

1. Company details

Name of entity: Imagion Biosystems Limited
 ABN: 42 616 305 027
 Reporting Period: For the half-year ended 30 June 2018
 Previous Period: For the half-year ended 30 June 2017

2. Results for announcement to the market

					A\$
2.1	Revenues from ordinary activities	Up	4.42%	to	251,615
2.2	Loss from ordinary activities after tax attributable to the owners of Imagion Biosystems Limited	Up	1.6%	to	(4,218,881)
2.3	Loss for the half-year attributable to the owners of Imagion Biosystems Limited	Up	8.16%	to	(4,358,051)

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 2018 Cents	31 December 2017 cents
Net tangible assets per ordinary security	1.7	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 2018 is attached.

8. Signed



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



IMAGION BIOSYSTEMS LIMITED

ABN: 42 616 305 027

Consolidated Half-Year Report – 30 June 2018

Imagion Biosystems Limited

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Imagion Biosystems Limited
Directors Report
For the half-year ended 30 June 2018

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 2018. 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 Dichiara (resigned on 26 April 2018)
D Ludvigson
M Van Asten
J Naumoska
B Le Grice (appointed on 26 April 2018)
J Hazle (appointed 30 July 2018)

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 (in 2017) 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.

Total expenses of \$4.4 million were slightly less than projections. In March 2018, the Company moved its principal operations from Albuquerque, New Mexico USA to San Diego California, USA. Non-recurring costs associated with this move included separation payments to key employees who did not relocate as well as overlapping staff and facility costs during the move. Overall costs associated with the relocation were in line with projections. Costs to outside contractors were lower than projections due to delays in projects associated with preparation for Imagion's human study next year. These planned costs are expected to be incurred in the second half of 2018.

Significant changes in the state of affairs

On 6 June 2018, the Company issued an additional 10,529,053 shares (approximately 5% of ordinary shares) to the University of Texas MD Anderson Cancer Center (MDACC), as payment for the ongoing research being conducted by MDACC.

On 6 June 2018, the Company granted performance rights to the following directors.

Director	Amount	Vesting date
B Le Grice	150,000	26 April 2020
D. Ludvigson	50,000	6 June 2020
J Naumoska	50,000	6 June 2020
M. Harsh	50,000	6 June 2020
M Van Asten	50,000	6 June 2020

The terms of these performance shares are set out in the accompanying financial statements.

Imagion Biosystems Limited
Directors Report
For the half-year ended 30 June 2018

Significant changes in the state of affairs (continued)

On 6 June 2018, the Company issued 3,000,000 options to a 3rd party which has provided general advisory and equity raising services. The options vested upon issue and expire on 30 June 2021, with a strike price of 20c

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

Dr. J. Hazle was appointed a director on 30 July 2018.

No other matters or circumstances have arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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
23 August 2018

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Imagination Biosystems Limited for the half year ended 30 June 2018, 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 "R B Miano".

R B MIANO
Partner

Dated: 23 August 2018
Melbourne, Victoria

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Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the half-year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue and other income		251,615	240,972
Expenses			
Employee benefits expense		(1,812,412)	(1,080,372)
Research and development costs		(1,382,256)	(1,023,745)
Other Expenses		<u>(1,275,828)</u>	<u>(2,289,128)</u>
Loss before income tax expense		(4,218,881)	(4,152,273)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense		(4,218,881)	(4,152,273)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(139,170)	123,082
Income tax relating to these items		<u>-</u>	<u>-</u>
Other comprehensive income/(loss) for the half-year, net of tax		(139,170)	123,082
Total comprehensive income/(loss) for the half year		<u>(4,358,051)</u>	<u>(4,029,191)</u>
Loss attributable to:			
Owners of Imagion Biosystems Limited		<u>(4,358,051)</u>	<u>(4,029,191)</u>
Loss per share attributable to the owners of Imagion Biosystem Limited		Cents	Cents
Basic loss per share		(0.0206)	(0.0403)
Diluted loss per share		(0.0206)	(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 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents		3,606,723	6,872,829
Trade and other receivables		47,791	8,704
Other current assets		<u>753,448</u>	<u>387,690</u>
Total current assets		<u>4,407,962</u>	<u>7,269,223</u>
Non-current assets			
Property, plant and equipment		<u>348,652</u>	<u>372,103</u>
Total non-current assets		<u>348,652</u>	<u>372,103</u>
Total assets		<u>4,756,614</u>	<u>7,641,326</u>
Liabilities			
Current liabilities			
Trade and other payables	3	611,000	564,663
Lease liability		16,441	30,684
Employee Benefits		<u>243,805</u>	<u>44,094</u>
Total current liabilities		<u>871,246</u>	<u>639,441</u>
Non-current liabilities			
Trade and other payables	3	95,683	-
Lease liability		<u>52,059</u>	<u>49,329</u>
Total non-current liabilities		<u>147,742</u>	<u>49,329</u>
Total liabilities		<u>1,018,988</u>	<u>688,770</u>
Net assets		<u>3,737,626</u>	<u>6,952,556</u>
Equity			
Issued capital	4	29,339,509	28,686,708
Reserves	5	1,490,020	1,138,870
Accumulated losses		<u>(27,091,903)</u>	<u>(22,873,022)</u>
Total equity		<u>3,737,626</u>	<u>6,952,556</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 2018

	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
Cost of contributions of equity	-	-	-	-
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

	Issued Capital	Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 January 2017	2	453,638	(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 half year	-	123,082	(4,152,273)	(4,029,191)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	32,610,259	-	-	32,610,259
Cost of contributions of equity	(3,923,553)	-	-	(3,923,553)
Share-based payments	-	34,199	-	34,199
Balance at 30 June 2017	26,686,708	610,919	(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 2018

	Note	2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers and grants (inclusive of sales and other taxes)		25,360	108,957
Payments to suppliers and employees (inclusive of sales and other taxes)		(3,351,599)	(2,701,860)
Interest received		54,646	1,464
Interest and other finance costs paid		<u>(1,375)</u>	<u>(132,160)</u>
Net cash used in operating activities		<u>(3,272,968)</u>	<u>(2,723,599)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(32,243)</u>	<u>(19,936)</u>
Net cash used in investing activities		<u>(32,243)</u>	<u>(19,936)</u>
Cash flow from financing activities			
Lease repayments		(48,159)	(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>-</u>	<u>(3,108,683)</u>
Net cash provided by financing activities		<u>(48,159)</u>	<u>15,071,444</u>
Net increase in cash and cash equivalents		(3,353,370)	12,327,909
Cash and cash equivalents at the beginning of the financial year		6,872,829	27,641
Effects of exchange rate changes on cash and cash equivalents		<u>87,264</u>	<u>(15,322)</u>
Cash and cash equivalents at the end of the financial half-year		<u>3,606,723</u>	<u>12,340,228</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 interim half-year period ended 30 June 2018 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 2017 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.

The Company has assessed the effect of three Accounting Standards, which are now mandatory, or will become mandatory in future periods. These are *AASB 9- Financial Instruments*, *AASB 15- Revenue from Contracts with Customers* and *AASB 16 - Leases*. The Company has concluded that the impact of each of the three Accounting Standards is not expected to have a material impact on the Consolidated Entity's financial performance.

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 \$4,218,881, and had net cash outflows from operating activities of \$3,272,968 for the half year ended 30 June 2018.

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 consolidated entity is dependent on the need to raise capital for the continuation of product development, given that the consolidated entity has forecasted to incur continued losses for a minimum of a 12-month period.

The Directors believe there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, because the amount spent on research and development expenditure is discretionary and the directors are confident that additional funds can be raised through capital raising to support ongoing research and development activities where existing cash held by the company is insufficient to meet these needs.

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.

Note 1. Summary of Significant accounting policies (continued)

Comparatives

The Comparative results presented refer to the 6-month period up to 30 June 2017 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 2017

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.

Imagion Biosystems Limited
Notes to the financial statements
For the Half Year Ended 30 June 2018

Note 2: Share based payments

	Consolidated	
	2018	2017
	\$	\$
Options issued	65,802	-
Performance shares	424,518	34,199
	<u>490,320</u>	<u>34,199</u>

Note 3: Trade and other payables

	Consolidated	
	2018	2017
	\$	\$
Current		
Trade and other payables	611,000	564,663
	<u>611,000</u>	<u>564,663</u>
Non-Current		
Trade and other payables	95,683	-
	<u>95,683</u>	<u>-</u>

Both the current and non current liability include an amount for an Onerous Provision relating to a lease at premises vacated in Albuquerque. The split of the provision is:

	Consolidated	
	2018	2017
	\$	\$
Current		
Trade and other payables	147,768	-
	<u>147,768</u>	<u>-</u>
Non-Current		
Trade and other payables	95,683	-
	<u>95,683</u>	<u>-</u>

Note 4: Issued Capital

	Consolidated			
	2017	2018	2017	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	203,766,385	214,295,418	28,686,708	29,399,509
<i>Movements in ordinary share capital</i>				
Details	Date	Shares	Issue Price	\$
Balance	1 Jan 2018	203,766,385	-	28,686,708
Issue of shares: share based payments	6 June 2018	10,529,053	0.062c	652,801
Closing balance		<u>214,295,418</u>		<u>29,399,509</u>

Imagion Biosystems Limited
Notes to the financial statements
For the Half Year Ended 30 June 2018

Note 4: Issued Capital (continued)

On 6 June 2018, the Company issued an additional 10,529,053 shares to the University of Texas MD Anderson Cancer Center, as payment for the Company's contribution to ongoing research being conducted by the Cancer Center. The shares have been valued at the fair value on the date of issue.

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 5. Reserves

	Consolidated	
	2018	2017
	\$	\$
Share based payment reserve – performance shares	1,048,445	623,927
Share based payment reserve – options	65,802	-
Foreign Currency translation reserve	<u>375,773</u>	<u>514,943</u>
Total	<u>1,490,020</u>	<u>1,138,870</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

Performance Shares

	Unissued and Unvested	
		Number
Performance shares		
Balance at 1 January 2018		<u>14,928,000</u>
Balance at 30 June 2018		<u>11,625,000</u>
<i>Movements in Performance Shares</i>		
Balance at 1 January 2018		<u>14,928,000</u>
	Date of issue	
Performance shares issued	6 June 2018	350,000
Performance shares vested not exercised		(843,750)
Performance shares cancelled		(2,809,250)
Balance at 30 June 2018		<u>11,625,000</u>

Performance shares issued are valued at their fair value at the time of issue and amortised over the period to vesting. The weighted average fair value of the Performance shares issued during the financial period was \$0.062.

During the financial period \$424,518 (2017: \$34,199) was amortised as a share-based payment in relation to the performance shares.

Imagion Biosystems Limited
Notes to the financial statements
For the Half Year Ended 30 June 2018

Note 5. Reserves (continued)

Options

	Number	\$
Balance at 1 January 2018	-	-
Balance at 30 June 2018	<u>3,000,000</u>	<u>65,802</u>
<i>Movements in Options</i>		
Balance at 1 January 2018	-	-
	Date of issue	
Share based payment -options	6 June 2018	
	3,000,000	65,802
Balance at 30 June 2018	<u>3,000,000</u>	<u>65,802</u>

Note 6. Commitments

As of 30 June 2018, the Company had the following commitments, nil. (31 December 2017: Nil)

Note 7. Contingent Liabilities

As of 30 June 2018, 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 2017: Nil).

Note 8. Subsequent Events

On the 30 July 2018, the board approved Dr. John Hazle to be appointed as a director. 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
Director's Declaration
30 June 2018

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 2018 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
23 August 2018
San Diego, California, United States of America.

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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 2018, 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 2018 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 Imagination 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 Group incurred a net loss of \$4,218,881 during the half-year ended 30 June 2018 and, as of that date, reported negative operating cash flows of \$3,272,968. 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 Group's 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 Imagination 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 2018 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: 23 August 2018
Melbourne, Victoria