



IMAGION BIOSYSTEMS LIMITED  
ANNUAL REPORT – FOR THE YEAR ENDED 31 DECEMBER 2019

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## CORPORATE DIRECTORY

### DIRECTORS

Mr Robert Romeo Proulx	Executive Chairman/President	
Mr Michael John Harsh	Non-Executive Director	
Mr David Gerald Ludvigson	Non-Executive Director	
Ms Jovanka Naumoska	Non-Executive Director	
Mr Mark Gerald Van Asten	Non-Executive Director	
Ms Bronwyn Le Grice	Non-Executive Director	Resigned 31 March 2020
Dr John Hazle	Non-Executive Director	Resigned 27 June 2019

### COMPANY SECRETARY

Ms Jovanka Naumoska

### REGISTERED OFFICE

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

### PRINCIPAL PLACE OF BUSINESS

10355 Science Center Drive  
Suite 210  
SAN DIEGO CA 92121 USA

### SHARE REGISTER

Boardroom Pty Limited  
Level 12, 225 George Street  
SYDNEY NSW 2000 AUSTRALIA

### AUDITOR

RSM Australia Partners  
Level 21, 55 Collins Street  
MELBOURNE VIC 3000 AUSTRALIA

### AUSTRALIAN LEGAL ADVISOR

Holding Redlich  
Level 8, 555 Bourke Street  
MELBOURNE VIC 3000 AUSTRALIA

### UNITED STATES LEGAL ADVISOR

The Grafe Law Office, PC  
PO BOX 2689  
Corrales, NM 87048  
UNITED STATES OF AMERICA

### STOCK EXCHANGE

Imagion Biosystems Limited shares are listed on the Australian Securities Exchange (ASX Code: IBX).

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 year ended 31 December 2019.

## Directors

The following persons were directors of Imagion Biosystems Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Robert Romeo Proulx	Executive Chairman President	
Mr Michael John Harsh	Non-Executive Director	
Mr David Gerald Ludvigson	Non-Executive Director	
Ms Jovanka Naumoska	Non-Executive Director	
Mr Mark Gerald Van Asten	Non-Executive Director	
Ms Bronwyn Le Grice	Non-Executive Director	Resigned 31 March 2020
Dr John Hazle	Non-Executive Director	Resigned 27 June 2019

## Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

Nanotechnology;  
Biotechnology;  
Cancer Diagnostics; and  
Superparamagnetic Relaxometry.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## 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 and not expected to be material in the future.

Operating loss after tax of \$3,432,506 (2018: \$8,340,013) was materially in line with projections.

In 2019, the Company successfully raised \$3,628,256 (before costs) via rights issue to manufacture the nanoparticle material and to fund the costs to undertake a first-in-human study.

## Significant changes in the state of affairs

On 24 June 2019, 900,000 performance shares were converted into ordinary shares. The performance shares were issued to current and previous directors.

Dr John Hazle resigned as a non-executive director on 27 June 2019.

Following Dr Hazle's resignation as a director, on 14 October 2019, the consolidated entity established its Scientific Advisory Board and which will be chaired by Dr Hazle. The collective experience of this advisory board will be valuable in helping to further de-risk the *Magsense*<sup>™</sup> program and accelerate the path to commercialisation following successful completion of the first clinical milestone.

In July 2019, the consolidated entity received \$2,057,286 in R&D tax incentives from the Australian Taxation Office.

The consolidated entity completed a rights issue that ultimately raised \$3,628,256 (before costs) on 26 November 2019 through a non-renounceable rights issue of 181,412,807 shares at \$0.02 to existing shareholders, sophisticated and professional investors.

## Significant changes in the state of affairs (continued)

As part of the costs of the capital raising, the Company issued 6,000,000 options to the lead manager on 26 November 2019. These options vested immediately at a strike price of \$0.05 and expire 24 months from the date of issue.

## Matters subsequent to the end of the financial year

On 25 March 2020, the company announced that they will issue up to 204,512,879 fully paid ordinary shares as part of a rights issue. Shareholders will be offered two new shares for every five shares held at 30 March 2020. With every new share, shareholders will receive a free attaching new option. New options will have exercise price of 3.0 cents and term of three years. This offer will close on 21 April 2020.

As of the date of this report, Management is monitoring the potential impact of the COVID-19 pandemic and assessing the potential for delays in the initiation of the study.

## 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 for our formulated nanoparticle, design and prototype production of our instrument, and clinical consultants among other things.

## Environmental Regulation

The Consolidated Entity is not subject to any significant environment regulation under Australian Commonwealth or State Law.

## Information on Directors

<b>Name:</b>	<b>Mr Robert Romeo Proulx</b>
<b>Title:</b>	Executive Chairman/President
<b>Qualifications:</b>	<ul style="list-style-type: none"> <li>- Master of Arts and Bachelor of Arts, The State University of New York at Albany;</li> <li>- Executive Master of Business Administration, Penn State Smeal College of Business.</li> </ul>
<b>Experience &amp; Expertise:</b>	Robert has over 25 years' experience bringing life science and medical device products through development and commercialisation and joined the predecessor company, Senior Scientific as President and Chief Operating Officer.
<b>Other Current Directorships:</b>	Quantapore, Inc.
<b>Former Directorships (last 3 years):</b>	PGXL Diagnostics Laboratories, Inc. (2009 – 2017)
<b>Membership of Committees</b>	None
<b>Interest in Shares:</b>	705,000 Shares
<b>Interest in Options:</b>	176,250 Options
<b>Interest in Rights:</b>	8,700,000 performance rights
<b>Contractual rights to Shares:</b>	8,700,000 performance rights which are subject to ASX escrow restrictions for 36 months from official quotation. The Performance rights are issued under the company's long-term incentive plan and will vest into one ordinary share each subject to achievement of prescribed performance conditions.

Information on Directors(continued)

Name:	<b>Mr Michael John Harsh</b>
Title:	Non-Executive Director
Qualifications:	- Bachelor's degree in Electrical Engineering, Marquette University
Experience & Expertise:	With over 36 years' service to GE, mostly with GE Healthcare on his résumé, Michael Harsh is extraordinarily fluent in the complex processes of transforming high-potential platform technologies into successful medical diagnostic products.
Other Current Directorships:	ENDRA Life Sciences (2016 – present); NociMed (2019 – present); EmOpti, Inc. (2015 – present);
Former Directorships (last 3 years):	FloDesign (2015 – 2019)
Membership of Committees	Audit and Risk
Interest in Shares:	150,000 Shares
Interest in Options:	Nil
Interest in Rights:	50,000 performance rights
Contractual rights to Shares:	50,000 Performance Rights each will automatically vest into one Share on the vesting date of 6 June 2020.

Name:	<b>Mr David Gerald Ludvigson</b>
Title:	Non-Executive Director
Qualifications:	- Bachelor of Science in Accounting, University of Illinois - Masters in Accounting Science, University of Illinois.
Experience & Expertise:	David is President and CEO of Nanomix, Inc, a mobile diagnostics company. Previously, David held executive leadership positions with Nanogen, Matrix Pharmaceutical, IDEC Pharmaceuticals, MIPS Computer Systems, and other high-tech companies. He began his career at Price Waterhouse.
Other Current Directorships:	China Stem Cells Ltd (2010-present); Nanōmix Inc. (2014-present).
Former Directorships (last 3 years):	Nil
Membership of Committees	Audit and Risk Committee
Interest in Shares:	300,000 Shares
Interest in Options:	75,000 Options
Interest in Rights:	50,000 performance rights
Contractual rights to Shares:	50,000 Performance Rights each will automatically vest into one Share on the vesting date of 6 June 2020.

Information on Directors(continued)

Name:	<b>Ms Jovanka Naumoska</b>
Title:	Non-Executive Director
Qualifications:	<ul style="list-style-type: none"> <li>- Bachelor of Science degree, University of Wollongong;</li> <li>- Bachelor of Law degree and the Graduate Diploma in Legal Practice, University of Wollongong;</li> <li>- Graduate Diploma in Applied Corporate Governance, Governance Institute of Australia.</li> </ul>
Experience & Expertise:	Jovanka Naumoska is an Australian-qualified corporate lawyer with board-level experience in legal issues pertaining to medical imaging technology. Jovanka has served as Senior Corporate Lawyer and Policy Advisor for Australian Nuclear Science and Technology Organisation (ANSTO), and currently holds the position of Manager, Business Excellence.
Other Current Directorships:	Security Matters Limited
Former Directorships (last 3 years):	Nil
Membership of Committees	Remuneration and Nomination Committee
Interest in Shares:	150,000 Shares
Interest in Options:	Nil
Interest in Rights:	50,000 performance rights
Contractual rights to Shares:	50,000 Performance Rights each will automatically vest into one Share on the vesting date of 6 June 2020.

Name:	<b>Mark Gerald Van Asten</b>
Title:	Non-Executive Director
Qualifications:	Bachelor of Science, University of New South Wales
Experience & Expertise:	As the Managing Director and founder of Diagnostic Technology Pty Ltd, Mark has been responsible for the development, introduction, and mainstream healthcare adoption of technologies throughout Australia and Asia. Mark has also held several director-level business development positions with US and Australian diagnostics corporations.
Other Current Directorships:	Nil
Former Directorships (last 3 years):	Cimtech Ltd
Membership of Committees	Audit and Risk, Remuneration and Nomination
Interest in Shares:	300,000 Shares
Interest in Options:	75,000 Options
Interest in Rights:	50,000 performance rights
Contractual rights to Shares:	50,000 Performance Rights each will automatically vest into one Share on the vesting date of 6 June 2020.

## Information on Directors(continued)

Name:	<b>Ms Bronwyn Le Grice</b> (Resigned 31 March 2020)
Title:	Non-Executive Director
Qualifications:	- Master's Degree, Commercial Law University of Melbourne; - Bachelor's Degree, Communications, Marketing, General Management, Business Law and Human Resources The University of Western Australia.
Experience & Expertise:	Bronwyn has over 15 years senior executive experience in health technology spanning venture capital, transaction management, capital raising, corporate development, investor relations and industry advocacy. She is currently Founder & CEO of ANDHealth, providing Australia's only accelerator programs focused specifically on de-risking and commercialising technologies in digital health. Previously Bronwyn held the role of Investment Director BioScience Managers and has advised both public and private companies in Australia and New Zealand on deal preparation, structuring, execution and investor engagement. Bronwyn is a Member of Women on Boards and the Australian Institute of Company Directors. In addition, she holds a number of advisory roles, including the RMIT University Health and BioMedical Sector Expert Research Advisory Group, Swinburne University Innovation Precinct Advisory Board, La Trobe University Digital Health Advisory Committee, PCH Alliance Global Innovation Task Force and Australia New Zealand Leadership Forum Health Technologies Sector Advisory Group.
Other Current Directorships:	ANDHealth Limited
Former Directorships (last 3 years):	None
Membership of Committees	None
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 Performance Rights each will automatically vest into one Share on the vesting date of 26 April 2020.

Other current directorships quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

## Company secretary

Ms Jovanka Naumoska has held the role of Company Secretary since 6 December 2016. She holds a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia as well as Bachelor of Science degree from the University of Wollongong, Bachelor of Law degree and the Graduate Diploma in Legal Practice, also from the University of Wollongong.



## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2019, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	Number of meetings eligible to attend	Attended	Number of meetings eligible to attend	Attended	Number of meetings eligible to attend	Attended
Mr Robert Romeo Proulx	8	8	-	-	-	-
Mr Michael John Harsh	8	7	2	2	-	-
Mr David Gerald Ludvigson	8	5	2	2	-	-
Ms Jovanka Naumoska	8	8	-	-	-	-
Mr Mark Gerald Van Asten	8	7	2	2	-	-
Dr. John Hazle*	4	4	-	-	-	-
Ms Bronwyn Le Grice	8	8	-	-	-	-

\*resigned on 27 June 2019

## Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- principles used to determine the nature and amount of remuneration
- details of remuneration
- service agreements
- share-based compensation
- additional information
- additional disclosures relating to key management personnel

### Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board has determined the remuneration arrangements for the directors and executives with the appointment of the Nomination and Remuneration Committee they will be responsible for determining and reviewing remuneration arrangements for its directors and executives.

The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

### *Principles used to determine the nature and amount of remuneration (continued)*

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive director's remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Shareholders approve the maximum aggregate remuneration for non-executive directors at the Annual General Meeting on 31 May 2019. The Board recommends the actual payments to directors and shareholders are responsible for ratifying any recommendations, if appropriate. ASX listing rules require the aggregate non-executive director's remuneration be determined periodically by a general meeting. The aggregate approved remuneration for non-executive directors is \$250,000.

#### *Executive remuneration*

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- health care benefits
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

### Principles used to determine the nature and amount of remuneration (continued)

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

#### Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

#### Details of remuneration

##### Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Imagion Biosystems Limited:

#### Executive Directors:

Robert Romeo Proulx – Executive Chairman/President

#### Other Key Management:

Brian Conn – Chief Financial Officer

### Details of Remuneration

2019	Short Term Benefits			Share-Based Payments		
	Cash Salary & Fees	Cash Bonus	Non-Monetary	Equity-settled shares	Equity-settled options	Total
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Mr Michael John Harsh	20,000	-	-	9,208	-	29,208
Mr David Gerald Ludvigson	20,000	-	-	9,208	-	29,208
Ms Jovanka Naumoska	20,000	-	-	9,208	-	29,208
Mr Mark Gerald Van Asten	20,000	-	-	9,208	-	29,208
Ms Bronwyn Le Grice	25,000	-	-	4,476	-	29,476
Dr John Hazle *	10,000	-	-	7,800	-	17,800
<i>Executive Directors</i>						
Robert Romeo Proulx	399,440	-	-	(939,600)	-	(540,160)
<i>Other Key Management</i>						
Brian Conn	209,093	-	-	(183,600)	16,129	41,622
<b>Total</b>	<b>723,533</b>	<b>-</b>	<b>-</b>	<b>(1,074,092)</b>	<b>16,129</b>	<b>(334,430)</b>

\* Represents remuneration from 1 January 2019 to 27 June 2019.

Due to reversal of performance rights as a result of reassessment of probabilities of performance milestone achievement, the share-based payments for Robert Romeo Proulx and Brian Conn is negative for the year ended 31 December 2019.

Details of Remuneration (continued)

2018	Short Term Benefits			Share-Based Payments		Total
	Cash Salary & Fees	Cash Bonus	Non-Monetary	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Mr Peter Di Chiara*	2,576	-	-	18,319	-	20,895
Mr Michael John Harsh	12,500	-	-	11,315	-	23,815
Mr David Gerald Ludvigson	12,500	-	-	11,315	-	23,815
Ms Jovanka Naumoska	12,500	-	-	11,315	-	23,815
Mr Mark Gerald Van Asten	12,500	-	-	11,315	-	23,815
Ms Bronwyn Le Grice**	8,333	-	-	2,531	-	10,864
Dr John Hazle***	12,500	-	-	10,519	-	23,019
<i>Executive Directors</i>						
Robert Romeo Proulx	347,942	-	-	610,096	-	958,038
<i>Other Key Management</i>						
Giulio Paciotti****	272,000	-	-	(64,386)	-	207,614
Brian Conn	200,480	-	-	119,214	-	319,694
<b>Total</b>	<b>893,831</b>	<b>-</b>	<b>-</b>	<b>741,553</b>	<b>-</b>	<b>1,635,384</b>

\* Represents remuneration from 1 January 2018 to 26 April 2018.

\*\* Represents remuneration from 26 April 2018 to 31 December 2018.

\*\*\* Represents remuneration from 30 July 2018 to 31 December 2018.

\*\*\*\* Represents remuneration from 1 January 2018 to 1 July 2018.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors</i>						
Mr Peter Di Chiara*	-	12%	-	-	-	88%
Mr Michael John Harsh	68%	52%	-	-	32%	48%
Mr David Gerald Ludvigson	68%	52%	-	-	32%	48%
Ms Jovanka Naumoska	68%	52%	-	-	32%	48%
Mr Mark Gerald Van Asten	68%	52%	-	-	32%	48%
Ms Bronwyn Le Grice**	85%	77%	-	-	15%	23%
Dr John Hazle***	56%	54%	-	-	44%	46%
<i>Executive Directors</i>						
Robert Romeo Proulx	(74%)	36%	-	-	174%	64%
<i>Other Key Management</i>						
Giulio Paciotti****	-	131%	-	-	-	(31%)
Brian Conn	502%	63%	-	-	(402%)	37%

\* Represents remuneration from 1 January 2018 to 26 April 2018.

\*\* Represents remuneration from 26 April 2018 to 31 December 2018.

\*\*\* Represents remuneration from 30 July 2018 to 31 December 2018 and remuneration from 1 January 2019 to 27 June 2019.

\*\*\*\* Represents remuneration from 1 January 2018 to 1 July 2018.

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Robert Romeo Proulx
Title:	Executive Chairman/President
Agreement Commenced	1 May 2017
Term of Agreement	3 years, unless extended by mutual agreement
Details	<ul style="list-style-type: none"> <li>- Base salary of \$US240,000 per annum, to be reviewed annually by the Nomination and Remuneration Committee;</li> <li>- Entitled to up to 8,700,000 Shares under the Long-Term Incentive Plan (subject to certain milestones being met) as an initial grant upon Listing;</li> <li>- 12 months termination notice by either party.</li> </ul>

Name:	Brian Conn
Title:	Chief Financial Officer
Agreement Commenced	1 May 2017
Term of Agreement	3 years, unless extended by mutual agreement
Details	<ul style="list-style-type: none"> <li>- Base salary of \$US120,000 per annum, to be reviewed annually by the Nomination and Remuneration Committee;</li> <li>- Entitled to up to 1,700,000 Shares under the Long-Term Incentive Plan (subject to certain milestones being met) as an initial grant upon Listing;</li> <li>- Entitled to up to 2,000,000 Options under the Long Terms Incentive Plan;</li> <li>- 6 months termination notice by either party.</li> </ul>

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

#### Issue of Shares

On 24 June 2019, 900,000 rights were converted into ordinary shares to directors.

#### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of Options granted	Grant date	Vesting date and Exercisable Date	Expiry date	Exercise price \$	Fair value per right at grant date \$
Mr Brian Conn	2,000,000	24-Jun-19	24-Jun-19	24-Jun-24	0.028	0.011

Options granted carry no dividend or voting rights.

### Share-based compensation (continued)

#### Performance Rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting are as follows:

Name	Number of rights granted	Grant date	Expiry date	Exercise price \$	Fair value per right at grant date
					\$
Mr Robert Romeo Proulx	8,700,000	22-Jun-17	22-Jun-20	-	0.16
Mr Michael John Harsh	50,000	6-Jun-18	6-Jun-20	-	0.06
Mr David Gerald Ludvigson	50,000	6-Jun-18	6-Jun-20	-	0.06
Ms Jovanka Naumoska	50,000	6-Jun-18	6-Jun-20	-	0.06
Ms Bronwyn Le Grice	150,000	6-Jun-18	26-Apr-20	-	0.06
Mr Mark Gerald Van Asten	50,000	6-Jun-18	6-Jun-20	-	0.06
Mr Brian Conn	1,700,000	22-Jun-17	22-Jun-20	-	0.16

Performance rights granted carry no dividend or voting rights.

#### Additional information

The earnings of the Consolidated Entity for the year ended 31 December 2019 is summarised below:

	2019	2018	2017
Revenue	2,490,000	371,489	339,057
Net loss before tax	3,432,506	8,340,013	7,794,602
Net loss after tax	3,432,506	8,340,013	7,794,602

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017
Share Price at start of financial year (\$)	0.030	0.110	0.200
Share price at financial year end (\$)	0.025	0.030	0.110
Basic earnings per share (cents per share)	(0.0100)	(0.0378)	(0.0507)
Diluted earnings per share (cents per share)	(0.0100)	(0.0378)	(0.0507)

## Additional disclosures relating to key management personnel

### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance start of year	Received Remuneration	Additions	Disposals	Balance at the end of the year
Mr Robert Romeo Proulx	352,500	-	352,500	-	705,000
Mr Michael John Harsh	-	150,000	-	-	150,000
Mr David Gerald Ludvigson	-	150,000	150,000	-	300,000
Ms. Jovanka Naumoska	-	150,000	-	-	150,000
Mr Mark Gerald Van Asten	-	150,000	150,000	-	300,000
Ms. Bronwyn Le Grice	-	-	-	-	-
Dr John Hazle*	-	150,000	-	-	150,000
Mr Brian Conn	250,000	-	-	-	250,000
Total	602,500	750,000	652,500	-	2,005,000

\* Resigned 27 June 2019.

### Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Name	Balance start of year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Mr Robert Romeo Proulx	-	176,250	-	-	176,250
Mr David Gerald Ludvigson	-	75,000	-	-	75,000
Mr Mark Gerald Van Asten	-	75,000	-	-	75,000
Mr Brian Conn	100,000	2,000,000	-	-	2,100,000
Total	100,000	2,326,250	-	-	2,426,250

### Performance Rights Holding

The number of performance shares in the company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

Name	Balance start of year	Granted	Vested	Expired/forfeited/other	Balance at end of year
Mr Robert Romeo Proulx	8,700,000	-	-	-	8,700,000
Mr Michael John Harsh	200,000	-	(150,000)	-	50,000
Mr David Gerald Ludvigson	200,000	-	(150,000)	-	50,000
Ms Jovanka Naumoska	200,000	-	(150,000)	-	50,000
Mr Mark Gerald Van Asten	200,000	-	(150,000)	-	50,000
Ms. Bronwyn Le Grice	150,000	-	-	-	150,000
Dr John Hazle*	150,000	-	(150,000)	-	-
Mr Brian Conn	1,700,000	-	-	-	1,700,000
Total	11,500,000	-	(750,000)	-	10,750,000

\* Resigned 27 June 2019.

This concludes the remuneration report, which has been audited.

## Shares under option

Unissued ordinary shares of Imagion Biosystems Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
6 June 2018	30 June 2021	\$0.2000	3,000,000
28 November 2018	27 November 2020	\$0.0600	34,700,000
24 June 2019	24 June 2024	\$0.0280	4,650,000
30 September 2019	27 February 2021	\$0.0302	198,063
30 September 2019	30 March 2021	\$0.0262	183,950
30 September 2019	29 April 2021	\$0.0256	304,951
30 September 2019	30 May 2021	\$0.0290	377,602
30 September 2019	29 June 2021	\$0.0194	952,987
26 November 2019	26 November 2021	\$0.0600	96,706,395
26 November 2019	22 August 2024	\$0.0600	300,000
26 November 2019	20 September 2024	\$0.0600	100,000
26 November 2019	7 October 2024	\$0.0600	200,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options

The following ordinary shares of Imagion Biosystems Limited were issued during the year ended 31 December 2019 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
24 June 2019	\$0.0280	187,500

## Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.



### Non-audit services

There were no non audit services provided during the financial year by the auditor.

### Officers of the company who are former partners of RSM Australia Partners

There are no officers of the company who are former partners of RSM Australia Partners.

### 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 immediately after this directors' report.

### Auditor

RSM Australia Partners continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



---

Robert Proulx  
Director

31 March 2020

**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Imagination Biosystems Limited for the year ended 31 December 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

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: 31 March 2020  
Melbourne, Victoria

**Imagion Biosystems Limited**  
**Consolidated Statement of Profit and Loss and Other Comprehensive Income**  
**For the year ended 31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Revenue</b>			
Revenue and other income	4	432,714	371,489
Research & development tax incentives		2,057,286	-
		<b>2,490,000</b>	<b>371,489</b>
<b>Expenses</b>			
Research & development costs		(2,269,006)	(3,295,676)
Employee salaries and expenses		(2,757,564)	(3,128,280)
Professional fees		(784,023)	(525,302)
General expenses		(868,684)	(1,148,459)
Share based payments expense		940,754	(837,133)
Depreciation		(141,988)	(213,791)
Foreign exchange gain/(loss)		(32,837)	444,892
Finance costs		(9,158)	(7,753)
<b>Loss before income tax expense</b>		<b>(3,432,506)</b>	<b>(8,340,013)</b>
Income tax expense		-	-
<b>Loss after income tax expense</b>		<b>(3,432,506)</b>	<b>(8,340,013)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve		(70,284)	(411,997)
Income tax relating to these items		-	-
Other comprehensive income/(loss) for the year, net of tax		(70,284)	(411,997)
<b>Total comprehensive income/(loss) for the year</b>		<b>(3,502,790)</b>	<b>(8,752,010)</b>
Loss attributable to:			
Owners of Imagion Biosystems Limited		<b>(3,502,790)</b>	<b>(8,752,010)</b>
<b>Loss per share attributable to the owners of Imagion Biosystem Limited</b>			
		<b>Cents</b>	<b>Cents</b>
Basic loss per share	21	(0.010)	(0.038)
Diluted loss per share	21	(0.010)	(0.038)

*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 31 December 2019**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	3,401,713	4,367,097
Trade and other receivables		71	140,481
Other current assets	6	171,112	408,021
Total current assets		<u>3,572,896</u>	<u>4,915,599</u>
<b>Non-current assets</b>			
Property, plant and equipment	7	434,150	271,860
Right-of-use assets	8	865,051	-
Total non-current assets		<u>1,299,201</u>	<u>271,860</u>
<b>Total assets</b>		<u>4,872,097</u>	<u>5,187,459</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	885,979	1,187,992
Lease liability	10	261,760	36,082
Employee benefits		101,832	75,723
Other liability		33,990	-
Total current liabilities		<u>1,283,561</u>	<u>1,299,797</u>
<b>Non-current liabilities</b>			
Lease liability	11	615,019	18,434
Total non-current liabilities		<u>615,019</u>	<u>18,434</u>
<b>Total liabilities</b>		<u>1,898,580</u>	<u>1,318,231</u>
<b>Net assets</b>		<u><b>2,973,517</b></u>	<u><b>3,869,228</b></u>
<b>Equity</b>			
Issued capital	12	36,904,580	33,182,325
Reserves	13	714,478	1,899,938
Accumulated losses	14	<u>(34,645,541)</u>	<u>(31,213,035)</u>
<b>Total equity</b>		<u><b>2,973,517</b></u>	<u><b>3,869,228</b></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 31 December 2019**

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
Balance at 1 January 2018	28,686,708	1,138,870	(22,873,022)	6,952,556
Loss after income tax expense for the year	-	-	(8,340,013)	(8,340,013)
Other comprehensive income for the year, net of tax	-	(411,997)	-	(411,997)
Total comprehensive income for the year	-	(411,997)	(8,340,013)	(8,752,010)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	5,146,705	-	-	5,146,705
Cost of contributions of equity	(651,088)	-	-	(651,088)
Share-based payments	-	1,173,065	-	1,173,065
Balance at 31 December 2018	<u>33,182,325</u>	<u>1,899,938</u>	<u>(31,213,035)</u>	<u>3,869,228</u>
<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Reserves \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
Balance at 1 January 2019	33,182,325	1,899,938	(31,213,035)	3,869,228
Loss after income tax expense for the year	-	-	(3,432,506)	(3,432,506)
Other comprehensive income for the year, net of tax	-	(70,284)	-	(70,284)
Total comprehensive income for the year	-	(70,284)	(3,432,506)	(3,502,790)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	3,848,272	-	-	3,848,272
Cost of contributions of equity	(287,033)	-	-	(287,033)
Transfer from reserves	161,016	(161,016)	-	-
Share-based payments	-	(954,160)	-	(954,160)
Balance at 31 December 2019	<u>36,904,580</u>	<u>714,478</u>	<u>(34,645,541)</u>	<u>2,973,517</u>

*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 year ended 31 December 2019**

	<b>Note</b>	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of sales and other taxes)		558,844	154,457
Payments to suppliers and employees (inclusive of sales and other taxes)		(6,815,862)	(6,786,076)
Interest received		16,556	67,078
Interest and other finance costs paid		(3,501)	(2,669)
Government grants and tax incentives		<u>2,061,918</u>	<u>-</u>
Net cash from operating activities	20	(4,182,045)	(6,567,210)
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		<u>(12,353)</u>	<u>(83,565)</u>
Net cash used in investing activities		<u>(12,353)</u>	<u>(83,565)</u>
<b>Cash flows from financing activities</b>			
Lease repayments		(120,165)	(128,493)
Proceeds from financing arrangements		84,770	-
Proceeds from the issue of shares		3,369,266	4,285,884
Proceeds from exercise of share options		5,148	-
Share issue costs		(13,305)	(54,189)
Net cash used in financing activities		<u>3,325,714</u>	<u>4,103,202</u>
Net increase/(decrease) in cash and cash equivalents		(868,684)	(2,547,573)
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>(96,700)</u>	<u>41,841</u>
Cash and cash equivalents at the end of the financial year		<u>3,401,713</u>	<u>4,367,097</u>

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

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 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

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The company has used the practical expedient to account for the lease for which the lease term ends within 12 months of the date of initial application as short term leases. The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	1 January 2019 \$
Operating lease commitments as at 1 January 2019 (AASB 117)	203,207
Short-term leases not recognised as a right of use asset (AASB 16)	<u>(203,207)</u>
Increase/reduction in opening retained profits as at 1 January 2019	<u><u>-</u></u>

### 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 \$3,432,506 (PY: \$8,340,013), and had net cash outflows from operating activities of \$4,182,045 (PY: \$6,567,210) for the year ended 31 December 2019. The company 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. Subsequent to year end, the impact of COVID-19 may have an impact on its ongoing research, development and other activities as outlined in the events after the reporting period (refer to note 28).

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.

## Note 1. Significant accounting policies(continued)

Despite this financial position, the Directors believe 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 Company successfully raised \$3,628,256 (before costs) during November 2019;
- The Directors are confident that additional funds can be raised through further capital raisings to support ongoing research and development activities; and
- The Company has historically received some cost relief through the receipt of research & development income tax incentives and the directors expect this to continue.

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.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### *Parent entity information*

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 18.

#### *Principles of consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imagion Biosystems Limited ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. Imagion Biosystems Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.



## Note 1. Significant accounting policies(continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received, and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation

The financial statements are presented in Australian dollars, which is Imagion Biosystems Limited's functional and presentation currency.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Revenue recognition

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

## Note 1. Significant accounting policies(continued)

### *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered, or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## Note 1. Significant accounting policies(continued)

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all a financial asset, its carrying value is written off.

#### *Financial assets at fair value through profit or loss*

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

#### *Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

#### *Impairment of financial assets*

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

#### Note 1. Significant accounting policies(continued)

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

##### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis or diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment	3-10 years
---------------------	------------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

##### **Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

##### **Research and development**

Research costs for the development of intellectual property are expenses in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure is capitalised and is amortised on a straight-line basis over the period of expected benefits from the related project.

##### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

##### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

## Note 1. Significant accounting policies(continued)

### Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee Benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

#### **Note 1. Significant accounting policies(continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

#### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests.

For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market



## Note 1. Significant accounting policies(continued)

knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### 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.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### Earnings per share

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Imagion Biosystems Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### 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.

### New Accounting Standards and Interpretations not yet mandatory or early adopted Australian

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2019. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Fair value measurement hierarchy*

The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

## Note 3. 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).



#### Note 4. Revenue

	Consolidated 2019 A\$	2018 A\$
<i>Sales revenue</i>		
Sale of goods	410,854	191,477
	<u>410,854</u>	<u>191,477</u>
<i>Other revenue</i>		
Interest	21,788	36,955
Other income	72	143,057
	<u>21,860</u>	<u>180,012</u>
Revenue	<u><u>432,714</u></u>	<u><u>371,489</u></u>

#### Note 5. Current assets - cash and cash equivalents

	Consolidated 2019 A\$	2018 A\$
Cash on hand	16	16
Cash at bank	3,401,697	4,367,081
	<u>3,401,713</u>	<u>4,367,097</u>

#### *Reconciliation to cash and cash equivalents at the end of the financial year*

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	3,401,713	4,367,097
Balance as per statement of cash flows	<u><u>3,401,713</u></u>	<u><u>4,367,097</u></u>

#### Note 6. Current assets - other

	Consolidated 2019 A\$	2018 A\$
Prepayments	97,977	52,885
Other assets	73,135	355,136
	<u><u>171,112</u></u>	<u><u>408,021</u></u>

**Note 7. Non-current assets - property, plant and equipment**

	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
Plant and equipment - at cost	1,032,534	1,328,260
Less: accumulated depreciation	<u>(598,384)</u>	<u>(1,056,400)</u>
	<b><u>434,150</u></b>	<b><u>271,860</u></b>

*Reconciliation*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated – Plant &amp; Equipment</b>	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
Opening Balance	271,860	372,103
Additions	278,233	87,181
Disposals	-	-
Foreign currency revaluation movements	2,243	26,367
Depreciation expense	<u>(118,186)</u>	<u>(213,791)</u>
Closing Balance	<b><u>434,150</u></b>	<b><u>271,860</u></b>

**Note 8. Non-current assets – right-of-use assets**

	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
Land and buildings - right-of-use	889,095	-
Less: Accumulated depreciation	<u>(24,044)</u>	<u>-</u>
	<b><u>865,051</u></b>	<b><u>-</u></b>

The consolidated entity leases land and buildings for its offices under agreements of 25 months with options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity leases office equipment under agreements of less than two years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
Trade payables	708,905	983,680
Other payables	<u>177,074</u>	<u>204,312</u>
	<b><u>885,979</u></b>	<b><u>1,187,992</u></b>

**Note 10. Current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>261,760</u>	<u>36,082</u>

**Note 11. Non-current liabilities - lease liabilities**

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Lease liability	<u>615,019</u>	<u>18,434</u>

**Note 12. Equity - issued capital**

**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.

	<b>2018</b>	<b>Consolidated</b>	<b>2018</b>	<b>2019</b>
	<b>Shares</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
		<b>Shares</b>	<b>A\$</b>	<b>A\$</b>
Ordinary shares - fully paid	322,742,824	508,782,191	33,182,325	36,488,486

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue Price</b>	<b>A\$</b>
Issue of shares (share-based payment)	6 June 2018	10,529,053	0.062	652,801
Issue of shares (rights issue)	24 October 2018	10,288,098	0.040	411,524
Issue of shares (rights issue)	28 November 2018	96,859,510	0.040	3,874,380
Issue of shares (performance shares)	28 November 2018	1,300,000	0.160	208,000
Sub total	31 December 2018	<u>322,742,824</u>		<u>33,833,413</u>
Costs of capital raising				<u>(651,088)</u>
Closing balance				<u>33,182,325</u>

**Note 12. Equity – issued capital(continued)**

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue Price</b>	<b>A\$</b>
Issue of shares (performance rights)	24 June 2019	962,500	0.160	154,000
Issue of shares (performance rights)	30 September 2019	31,250	0.160	5,000
Issue of shares (share-based payment)	30 September 2019	3,445,310	0.050	172,266
Issue of shares (exercise of options)	4 October 2019	187,500	0.039	7,266
Issue of shares (rights issue)	26 November 2019	181,412,807	0.020	3,628,256
Issue of shares (share-based payment)	10 December 2019	2,500,000	0.017	42,500
Sub total	31 December 2019	<u>511,282,191</u>		<u>37,191,613</u>
Costs of capital raising				<u>(287,033)</u>
Closing balance				<u>36,904,580</u>

On 24 June 2019, 962,500 vested performance shares were converted into ordinary shares. The performance shares were issued to current and previous employees.

On 30 September 2019, 31,250 vested performance shares were converted into ordinary shares. The performance shares were issued to a current employee.

On 30 September 2019, the consolidated entity issued an additional 3,445,310 shares to Family Office Networks, Inc. and nanoComposix, Inc. as payment for the consolidated entity to contractors under deeds of subscription and settlement. The shares have been valued at the fair value on the date of issue.

On 4 October 2019, an option holder exercised 187,500 options and converted to ordinary shares.

The consolidated entity completed a rights issue that ultimately raised \$3,628,256 (before costs) on 26 November 2019 through a non-renounceable rights issue of 181,412,807 shares at \$0.02 to existing shareholders, sophisticated and professional investors.

On 10 December 2019, the consolidated entity issued an additional 2,500,000 shares as payment for consideration for professional investor relation services. The shares have been valued at the fair value on the date of issue.

*Capital risk management*

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current consolidated entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short-term as it continues to integrate and grow its existing businesses in order to maximise synergies.

### Note 13. Equity - reserves

	Consolidated 2019 A\$	2018 A\$
Foreign currency translation reserve	32,662	102,946
Share based & option reserve	681,816	1,796,992
Total	<u>714,478</u>	<u>1,899,938</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.

#### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment reserve A\$	Foreign currency reserve A\$	Total A\$
Balance at 1 January 2018	623,927	514,943	1,138,870
Movements in revaluation of foreign currency through translation reserve	-	(411,997)	(411,997)
Share based payments for key management, non-executive directors and employees	1,173,065	-	1,173,065
Balance at 31 December 2018	<u>1,796,992</u>	<u>102,946</u>	<u>1,899,938</u>
Movements in revaluation of foreign currency through translation reserve	-	(70,284)	(70,284)
Share based payments for key management, non-executive directors and employees	(954,160)	-	(954,160)
Conversion to share capital	<u>(161,016)</u>	<u>-</u>	<u>(161,016)</u>
Balance at 31 December 2019	<u>681,816</u>	<u>32,662</u>	<u>714,478</u>

### Note 14. Accumulated Losses

	Consolidated 2019 A\$	2018 A\$
Accumulated Losses at the beginning of the financial year	(31,213,035)	(22,873,022)
Losses after income tax expense for the year	<u>(3,432,506)</u>	<u>(8,340,013)</u>
Accumulated Losses at the end of the financial year	<u>(34,645,541)</u>	<u>(31,213,035)</u>

## Note 15. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
Short-term employee benefits	723,533	893,831
Share-based payments	<u>(1,057,963)</u>	<u>741,553</u>
	<u>(334,430)</u>	<u>1,635,384</u>

Share-based payments for the year ended 31 December 2019 is a negative amount, reflecting the reversal of performance rights following a reassessment of the probabilities related to milestone achievement.

## Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, its network firms and unrelated firms:

	<b>Consolidated 2019 A\$</b>	<b>2018 A\$</b>
<i>Audit services – RSM Australia Partners</i>		
Audit or review of the financial statements	<u>60,000</u>	<u>60,000</u>
	<u>60,000</u>	<u>60,000</u>

## Note 17. Commitments

The consolidated entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2018.

## Note 18. Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

	Parent 2019 A\$	2018 A\$
(Loss) after income tax	(3,868,212)	(28,436,906)
Total comprehensive income	<u>(3,868,212)</u>	<u>(28,436,906)</u>

### Statement of financial position

	Parent 2019 A\$	2018 A\$
Total current assets	3,185,926	4,705,440
Total assets	<u>3,370,893</u>	<u>4,705,453</u>
Total current liabilities	614,362	687,789
Total liabilities	<u>614,362</u>	<u>687,789</u>
Equity		
Issued capital	36,488,486	33,182,325
Reserves	1,385,037	2,084,119
Retained earnings	<u>(35,116,992)</u>	<u>(31,248,780)</u>
Total equity	<u>2,756,531</u>	<u>4,017,664</u>

### Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2019 and 31 December 2018.

### Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2019 and 31 December 2018.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

**Note 19. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Imagion Biosystems Inc	United States of America	100	100

**Note 20. Reconciliation of loss after income tax to net cash flows from operating activities**

	Consolidated	
	2019 \$	2018 \$
<i>Loss after income tax expense for the year</i>	(3,432,506)	(8,340,013)
<i>Adjustments for:</i>		
Depreciation expense	142,230	213,791
Refundable deposit	123,112	(123,112)
Fair value adjustment	-	(140,036)
Foreign exchange loss	32,837	(444,892)
Share based payments expense	(940,754)	837,133
Direct equity raising costs	7,882	(57,894)
Collaboration expenses	-	869,811
Interest	5,657	-
Bad debts	4,945	-
Equity settled payments	180,852	-
	<u>(3,875,745)</u>	<u>(7,185,212)</u>
<i>Changes in operating assets and liabilities:</i>		
Trade and other receivables	24,192	(44,583)
Prepayments	(45,092)	287,670
Trade and other payables	(298,909)	371,450
Monies in trust	13,509	3,465
	<u>(4,182,045)</u>	<u>(6,567,210)</u>
Net cash used in operating activities		



## Note 21. Earnings per share

	Consolidated 2019 A\$	2018 A\$
Loss after income tax	(3,432,506)	(8,340,013)
Loss after income tax attributable to the owners of Imagion Biosystems Limited	<u>(3,432,506)</u>	<u>(8,340,013)</u>
	<b>Number</b>	
Weighted average number of ordinary shares used in calculating basic earnings per share	342,221,471	220,883,627
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>342,221,471</u>	<u>220,883,627</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.0100)	(0.0378)
Diluted earnings per share	(0.0100)	(0.0378)

## Note 22. Share based payments

### *Performance Shares*

Upon listing on the Australian Stock Exchange, the consolidated entity established various incentive arrangements to assist in the attraction, retention and motivation of its employees and management group.

### *Employees*

A total of 2,550,000 rights over shares were issued to employees of the consolidated entity under the LTI plan, which vested quarterly over the two years following the listing on 22 June 2017 to 22 June 2019 and were not subject to performance milestones. Each right was converted into one ordinary share upon vesting. Performance rights are unquoted.

During the current financial year and the previous financial year, rights vested on a quarterly basis in accordance with the rules of the LTI Plan and, upon cessation of employment, unvested rights either lapsed or fully vested.

On 24 June 2019, 62,500 rights were converted into ordinary shares to an employee.

On 30 September 2019, 31,250 rights were converted into ordinary shares to an employee.

### *Key Management and Directors*

A total of 13,350,000 rights over shares have been issued to Key management personnel and directors. These shares vest two years after the date of issue. A total of 10,400,000 rights are subject to two performance milestones. The remaining rights are not subject to performance milestones, apart from continuation of employment. Each right is convertible into one ordinary share upon vesting. Performance rights are unquoted.

During the current financial year, no performance rights were issued to directors (2018: 350,000) and nil rights (2018: 1,700,000) lapsed due to cessation of employment.

During the current financial year no rights were issued to employees (2018: nil), and nil rights (2018: nil) lapsed.

**Note 22. Share based payments(continued)**

On 24 June 2019, 900,000 rights were converted into ordinary shares to Key management personnel and directors.

Other rights to employees vested in 2019 were 62,500 (2018: 787,500).

The number of performance shares at the end of the financial year and movements are shown below:

	<b>Employees</b>		<b>Directors &amp; Key Management</b>		<b>Total</b>	<b>Total</b>
	<b>Unvested</b>	<b>Vested</b>	<b>Unvested</b>	<b>Vested</b>	<b>Unvested</b>	<b>Vested/not exercised</b>
<b>2018</b>						
1 January 2018	1,537,500	543,750	13,000,000	-	14,537,500	543,750
Issued	-	-	350,000	-	350,000	-
Vested based on employment	(381,250)	381,250	-	-	(381,250)	381,250
Vested – due to resignation	(406,250)	406,250	-	-	(406,250)	406,250
Lapsed – due to resignation	(687,500)	-	(1,700,000)	-	(2,387,500)	-
Converted to shares	-	(1,300,000)	-	-	-	(1,300,000)
<b>Balance 31 December 2018</b>	<b>62,500</b>	<b>31,250</b>	<b>11,650,000</b>	<b>-</b>	<b>11,712,500</b>	<b>31,250</b>
<b>2019</b>						
Issued	-	-	-	-	-	-
Vested based on employment	(62,500)	62,500	(900,000)	900,000	(962,500)	962,500
Vested – due to resignation	-	-	-	-	-	-
Lapsed – due to resignation	-	-	-	-	-	-
Converted to shares	-	(93,750)	-	(900,000)	-	(993,750)
<b>Balance 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>10,750,000</b>	<b>-</b>	<b>10,750,000</b>	<b>-</b>

A share option plan has been established by the consolidated entity and approved by directors at a board meeting, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Set out below are summaries of options granted under the plan:

<b>2019</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ forfeited/ other</b>	<b>Balance at the end of the year</b>
	24/06/2019	24/06/2024	\$0.028	-	5,300,000	(187,500)	(462,500)	4,650,000
				-	5,300,000	(187,500)	(462,500)	4,650,000
	Weighted average exercise price			-	\$0.028	\$0.028	\$0.028	\$0.028

2018: Nil

## Note 22. Share based payments(continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
24/06/2019	24/06/2024	3,475,000	-
		<u>3,475,000</u>	<u>-</u>

The weighted average share price during the financial year was \$0.033 (2018: \$0.056).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.48 years (2018: Nil).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/06/2019	24/06/2024	\$0.017	\$0.028	87.00%	0.00%	0.92%	\$0.011

## Note 23. Financial Instruments

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Derivatives are not currently used by the consolidated entity for hedging purposes. The consolidated entity does not speculate in the trading of derivative instruments.

### Market Risk

#### Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations, in particular United States dollars.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity had net assets denominated in foreign currencies of \$216,998 (assets of \$1,501,217 less liabilities of \$1,284,219) as at 31 December 2019 (2018: Net Liabilities \$148,423 (assets of \$482,019 less liabilities of \$630,442)). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2018: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's loss before tax for the year would have been \$10,850 lower/\$10,850 higher (2018: \$7,421 lower/\$7,421 higher) .

**Note 23. Financial Instruments(continued)**

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows (holdings are shown in AUD equivalent):

	<b>Assets</b>		<b>Liabilities</b>	
<b>Consolidated</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
US dollars	1,501,217	482,019	1,284,218	630,442
	<u>1,501,217</u>	<u>482,019</u>	<u>1,284,218</u>	<u>630,442</u>

*Price risk*

The Consolidated Entity is not exposed to any significant price risk.

*Credit risk*

Credit risk refers to the risk that the counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the consolidated entity's receivables from customers and investment securities. The consolidated entity has only minimal sales revenue and consequently does not have credit exposure to outstanding receivables.

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the consolidated entity uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy.

During the year, the consolidated entity had no variable rate interest bearing liability. It is the consolidated entity's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

*Liquidity risk*

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation. The Consolidated Entity's objective is to maintain a balance between continuity of funding and flexibility. The consolidated entity's exposure to financial obligations relating to corporate administration and projects expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

**Note 23. Financial Instruments(continued)**

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>Consolidated - 2019</b>						
<b>Non-derivatives</b>						
Non-interest bearing						
Trade payables	-	708,905	-	-	-	708,905
Other payables	-	177,074	-	-	-	177,074
Interest-bearing - fixed rate	-	-	-	-	-	-
Lease liability	5.014%	262,257	296,476	318,587	-	877,320
Total non-derivatives		1,148,236	296,476	318,587	-	1,763,299
<b>Derivatives</b>						
Promissory and Convertible Notes	-	-	-	-	-	-
Total derivatives		-	-	-	-	-
<b>Consolidated - 2018</b>						
	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b>Non-derivatives</b>						
Non-interest bearing						
Trade payables	-	983,680	-	-	-	983,680
Other payables	-	204,312	-	-	-	204,312
Interest-bearing - fixed rate	-	-	-	-	-	-
Lease liability	6.317%	38,507	18,971	-	-	57,478
Total non-derivatives		1,226,499	18,971	-	-	1,245,470
<b>Derivatives</b>						
Promissory and Convertible Notes	-	-	-	-	-	-
Total derivatives		-	-	-	-	-

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 24. Fair value measurement

### *Fair value hierarchy*

The following tables detail 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 carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

*Valuation techniques for fair value measurements categorised within level 2.*

Unquoted investments have been valued using a discounted cash flow model.

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

## Note 25. Income tax benefit

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised (Australia)	9,384,665	6,332,140
Potential tax benefit @27.5% for 2019 and 27.5% for 2018	<u>9,384,665</u>	<u>1,741,338</u>
Unused tax losses for which no deferred tax asset has been recognised (United States of America)	<u>8,794,261</u>	<u>8,854,777</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the company satisfies the relevant tax loss rules in the relevant jurisdictions and the Company earns sufficient taxable profit to absorb the losses.

## Note 26. Contingent liabilities

As of 31 December 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 27. Related party transactions**

### *Parent Entity*

Imagion Biosystems Limited is the parent entity.

### *Subsidiaries*

Interest in subsidiaries are set out in Note 19.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 15 and the remuneration report included in the directors' report.

### *Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
Payment for goods and services:		
Payment for contracting services – Bronwyn Le Grice	25,000	18,012

### *Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated 2019 \$</b>	<b>2018 \$</b>
Trade payables to David Ludvigson	20,554	-
Trade payables to Michael Harsh	24,122	-
Trade payables to Jovanka Naumoska	27,080	-
Trade payables to Mark Van Asten	27,080	-

## **Note 28. Events after the reporting period**

On 25 March 2020, the company announced that they will issue up to 204,512,879 fully paid ordinary shares as part of a rights issue. Shareholders will be offered two new shares for every five shares held at 30 March 2020. With every new share, shareholders will receive a free attaching new option. New options will have exercise price of 3.0 cents and term of three years. This offer will close on 21 April 2020.

Recent developments in the 2020 year with the COVID-19 pandemic virus has led to various lock downs being put in place which may adversely impact the consolidated entity's ongoing research, development and ongoing activities. Management is monitoring the potential impact of the COVID-19 pandemic and assessing its impact on the consolidated entity. In the coming months, the adverse impact of COVID-19 is likely to be significant to the consolidated entity, but at the date of this report, it is too early to estimate the impact.

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.

## Directors Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



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Robert Proulx  
Director

31 March 2020



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## INDEPENDENT AUDITOR'S REPORT To the Members of Imagion Biosystem Limited

### Opinion

We have audited the financial report of Imagion Biosystems Limited (the Company) and its subsidiaries (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity 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* (the Code) that are relevant to our audit of the 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Consolidated Entity incurred a net loss of \$3,432,506 and reported negative operating cash flows of \$4,182,045 during the year ended 31 December 2019. 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's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key Audit Matters (Continued)

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report

Key Audit Matter	How our audit addressed this matter
<b>Fair Value of the share-based payments</b> Refer to Note 22 in the financial statements	
<p>During the year, performance rights were issued, cancelled and modified to key management personnel and options were issued to consultants of the Consolidated Entity.</p> <p>Management have accounted for these arrangements in accordance with AASB 2 <i>Share-based payments</i> and used the relevant option pricing model to value the options issued in the year.</p> <p>We considered the valuation of these instruments to be a key audit matter, as it involves management estimates and judgments in determining the relevant inputs to the valuation model.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- Reviewing the minutes of directors' meetings and ASX announcements for the approvals in relation to the granting of the instruments;</li> <li>- Reviewing the key terms and conditions of the share-based payment arrangements;</li> <li>- Reviewing managements estimates of achieving vesting conditions for the performance rights issued based on the performance in the current period;</li> <li>- Challenging the reasonableness of key assumptions used by management relative to the valuation at the grant date;</li> <li>- Verifying the mathematical accuracy of the computation; and</li> <li>- Reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report for the year ended 31 December 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Consolidated Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Imagination Biosystems Limited., for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**RSM AUSTRALIA PARTNERS**



**R B MIANO**  
Partner

Dated: 31 March 2020  
Melbourne, Victoria