,402,213	4,915,599
Non-current assets			
Property, plant and equipment		560,389	271,860
Total non-current assets		560,389	271,860
Total assets		3,962,602	5,187,459
Liabilities			
Current liabilities			
Trade and other payables		1,014,909	1,187,992
Lease liability		18,439	36,082
Employee Benefits		99,665	75,723
Total current liabilities		1,133,013	1,299,797
Non-current liabilities			
Lease liability		18,552	18,434
Total non-current liabilities		18,552	18,434
Total liabilities		1,151,565	1,318,231
Net assets		2,811,037	3,869,228
Equity			
Issued capital	2	33,336,325	33,182,325
Reserves	3	1,674,437	1,899,938
Accumulated losses		(32,199,725)	(31,213,035)
Total equity		2,811,037	3,869,228

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 2019

	Issued Capital	Reserves	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$
Balance at 1 January 2019	33,182,325	1,899,938	(31,213,035)	3,869,228
Loss after income tax expense for the half year	-	-	(986,690)	(986,690)
Other comprehensive loss for the half year, net of tax	-	(48,394)	-	(48,394)
Total comprehensive income for the half year	-	(48,394)	(986,690)	(1,035,084)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	154,000	(154,000)	-	-
Share-based payments	-	(23,107)	-	(23,107)
Balance as at 30 June 2019	33,336,325	1,674,437	(32,199,725)	2,811,037

	Issued Capital	Reserves	Accumulated Losses	Total Equity
Consolidated	\$	\$	\$	\$
Balance at 1 January 2018	28,686,708	1,138,870	(22,873,022)	6,952,556
Loss after income tax expense for the half year	-	-	(4,218,881)	(4,218,881)
Other comprehensive loss for the half year, net of tax	-	(139,170)	-	(139,170)
Total comprehensive income for the half year	-	(139,170)	(4,218,881)	(4,358,051)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	652,801	-	-	652,801
Share-based payments	-	490,320	-	490,320
Balance as at 30 June 2018	29,339,509	1,490,020	(27,091,903)	3,737,626

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 2019

	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers and grants (inclusive of sales and other taxes)		339,730	25,360
Payments to suppliers and employees (inclusive of sales and other taxes)		(3,475,390)	(3,351,599)
Interest received		12,800	54,646
Interest and other finance costs paid		<u>(1,598)</u>	<u>(1,375)</u>
Net cash used in operating activities		<u>(3,124,458)</u>	<u>(3,272,968)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>-</u>	<u>(32,243)</u>
Net cash used in investing activities		<u>-</u>	<u>(32,243)</u>
Cash flow from financing activities			
Lease repayments		<u>(55,023)</u>	<u>(48,159)</u>
Net cash used in financing activities		<u>(55,023)</u>	<u>(48,159)</u>
Net (decrease) in cash and cash equivalents		(3,179,481)	(3,353,370)
Cash and cash equivalents at the beginning of the financial year		4,367,097	6,872,829
Effects of exchange rate changes on cash and cash equivalents		<u>(47,287)</u>	<u>87,264</u>
Cash and cash equivalents at the end of the financial half-year		<u>1,140,329</u>	<u>3,606,723</u>

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

Note 1. Summary of Significant accounting policies

These general purpose Financial Statements for the half-year period ended 30 June 2019 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*.

All amounts are stated in Australian dollars, unless otherwise identified.

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 2018 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 or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended 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.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The adoption of AASB 16 has not had a material impact on the financial statements of the consolidated entity, as all existing leases at 1 January 2019 have expiry dates within less than 12 months from that date. The consolidated entity has elected to adopt the practical expedient to exclude these leases from the requirements of AASB 16, and instead, will continue to recognise the lease payments on these leases in the statement of profit and loss on a straight-line basis over the remaining lease term.

Note 1. Summary of Significant accounting policies (continued)

Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. As disclosed in the financial statements, the consolidated entity incurred a loss of \$986,690 and had net cash outflows from operating activities of \$3,124,458 for the half year ended 30 June 2019. The consolidated entity is dependent on the need for additional funding to cover ongoing product development and has forecast losses for the next financial year.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern after considering the following factors:

- The Directors are confident that additional funds can be raised through further capital raisings to support ongoing research and development activities;
- The Company successfully received an R&D tax incentive refund \$2,061,918 post year end.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Comparatives

The Comparative results presented refer to the 6-month period up to 30 June 2018 for the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows. The statement of Financial Position contains a comparative statement of Financial Position as of the end of the immediately preceding reporting period, being 31 December 2018.

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.

The cost of transactions settled by share based payments is measured at the fair value of the equity instrument at the date of issue, using an appropriate market based valuation model.

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.

Note 2: Issued Capital

	Consolidated			
	31-Dec-2018	30-Jun-2019	31-Dec-2018	30-Jun-2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	322,742,824	323,705,324	33,182,325	33,336,325
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue Price	\$
Balance	1 Jan 2019	322,742,824		33,182,325
Issue of shares	24 Jun 2019	962,500	0.16	154,000
Closing balance		<u>323,705,324</u>		<u>33,336,325</u>

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.

Note 3: Reserves

	Consolidated	
	2019	2018
	\$	\$
Share based payment reserve – performance shares	1,049,205	1,253,060
Share based payment reserve – options	570,679	543,932
Foreign Currency translation reserve	54,553	102,946
Total	<u>1,674,437</u>	<u>1,899,938</u>

Share based payment reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statement of foreign operations to Australian dollars. It is also used to recognised gains and losses on hedges of the net investments in foreign operations

Note 3: Reserves (Continued)

Performance shares	Unissued and Unvested Number
Balance at 1 January 2019	<u>13,075,000</u>
Balance at 30 June 2019	<u>10,781,250</u>
<i>Movements in Performance Shares</i>	
Balance at 1 January 2019	<u>13,075,000</u>
Performance shares vested, exercised	(962,500)
Performance shares expired	(1,331,250)
Balance at 30 June 2019	<u>10,781,250</u>

Performance shares issued are valued at their fair value at the time of issue and amortised over the period to vesting.

During the financial period (\$49,855) (2018: \$424,518) was amortised as a share-based payment in relation to the performance shares.

Options

	Number
Balance at 1 January 2019	37,700,000
Balance at 30 June 2019	<u>43,000,000</u>
<i>Movements in Options</i>	
Balance at 1 January 2019	<u>37,700,000</u>
Date of issue	
Share based payment - options	24 June 2019 5,300,000
Balance at 30 June 2019	<u>43,000,000</u>

During the financial period \$26,747 (2018: Nil) was amortised as a share-based payment in relation to the share options.

Note 4: Commitments

As of 30 June 2019, the Company had the following commitments, Nil. (31 December 2018: Nil)

Note 5: Contingent Liabilities

As of 30 June 2019, the Company was not party to any material litigation, claims or suit whose outcome could have a material effect on the financial statements (31 December 2018: Nil).

Note 6: Subsequent Events

No matters or circumstances have arisen since the end of the financial period that have 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
Director's Declaration
30 June 2019

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 2019 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
28 August 2019

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

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 2019, 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 2019 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the interim financial report, which indicates that the consolidated entity incurred a net loss of \$986,690 during the half-year ended 30 June 2019 and reported negative operating cash flows of \$3,124,458 and is dependent on the need for additional funding to cover ongoing product development. As stated in Note 1, 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 consolidated entity ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 2019 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: 29 August 2019
Melbourne, Victoria