



IMAGION BIOSYSTEMS LIMITED

ABN: 42 616 305 027

Consolidated Half-Year Financial Report - 30 June 2023

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 Imagion Biosystems Limited (referred to hereafter as the 'Company' or 'parent entity' or 'Imagion') and the entities it controlled at the end of, or during the half-year ended 30 June 2023.

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of: Nanotechnology; Biotechnology; Cancer Diagnostics; and Medical Imaging using Magnetic Resonance.

Review of operations

Operating loss for the half-year of \$7,683,076 (30 June 2022 half-year: \$5,760,270 loss) was materially in line with expectations and increased from the prior half-year mainly due to increased expenditure, refer below for further discussion.

Revenue and other income

Revenue and Other Income comprised income generated through sales of nanoparticles manufactured by the consolidated entity to customers.

Total receipts from sales of super-paramagnetic iron oxide nanoparticles over the half-year increased by \$410,033 to \$673,185 (30 June 2022 half-year: \$263,152). These sales were undertaken directly through the consolidated entity and includes sales to New Phase, an Israeli-based company, for the exploratory use of their SaNP hyperthermia treatment as well as initial sales to new customers.

Research & development tax incentives

In April and May 2023 the consolidated entity lodged and received approval from AusIndustry in relation to its 2022 research and development tax incentive claim and subsequently lodged its 2022 income tax return requesting a tax incentive of \$3,534,075. The claim is subject to a pre-release review from the Australian Taxation Office and is expected to be received in the third quarter of 2023.

Operating expenses

Total expenses increased by \$2,347,055 to \$8,373,088 (30 June 2022 half-year: \$6,026,033).

Research and development expenses

Research and development expenses increased by \$436,879 to \$2,208,312 (30 June 2022 half-year: \$1,771,433). The increase is mainly due to expenses relating to the MagSense® HER2 Breast Cancer program. Phase 1 study expenses remained relatively consistent but there were increases in other costs as the consolidated entity proceeds towards an IND submission in Q4 of 2023 or Q1 of 2024 to support a phase 2 study in the United States. Costs were associated with the commencement of collecting additional non clinical and clinical data (pharmacokinetics); and commencement of manufacturing additional MagSense® HER2 imaging agent material to support the US Phase 2 study.

Employment expenses

Employment expenses increased by \$835,944 to \$3,049,187 (30 June 2022 half-year: \$2,213,243). In addition to salary increases and promotions in the ordinary course of business the consolidated entity has increased its organisational capability with key hires including: clinical operations employees to increase clinical operations capabilities as the consolidated entity plans for the next phase of development; operations employees to improve manufacturing capabilities to supporting development plans and external sales; establishing a quality team and a supporting employee to support clinical operations and manufacturing. There were minimal employee changes during the half-year with a proportion of the increase (outside of salary increases and promotions) related to employees hired in the prior period being employed in full during the half-year.

Depreciation and finance expenses

Depreciation and finance costs increased by \$380,485 to \$981,932 (30 June 2022 half-year: \$601,447). Expenses related to the consolidated entity's financing facility with Mercer Street Global Opportunity Fund, LLC (Mercer) comprised \$311,869 of the increase. Of this \$150,000 related to financing arranger expenses and \$161,869 related to notional unwinding interest on the convertible notes liability as a result of derivative accounting provisions.

Other expenses

All other expenses increased by \$693,747 to \$2,133,657 (30 June 2022 half-year: \$1,439,910). Professional fees increased by \$568,835 due to: an increase in legal costs due to an increase in business activity, business partnering initiatives and the Mercer transactions; an increase in business consulting fees due to an increase in business partnering initiatives; and an increase in recruitment costs in relation to the hiring of the new CEO; as well as other general inflationary increases.

Liquidity

The consolidated entity had cash at 30 June 2023 of \$0.45 million. This position was further supported subsequent to the half-year end with the receipt of \$1.97 million as a result of placing the shortfall of the entitlement offer, and \$1.0 million further investment by Mercer Street Global Opportunity Fund, LLC (Mercer). In addition to this the consolidated entity expects to receive its research and development tax incentive of \$3.5 million in the third quarter of 2023.

During the half-year the consolidated entity announced an entitlement offer seeking to raise up to \$2.4 million as well as a funding facility of up to \$15 million with Mercer. The entitlement offer, which closed on 14 April 2023, provided funds of \$413k (before costs) from existing shareholders. On 14 July 2023, the consolidated entity announced that it has placed the total shortfall of \$1.97 million which represented 115,878,572 Shares.

The funding facility with Mercer initially provided an investment of \$1.5 million in convertible securities, which has been received. In June, the consolidated entity received a further \$1.0 million from Mercer pursuant to the convertible note agreement between the consolidated entity and Mercer announced to the ASX on 7 March 2023.

The facility with Mercer provides for up to a further \$12.5 million in convertible securities subject to mutual agreement between the consolidated entity and Mercer as well as either receiving shareholder approval or having available placement capacity in accordance with the ASX Listing Rules.

The decision to enter into the funding agreement with Mercer and the entitlement offer were taken to assist in providing liquidity for the Company as it advances its clinical development towards an IND filing and commencement of a multi-site Phase 2 study in the US.

Clinical development

MagSense® HER2 Breast Cancer Program

The consolidated entity's MagSense® imaging agent for HER2 breast cancer detection is progressing towards a multi-site Phase 2 study in the U.S. as the Company has closed its First-in-human phase 1 study on 31 July 2023.

MagSense® HER2 imaging agent provides potentially new information for radiologists not available through conventional imaging methods

During the half-year the consolidated entity announced that an independent blinded review by a panel of expert breast cancer radiologists corroborated the consolidated entity's previously reported positive findings from its MagSense® HER2 breast cancer phase 1 study. The radiologists ascertained that the MagSense® HER2 imaging agent produces a change in Magnetic Resonance Image (MRI) contrast and that the contrast in nodes highly suspicious for tumour is distinctly different from the MRI contrast seen in non-involved nodes. The independent reviews are consistent with the consolidated entity's previous assertion that the MagSense® imaging agent potentially provides new information for the radiologist not available through conventional methods, like ultrasound, and has the potential to aid in the clinical assessment of nodal metastasis in HER2 positive breast cancer.

The consolidated entity now plans to prioritise the development of its pipeline of tumour targeting MagSense® imaging agents for use with widely available commercial MRI systems. This approach is expected to provide a faster path to patients and commercialization and eliminates near-term expense and risks associated with developing and introducing the Company's proprietary detection technology (Magnetic Relaxometry).

Phase 1 study achieves enrolment target and concludes after encouraging results

During the half-year, the consolidated entity's MagSense® HER2 imaging agent Phase 1 study achieved its enrolment target with 13 patients enrolled, meeting the original goal of 10-15 patients enrolled. This was a great achievement for the consolidated entity in its first clinical study, whilst recruitment was challenging, the Phase 1 study results were encouraging, revealing the potential utility of MagSense® HER2 Imaging Agent and confirming that the Company's nanoparticle technology has the potential to change how MRI can be used to specifically detect cancer. The Company is now well positioned to move ahead with the HER2 breast cancer program.

Results of the study will be published in due course and the consolidated entity will use the data in support of an Investigational New Drug (IND) application expected late this year or the beginning of 2024. The Company closed the Phase 1 study effective 31 July.

Plans for an IND filing in the United States

The consolidated entity plans to proceed with an IND filing in the US for the MagSense® HER2 imaging agent after the U.S. Food and Drug Administration (FDA) provided guidance and recommendations consistent with regulatory oversight for products entering Phase 2. The Phase 2 study will be used to optimize dose and imaging schedules as well as explore various endpoints for clinical validity.

The consolidated entity noted that activities in the coming quarters would include: collecting additional non clinical and clinical data (pharmacokinetics) in support of commencing a US Phase 2 study; manufacturing additional MagSense® HER2 imaging agent material to support the US Phase 2 study; and establishing the initial clinical investigators and sites to support the study. The consolidated entity expects to be able to file the IND submission in Q4 of 2023 or Q1 of 2024.

Expands collaboration with Siemens Healthineers to United States

The consolidated entity extended its collaboration agreement with Siemens Healthineers for an additional two years, in anticipation of the consolidated entity undertaking a multi-site Phase 2 study for the MagSense® HER2 imaging agent in the U.S. The companies have also agreed to collaborate in the U.S. through Siemens Medical Solutions USA.

The collaboration allows Siemens to provide expertise to the consolidated entity as they work together with the consolidated entity's clinical advisors and investigators to optimize the MRI protocols in anticipation of the consolidated entity's MagSense® clinical studies whilst also provide limited technical support to clinical sites.

MagSense® Prostate Cancer Program

The prostate cancer project continued during the half-year with the consolidated entity securing a second grant of \$50,000 under the Entrepreneurs' Programme of the Australian Government Department of Industry, Science, Energy and Resources. The consolidated entity used the first grant in 2021 to support its early preclinical research efforts for prostate cancer detection in collaboration with researchers at Monash University. The second grant will be used to continue that program, building on the preclinical results that were reported at the World Molecular Imaging Conference in September 2022. These funds will help to further advance the MagSense® prostate cancer imaging agent for use with Magnetic Resonance Imaging (MRI) for clinical detection of the consolidated entity's MagSense® molecular imaging technology.

MagSense® Ovarian Cancer Program

The ovarian cancer project continued during the half-year with the consolidated entity's VP of R&D, Dr. Marie Zhang, presenting two scientific posters related to the consolidated entity's ovarian cancer detection program at the Annual Association of Cancer Research in Florida. Poster 1 being: Targeted Detection of Ovarian Cancer Using Functionalized Iron Oxide Nanoparticles. Poster 2 being: In Vivo Targeted Detection and Imaging of Ovarian Cancer by SPMR and MRI Using Anti Folate Receptor Functionalized Iron Oxide Nanoparticles.

Intellectual Property

Data from the MagSense® HER2 Phase 1 study and internal R&D programs have opened new opportunities for Imagion to file for intellectual property and are driving efforts to investigate how analytical methods in Artificial Intelligence (AI) and Machine Learning (ML) might be applied to improve the clinical utility of the MagSense® imaging test.

The consolidated entity announced that it had filed a provisional patent application related to the image patterns(s) associated with the presence of the MagSense® targeted imaging agent. The new IP would extend the consolidated entity's proprietary position for our magnetic nanoparticles across MRI, providing broader protection against other imaging agents that might try to replicate targeted detection by MRI. Whilst there is no guarantee that the patent will issue, the new IP will provide significant value to the consolidated entity and its commercial partners. Since all MagSense® targeted imaging agents use the same underlying nanoparticle technology, the consolidated entity would look to apply the intellectual property position broadly across the portfolio of MagSense® nanoparticle imaging agents.

Dr. Isaac Bright appointed as CEO and Mr. Robert Proulx continues as Non-Executive Chairman

Dr. Bright was appointed as CEO of the consolidated entity in June this year. Dr. Bright brings over 20 years of experience as a health industry executive and venture capitalist in medical technology, biopharmaceuticals, and oncology-based molecular diagnostics. This is an exciting appointment for the consolidated entity and Dr. Bright's track record in strategic partnering, financing and M&A are well suited to support the consolidated entity's vision and drive the next chapter in the consolidated entity's growth.

Dr. Bright's appointment followed the retirement of Mr. Proulx as President and CEO, with Mr. Proulx remaining as Non-Executive Chairman of the Board. Mr. Proulx provided executive assistance to Dr. Bright from 20 June 2023 to 31 July 2023 to allow for a streamlined transition period for the consolidated entity. This completed the leadership restructuring plan as announced 28 April 2023 which initiated the process to separate the role of the Chair from the role

Outlook

As the consolidated entity advances its development pipeline, research and development expenditures and employment expenses are expected to increase on current levels. A large component of this will be the consolidated entity's MagSense® HER2 Breast Cancer program as this progresses towards an IND filing in late 2023 or early 2024 and subsequent phase 2 study commencement.

The consolidated entity is well positioned to continue the progression of its MagSense® HER2 Breast Cancer program, as well as other indications (such as Prostate and Ovarian) and collaborations.

Likely developments and expected results of operations

Management expects research and development costs to increase during the remainder of 2023 as the MagSense® HER2 Breast Cancer program progresses towards an IND filing and undertakes activities outlined above. In addition, the consolidated entity continues to advance its development pipeline, and therefore this may add to research and development expenditures.

Significant changes in state of affairs

There were no significant changes in state of affairs.

Matters subsequent to the end of the financial half-year

On 14 July 2023 the consolidated entity placed the shortfall remaining on its previously announced entitlement offer. The shortfall raised \$1,969,935 (pre-costs) with 115,878,572 ordinary shares issued.

On 21 July 2023, Mercer Street Global Opportunity Fund, LLC (Mercer) converted 300,000 of its first tranche of convertible notes into 22,222,222 ordinary shares.

On 25 August 2023, Mercer invested \$1,000,000 and the consolidated entity issued Mercer 1,100,000 convertible notes and 46,583,851 options over ordinary shares with an exercise price of \$0.0225 with a three year expiry.

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.

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 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 immediately after this directors' report.

On behalf of the directors



Robert Proulx
Non-Executive Chair

30 August 2023

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 and its Controlled Entity for the half year ended 30 June 2023, 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.

A handwritten signature in blue ink, appearing to be 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be 'BY CHAN'.

B Y CHAN
Partner

Dated: 30 August 2023
Melbourne, Victoria

Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 30 June 2023



	2023	2022
	half-year	half-year
	\$	\$
Revenue		
Revenue and other income	690,012	265,763
Research & development tax incentives	-	-
	690,012	265,763
Operating Expenses		
Research & development expenses	(2,208,312)	(1,771,433)
Employment expenses	(3,049,187)	(2,213,243)
Professional fees	(982,151)	(413,316)
General expenses	(847,060)	(684,453)
Share based payments expense	(245,332)	(342,141)
Depreciation expense	(584,487)	(515,381)
Foreign exchange gain/(loss)	(7,114)	-
Fair value movement of derivatives	(52,000)	-
Finance costs	(397,445)	(86,066)
	(8,373,088)	(6,026,033)
Loss before income tax expense	(7,683,076)	(5,760,270)
Income tax expense (benefit)	-	-
Loss after Income Tax Expense	(7,683,076)	(5,760,270)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation reserve	42,155	385,461
Income tax relating to these items	-	-
Other comprehensive income/(loss), net of tax	42,155	385,461
Total comprehensive Income (loss) for the year Attributable to the Owners of Imagion Biosystems Limited	(7,640,921)	(5,374,809)
	Cents	Cents
Basic earnings (loss) per share	(0.0068)	(0.0051)
Diluted earnings (loss) per share	(0.0068)	(0.0051)

These financial statements should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Consolidated Statement of Financial Position
As at 30 June 2023



	Note	30-Jun-2023	31-Dec-2022
		\$	\$
Current Assets			
Cash and cash equivalents		453,560	4,446,102
Trade and other receivables		214,650	92,463
Other current assets		459,624	449,985
Total Current Assets		1,127,834	4,988,550
Non-Current Assets			
Property, plant and equipment		673,658	703,276
Right-of-use assets		3,864,986	4,283,796
Total Non-Current Assets		4,538,644	4,987,072
Total Assets		5,666,478	9,975,622
Current Liabilities			
Trade and other payables		600,899	436,788
Lease liabilities		1,249,032	1,041,051
Other financial liabilities	2	506,550	-
Borrowings	3	1,458,151	-
Employee benefits		229,026	175,032
Other liabilities		87,776	80,033
Total Current Liabilities		4,131,434	1,732,904
Non-Current Liabilities			
Lease liabilities		3,110,649	3,563,318
Employee benefits		1,155	1,904
Total Non-Current Liabilities		3,111,804	3,565,222
Total Liabilities		7,243,238	5,298,126
Net Assets / (Liabilities)		(1,576,760)	4,677,496
Equity			
Issued capital	5	57,597,573	56,830,408
Reserves	6	4,350,205	3,688,550
Accumulated losses		(63,524,538)	(55,841,462)
Total Equity		(1,576,760)	4,677,496

These financial statements should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Consolidated Statement of Changes in Equity
For the half-year ended 30 June 2023



	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 January 2022	56,827,608	2,511,925	(46,034,254)	13,305,279
Loss after income tax	-	-	(5,760,270)	(5,760,270)
Other comprehensive income/(loss) after tax	-	385,461	-	385,461
Total comprehensive income/(loss)	-	385,461	(5,760,270)	(5,374,809)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity	-	-	-	-
Costs of contributions of equity	-	-	-	-
Transfer from reserves	-	-	-	-
Share based payments	-	342,141	-	342,141
Balance as at 30 June 2022	56,827,608	3,239,527	(51,794,524)	8,272,611
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 January 2023	56,830,408	3,688,550	(55,841,462)	4,677,496
Loss after income tax	-	-	(7,683,076)	(7,683,076)
Other comprehensive income/(loss) after tax	-	42,155	-	42,155
Total comprehensive income/(loss)	-	42,155	(7,683,076)	(7,640,921)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity	787,903	-	-	787,903
Costs of contributions of equity	(20,738)	-	-	(20,738)
Transfer from reserves	-	-	-	-
Share based payments	-	619,500	-	619,500
Balance as at 30 June 2023	57,597,573	4,350,205	(63,524,538)	(1,576,760)

These financial statements should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Consolidated Statement of Cash Flows
For the half-year ended 30 June 2023



	Note	2023 half-year \$	2022 half-year \$
Cash Flows from Operating Activities			
Receipts from customers (inc of sales and other taxes)		576,975	237,585
Payments to suppliers and employees (inc of sales and other taxes)		(6,531,538)	(4,983,801)
Interest received		15,828	703
Interest and other finance costs paid		(80,830)	(58,707)
Government grants and tax incentives		-	-
Net cash outflow from operating activities		(6,019,565)	(4,804,220)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		(23,527)	(205,475)
Proceeds from / (payment for) other assets (security deposits)		-	38,588
Net cash outflow from investing activities		(23,527)	(166,887)
Cash Flows from Financing Activities			
Proceeds from the issue of shares		412,903	-
Proceeds from the issue of convertible notes		2,500,000	-
Transaction costs in relation to financing activities		(342,637)	-
Repayment of borrowings		(548,255)	(288,958)
Net cash inflow from financing activities		2,022,011	(288,958)
Net increase (decrease) in cash and cash equivalents		(4,021,081)	(5,260,065)
Cash and cash equivalents at start of year		4,446,102	13,393,768
Effects of exchange rate changes on cash and cash equivalents		28,540	388,084
Cash and cash equivalents at end of year		453,560	8,521,787

These financial statements should be read in conjunction with the accompanying notes.

1 Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit 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 stated.

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 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 \$7,683,076 and had net cash outflows from operating activities of \$6,019,565 for the half-year ended 30 June 2023. As at that date, the consolidated entity had net current liabilities of \$3,003,600 and net liabilities of \$1,576,760. The consolidated entity is still in the product development phase recording minimal sales revenue, consequently, it is dependent on external 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 consolidated entity has a proven record of being able to raise funds to support its ongoing activities. As disclosed in Note 10 Events after the reporting period, the consolidated entity announced that it successfully placed the shortfall on an entitlement offer raising \$1.9 million (pre costs);
- The consolidated entity has historically received some cost relief through the receipt of research & development income tax incentives and the directors expect this to continue including receipt of the 2022 incentive anticipated to be received in the third quarter of 2023 with an approximate value of \$3.5 million;
- As described in Note 3, the consolidated entity has potential access to an additional \$11.5 million through the issue of convertible securities. This is subject to mutual agreement between the consolidated entity and the funder, and on the consolidated entity having sufficient placement capacity under the ASX Listing Rules, or obtaining shareholder approval to issue the relevant securities; and
- The consolidated entity has the ability to implement a cost optimisation plan to reduce discretionary expenditures if necessary to reduce operating cash requirements.

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.

1 Significant accounting policies (continued)

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.

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 the issue, using an appropriate market based valuation model.

Convertible notes with embedded derivatives

Convertible notes can be converted to ordinary shares at the option of the holder.

For convertible notes with embedded derivative liabilities, the embedded derivative liability is initially measured at fair value at the date the contract is entered into and deducted from the value of the host financial liability. Subsequent to initial recognition, the derivative liability is remeasured to fair value at the end of each reporting period with the change in fair value recognised in profit or loss.

The embedded derivative component of the convertible notes were valued using Monte Carlo simulations using risk neutral valuation techniques and sampling procedures to calculate the expected payoffs from the convertible notes under a range of different outcomes.

The host financial liability is measured at amortised cost using the effective interest method until it is extinguished on conversion or redemption. Interest related to the financial liability is recognised in profit or loss.

Comparatives

The comparative results presented refer to the 6-month period up to 30 June 2022 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 2022.

2 Other financial liabilities

	30-Jun-23	31-Dec-22
	\$	\$
Current		
Embedded derivatives	506,550	-

The embedded derivatives are associated with the convertible notes issued during the period (refer to note 3).

3 Borrowings

	30-Jun-23	31-Dec-22
	\$	\$
Current		
Convertible notes	1,458,151	-

3 Borrowings (continued)

On 7 March 2023 the consolidated entity announced a funding package of up to \$15 million with Mercer Street Global Opportunity Fund, LLC, a New York based investment fund (Mercer). In addition to issuing share capital and options (refer to notes 4 and 5), the consolidated entity issued the following financial liabilities:

- On 21 March 2023, raised \$1,500,000 through the issue of 1,650,000 convertible notes. Each convertible note has a floor price of \$0.0125 and expires on 20 September 2024.
- On 1 June 2023, raised \$1,000,000 through the issue of 1,100,000 convertible notes. Each convertible note has a floor price of \$0.0125 and expires on 30 November 2024.
- On 25 August 2023, raised \$1,000,000 through the issue of 1,100,000 convertible notes. Each convertible note has a floor price of \$0.0125 and expires on 25 February 2025.

As at 30 June 2023 the available balance of the Mercer facility was \$12.5 million. This reduced to \$11.5 million after the issue of convertible notes to Mercer on 25 August 2023. This can be drawn by the consolidated entity, subject to mutual agreement with Mercer and the consolidated entity having sufficient placement capacity under the ASX Listing Rules or obtaining shareholder approval to issue the relevant securities.

All of the convertible notes have the following features:

- Face value of \$1.00 at a subscription price of \$0.90909;
- No interest is payable on unconverted drawn funds;
- The conversion price is 90% of the lowest VWAP during the 15 trading days immediately prior to issuing the relevant conversion notice;
- Each convertible note provides Mercer with the option to convert the notes into ordinary shares. If Mercer does not convert the convertible notes by the relevant maturity dates (18 months from issue date), the consolidated entity is required to repay Mercer the face value of the notes; and
- The consolidated entity has the option to repay the convertible notes prior to the relevant maturity dates at 105% of the outstanding face value. At that time Mercer has the right to convert up to 30% of any outstanding face value prior to settlement.

Security

The consolidated entity, via entering into a general security deed, has granted Mercer Street Global Opportunity Fund, LLC a first ranking security against any present and after-acquired secured property and revolving assets.

4 Fair value measurement

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The table does not include carrying amounts of other financial assets or liabilities not measured at fair value as the carrying amounts are a reasonable approximation of their fair values.

4 Fair value measurement (continued)

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
30 June 2023					
<i>Liabilities</i>					
Embedded derivatives	2	-	506,550	-	506,550

There were no financial assets or liabilities in the comparative period.

The embedded derivative component of the convertible notes were valued using Monte Carlo simulations using risk neutral valuation techniques and sampling procedures to calculate the expected payoffs from the convertible notes under a range of different outcomes.

5 Issued capital

	30-Jun-23 Shares	31-Dec-22 Shares	30-Jun-23 \$	31-Dec-22 \$
Ordinary shares - fully paid	1,167,665,778	1,121,318,534	57,597,573	56,830,408

Movements in ordinary share capital - 6 months to 30 June 2023

Details	Date	Shares	Issue Price	\$
Opening balance	1-Jan-23	1,121,318,534	-	56,830,408
Issue of shares (Mercer shares) (a)	21-Mar-23	22,058,824	0.017	375,000
Issue of shares (entitlement offer) (b)	21-Apr-23	24,288,420	0.017	412,903
Costs of issue (entitlement offer)	21-Apr-23	-	-	(20,738)
Closing balance	30-Jun-23	1,167,665,778		57,597,573

(a) Mercer share placements

In relation to Mercer entering into the funding package (refer note 3) they were issued with 22,058,824 ordinary shares at a deemed issue price of \$0.017 cents per share.

(b) Entitlement offer

On 7 March 2023 the consolidated entity announced a non-renounceable entitlement offer to raise \$2,382,838 through the offer of one new ordinary share for every eight shares held. \$412,903 was raised from existing shareholders during the half-year and the shortfall on \$1,969,935 was placed subsequent to half-year end (refer note 9 for further details).

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.

Listed options

As part of a renounceable rights issue (in April 2020) the Company issued listed options. In April 2020 'IBXOA options' were issued with an exercise price of \$0.03. IBXOA options expired on 28 April 2023. No options were converted during the half-year.

6 Reserves

	30-Jun-23	31-Dec-22
	\$	\$
Foreign currency translation reserve	919,250	877,095
Share based payment reserve	3,430,955	2,811,455
	<u>4,350,205</u>	<u>3,688,550</u>

Foreign currency translation reserve

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

Share based payment reserve

As detailed in note 3, the consolidated entity entered into a funding agreement with Mercer Street Global Opportunity Fund, LLC (Mercer) during the half-year. As consideration for Mercer entering into the agreement with the consolidated entity, the following securities were issued to Mercer for nil consideration:

- On 21 March 2023, the consolidated entity issued 14,138,956 three-year options for ordinary shares at an exercise price of \$0.0374;
- On 26 May 2023, the consolidated entity issued 27,995,876 three-year options for ordinary shares at an exercise price of \$0.0374; and
- On 1 June 2023, the consolidated entity issued 28,089,888 three-year options for ordinary shares at an exercise price of \$0.0374.

The issue of the above options with a value of \$374,168 has been incorporated into the share based payment reserve.

7 Commitments

The consolidated entity had contracted commitments for services in relation to its MagSense® HER2 Breast Cancer First-in-human Study; nanoparticle manufacturing as the consolidated entity progresses towards its IND filing for a phase 2 study; and a CRO for toxicology services totalling \$328,278. These expenses represent estimated contractual commitments and are expected to be incurred throughout the remainder of 2023. The consolidated entity had no other commitments (31-Dec-22: \$336,327).

8 Contingent liabilities

As of 30 June 2023, 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 2022: Nil).

9 Operating segments

Identification of reporting operating segments

The consolidated entity is organised into one operating segment being Research & Development. This operating segment is based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources).

9 Operating segments (continued)

Geographical information

The consolidated entity has non-current assets and derives revenue in two geographical areas as outlined below:

	30-Jun-23	31-Dec-22
	\$	\$
<i>Geographical location of non-current assets</i>		
Property, plant and equipment		
United States of America	671,601	700,740
Australia	2,057	2,536
	<u>673,658</u>	<u>703,276</u>
Right-of-use assets		
United States of America	3,864,986	4,283,796
Australia	-	-
	<u>3,864,986</u>	<u>4,283,796</u>
	30-Jun-23	30-Jun-22
	\$	\$
<i>Geographical derivation of revenue</i>		
Revenue and other income		
United States of America	674,223	264,935
Australia	15,789	828
	<u>690,012</u>	<u>265,763</u>

10 Events after the reporting period

On 14 July 2023 the consolidated entity placed the shortfall remaining on its previously announced entitlement offer. The shortfall raised \$1,969,935 (pre-costs) with 115,878,572 ordinary shares issued.

On 21 July 2023, Mercer Street Global Opportunity Fund, LLC (Mercer) converted 300,000 of its first tranche of convertible notes into 22,222,222 ordinary shares.

On 25 August 2023, Mercer invested \$1,000,000 and the consolidated entity issued Mercer 1,100,000 convertible notes and 46,583,851 options over ordinary shares with an exercise price of \$0.0225 with a three year expiry.

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.

Imagion Biosystems Limited
Directors' Declaration
For the half-year ended 30 June 2023



In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB134 Interim Financial Report; the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- 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 made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "R. Proulx".

Robert Proulx
Non-Executive Chair
Imagion Biosystems Limited

30 August 2023

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

Conclusion

We have reviewed the accompanying half-year financial report of Imagion Biosystems Limited ("the company") and its Controlled Entity (together "the consolidated entity") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, 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.

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 the consolidated entity 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 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report, which indicates the consolidated entity incurred a loss of \$7,683,076 and had net cash outflows from operating activities of \$6,019,565 for the half year ended 30 June 2023 and as at that date the consolidated entity had net current liabilities of \$3,003,600 and net liabilities of \$1,576,760. As stated in Note 1, these 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's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors' for the Financial Report

The directors of Imagion Biosystems Limited 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 for the Review of the 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 consolidated entity's financial position as at 30 June 2023 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*.

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.



RSM AUSTRALIA PARTNERS



B Y CHAN
Partner

Dated: 30 August 2023
Melbourne, Victoria

Corporate Directory

Directors

Mr Robert Proulx	Non-Executive Chairman
Mr Michael Harsh	Non-Executive Director
Mr David Ludvigson	Non-Executive Director
Ms Jovanka Naumoska	Non-Executive Director
Mr Mark Van Asten	Non-Executive Director
Ms Dianne Angus	Non-Executive Director

Chief Executive Officer

Dr. Isaac Bright

Company Secretary

Mr Geoff Hollis

Registered Office

c/o - K&L Gates
Level 25, 525 Collins Street
Melbourne, VIC, 3000, Australia

Principal Place of Business

5601 Oberlin Drive
Suite 100
San Diego, CA, 92121, USA

Share Registry

Boardroom Pty Limited
Level 12, 225 George Street
Sydney, NSW, 2000, Australia

Auditor

RSM Australia Partners
Level 21, 55 Collins St
Melbourne, VIC, 3000, Australia

Australian Legal Advisor

K&L Gates
Level 25, 525 Collins Street
Melbourne, VIC, 3000, Australia

United States Legal Advisor

Law Offices of Gayani R. Weerasinghe
325 W Washington St, Ste 2-3013
San Diego, CA, 92103

Stock Exchange

Imagion Biosystems Limited's shares are listed on the Australian Stock Exchange (ASX ticker: IBX)