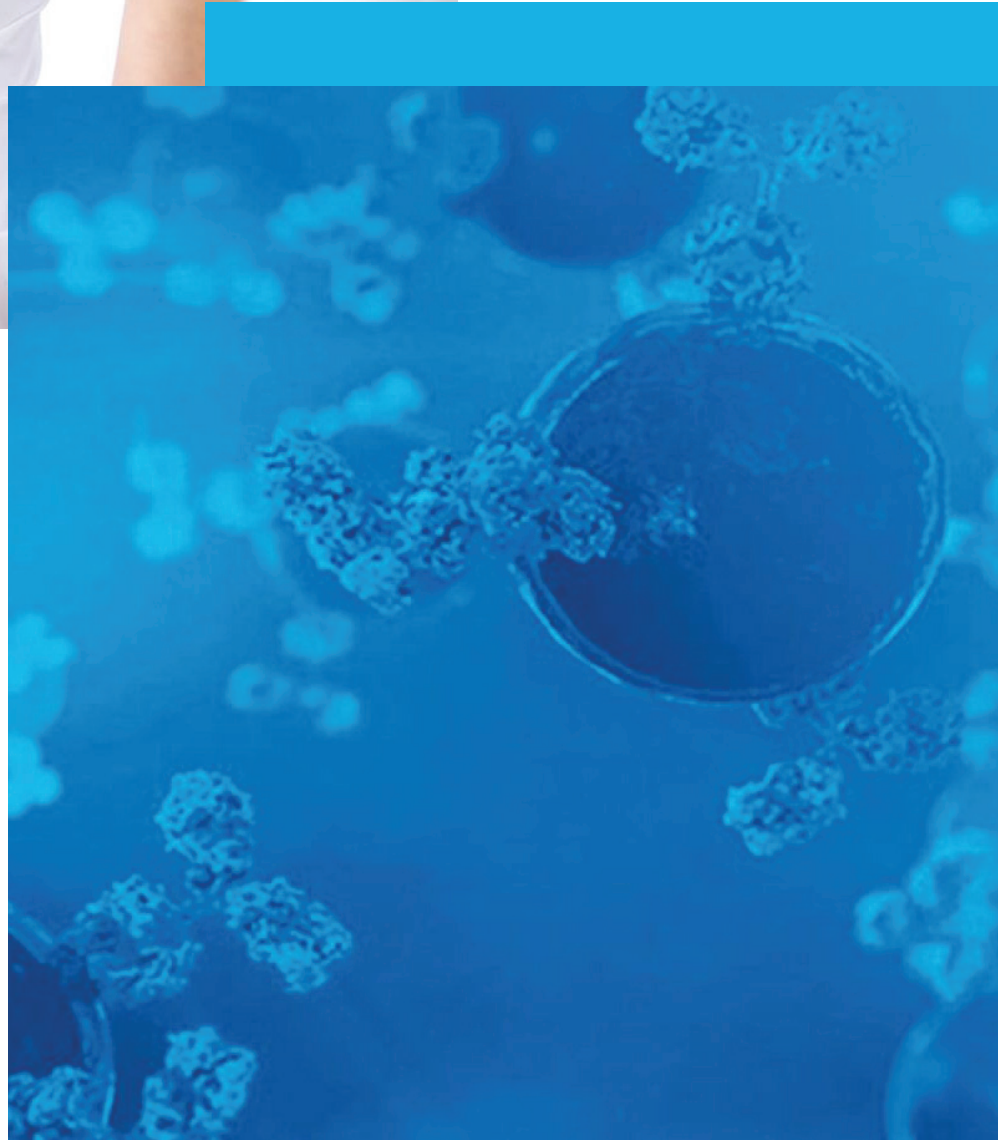




IMAGION
BIOSYSTEMS



IMAGION BIOSYSTEMS LIMITED

ANNUAL REPORT 2021

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2021 HIGHLIGHTS

CLINICAL

- **Multiple patients enrolled and completed** the MagSense® HER2 Breast Cancer Phase I Study
- **Four clinical sites in VIC, NSW, and QLD** are participating in the Phase I Study

OPERATIONAL

- **Secured new premises** expanding R&D and manufacturing capabilities
- **CSIRO funds support prostate cancer preclinical research** at Monash University's Biomedicine Discovery Institute
- **Collaboration with Patrys Limited** looks towards a potential new imaging agent for brain cancer
- **Joint Development Agreement with Global Cancer Technology** aims to develop nanoparticle technology for treating breast cancer
- Revenue from sales of IBX's super-paramagnetic iron oxide nanoparticles to external parties remains steady

CORPORATE

- **Imagion received \$2.6 million** in R&D tax incentives
- **Cash balance of \$13.4 million** as of 31 December 2021
- Exercise of listed options **delivering over \$5.5 million to the Company**
- **Dr Yalia Jayalakshmi joins IBX** as Chief Development Officer

A BREAKTHROUGH IN MAGNETIC MOLECULAR IMAGING

ONE STEP CLOSER TO THE EARLY DETECTION OF CANCER

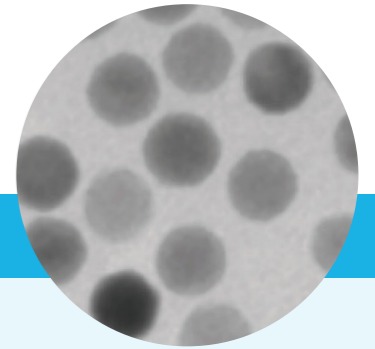
2021 was a very important year for Imagination as we became a clinical stage company with the commencement of our first-in-human study of the MagSense® technology for HER2 breast cancer.

Imagination's MagSense® technology has the potential to provide more specific and sensitive detection for cancer than current imaging technologies. By using tiny magnetic nanoparticles to identify tumors, our MagSense® technology does not require use of radioactivity, making it a safer alternative for non-invasive detection.

With a safer, more specific, and more sensitive approach the Company hopes to enable a new standard of care in the detection of cancer and other diseases. One that will minimize the need for biopsies and thereby reducing costs while minimizing risks for patients.

The current Phase I study of the MagSense® HER2 breast cancer imaging agent is our first clinical investigation. It is an important and valuable step forward serving as a proof-of-principle that our magnetic molecular imaging technology has potential to change clinical practices. But it's just the start. There are many types of cancer and other diseases that can benefit from earlier, better, and safer detection.

We're now one step closer to making a breakthrough in medical imaging.



A WORLD OF POSSIBILITY IN NANOPARTICLES

Nanoparticles are at the core of our business. We have developed a proprietary method for making magnetic nanoparticles while controlling for key attributes, such as size, dispersity, and magnetic properties. We plan to leverage this capability to supply tailor made nanoparticles to third parties for use in their biomedical applications.

Iron oxide nanoparticles are bio-safe with high magnetic susceptibility and can be used as an alternative to radiotracers for:

- **Diagnostic imaging**
- **Cancer treatments**
- **Monitoring for recurrence**
- **Drug and vaccine delivery**

Imagination sells PrecisionMRX® nanoparticles to third parties for research and use in their biomedical products.

PARTNERING WITH LEADING COMPANIES AND INSTITUTIONS

At Imagination, we believe collaborating with world-class researchers is the key to expanding our capabilities. We are currently working with several partners to explore the use of our nanoparticles for diagnosing and treating various forms of cancer.

LETTER FROM THE CHAIRMAN



DEAR SHAREHOLDERS,

Firstly, I would like to thank all of our shareholders for their ongoing support in 2021, with particular thanks to those shareholders who demonstrated their commitment through the exercise of their options, which added over \$5.5 million to our balance sheet throughout 2021. Combined with the \$2.6 million Research and Development tax rebate received earlier in the year, we finished FY2021 with approximately the same amount of cash on hand that we had at the end of FY2020 without requiring a capital raise.

FY2021 marked our transition to becoming a clinical stage company with the commencement of our MagSense® HER2 breast cancer study - a first-in-human investigative study of our proprietary molecular magnetic nanoparticle-based imaging technology. This Phase 1 study is our initial clinical investigation into the safety and tolerability of the MagSense® HER2 nanoparticles and their ability to reach tumour cells that may have metastasized to the lymph nodes. The study will also provide initial important information on the potential effectiveness of two imaging modalities to detect the MagSense® imaging agent, before we commit resources to larger studies for regulatory approval. While the pandemic significantly impacted us from achieving our goal of completing the study in 2021, we made significant progress securing four clinical sites across Victoria, New South Wales, and Queensland in Australia and finishing the year with multiple patients having completed the study.

With our first imaging agent advancing into the clinic in 2021 we looked to expand our product pipeline and added several research collaborations for other diagnostic imaging applications. An Innovations Connections grant awarded under the Entrepreneurs' Programme of the Australian Government Department of Industry, Science, Energy and Resources and administered through Commonwealth Scientific and Industrial Research Organisation, has been put towards a collaboration with Monash University's Biomedicine Discovery Institute to undertake

preclinical research into a MagSense® as a prostate cancer imaging agent. Additionally, we established a collaboration with Patrys Limited, a therapeutic antibody company, to investigate use of a Patrys antibody with our MagSense® nanoparticles with the aim of improving brain tumour imaging and diagnosis. And a Joint Development Agreement with Global Cancer Technology (GCT) provides an opportunity to develop nanoparticle-based solutions for the treatment of breast cancer.

These relationships and ongoing projects are a testament to the unique and pioneering capabilities of our nanoparticle technology and lay the foundation for a strong future commercial pipeline of products addressing unmet clinical needs in the earlier diagnosis of cancer and other diseases to help enable improved therapeutic intervention and patient outcomes.

As our MagSense® HER2 clinical program began to advance in 2021, we also began to focus on building the organizational capabilities to support our future success. The appointment of Dr Yalia Jayalakshmi as Chief Development Officer with extensive experience in the clinical development of drugs and devices, adds significant depth to our leadership team. Additionally, we completed the fit-out of our new R&D and manufacturing facility and moved in at the start of the new year. This new facility significantly expands our internal nanoparticle research & development capabilities, provides additional manufacturing capacity to support our clinical programs and can be leveraged to generate revenue through third party commercial relationships.

Imagination starts 2022 in a strong financial position with our clinical study well underway and momentum in our research programs. We are looking forward to bringing our Phase I study to conclusion and executing our next phase of development. We are grateful to all our stakeholders - collaborators, patients that participate in the study, employees, and shareholders - for their ongoing commitment and support and we look forward to updating you with progress throughout the year.

Robert Proulx

Executive Chairman
Imagination Biosystems Limited

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Imagion Biosystems Limited (referred to hereafter as the 'Company' or 'parent entity' or 'Imagion') and the entities it controlled at the end of, or during the year ended 31 December 2021.

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 Proulx
Executive Chair / President

Robert has been President of Imagion Biosystems since February 2015. Previous employment experience includes President / General Manager for Silicon Biosystems and a career in marketing and sales management with more than 25 years experience in the computer, life science and medical diagnostics industries. Some of Robert's other relevant experience include: Vice President Marketing and Sales for Nanogen Inc.; Senior Vice President of Marketing and Business Development at Gene Logic; and General Manager, Life Sciences at IGEN International Inc. Robert holds an M.A. and B.A. from The State University of New York at Albany and an Executive MBA from the Penn State Smeal College of Business.



Mr Michael Harsh
Non-Executive Director

Michael is a co-founder and Chief Product Officer of Terapede Systems, a digital X-ray startup that focuses on developing an ultra-high resolution medical flat panel X-ray detector. Prior to co-founding Terapede Systems in 2015, Mr. Harsh had a 36-year long career with General Electric, including serving as Global Technology Leader – Imaging Technologies at the GE Global Research Center and culminating with him serving as Vice President and Chief Technology of GE Healthcare. Additionally, he serves on the boards of directors of Endra Life Sciences (NASDAQ: NDRA), EmOpti and Compute Health Acquisition Corp (NYSE:CPUH) as well as being a member the Radiological Society of North America ("RSNA"), Research & Education Foundation Board of Trustees. He had previously served as a director for FloDesign Sonics until its acquisition by MilliporeSigma, a division of the Merck Group. Mr. Harsh is a graduate of Marquette University, where he earned a bachelor's degree in Electrical Engineering. He holds numerous U.S. patents in the field of medical imaging and instrumentation. In 2008, Mr. Harsh was elected to the American Institute for Medical and Biological Engineering College of Fellows for his significant contributions to the medical and biological engineering field.



Mr David Ludvigson
Non-Executive Director

David is currently President & CEO at Nanomix, a point-of-care diagnostic medical device company. David is a financial and operating executive with over 35 years of international experience in life sciences and technology companies including Biogen (formerly IDEC Pharmaceuticals), Matrix Pharmaceutical, Nanogen, and MIPS Computer Systems. His experience over 15 years in the diagnostics arena has led numerous new product efforts from concept to market launch. David has conducted many successful strategic transactions including multiple acquisitions, corporate partnerships, technology and intellectual property licensing agreements, and OEM relationships and his financing experience includes venture capital, corporate, mezzanine, lease, bank credit line, LBO, IPO and secondary public sources.



Ms Jovanka Naumoska

Non-Executive Director

Jovanka is an Australian-qualified corporate lawyer with board-level experience in legal and regulatory issues pertaining to medical imaging technology. Jovanka is currently a non-executive director of Security Matters Limited (ASX:SMX) and serves Australian scientific development organisations in an expert capacity on matters relating to corporate law, business operations, intellectual property development and regulatory compliance.



Mr Mark Van Asten

Non-Executive Director

Mark has over 30 years of experience in the medical diagnostics and life sciences industry. Much of this time has been in international business development, strategic planning and introduction of new technology. Through Diagnostic Technology, a company he founded, he has been responsible for the development and introduction of a number of innovative technology platforms and technologies into mainstream healthcare use, including HPV DNA testing for cervical cancer screening and the molecular monitoring for both viral infections and cancer treatments. He holds an Adjunct Senior Lectures position at the School of Biotechnology and Biomolecular Science, University of NSW where he has collaborated on a number of research projects related to biosynthetic pathways in bacteria.



Ms Dianne Angus

Non-Executive Director

Dianne has worked as a senior executive within the biotechnology, medtech, agritech and healthcare sectors for over twenty years and currently serves as non-executive director with Neuren Pharmaceuticals Limited (ASX: NEU), Cyclopharm Limited (ASX:CYC) and Bionic Vision Technologies Limited as well as being a member of the Deakin University Council. She has built competitive and differentiated product portfolios, from investment in innovative research and product development to commercialisation and market entry. Dianne has created many global industry partnerships to accelerate asset development, financing and provide reputational validation & endorsement. With twenty years' experience in ASX and NASDAQ listed companies, Dianne has expertise in corporate governance, capital raising and stakeholder engagement within the listed capital market sector. Dianne holds a B.Sc. (Ed), B.Sc. (Hons), M.(Biotechnology) and is a registered patent & trade mark attorney.

Company Secretary



Mr Geoff Hollis

Company Secretary

Prior to joining Imagion in December 2020 Geoff spent over 10 years in ASX listed companies as CFO and Company Secretary. Geoff commenced his career with almost 10 years at leading Melbourne based accounting and business advisory firm, Pitcher Partners. Geoff is experienced in capital and debt raisings along with ongoing investor relations function in addition to other CFO and Company Secretarial experience required for an ASX listed entity on a growth journey. Geoff is also a member of the Corporate Governance Institute and Chartered Accountants Australia and New Zealand.

Principal activities

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

Dividends

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

Review of operations

Operating loss of \$6,024,706 (2020: \$5,364,007 loss) was materially in line with expectations and increased from 2020 mainly due to increased staffing and administrative expenditure as the consolidated entity expanded organisational capacity. Research and development expenses remained relatively consistent. During 2021 the consolidated entity incurred expenses in relation to its MagSense® HER2 Breast Cancer Phase I Study continuing in Australia. In addition to trial costs, research and development expenses were incurred in relation to other projects and initiatives during the year.

Revenue and other income

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

Total receipts from sales of super-paramagnetic iron oxide nanoparticles over the year were \$232,865 (2020: \$205,717). These sales were undertaken directly through IBX and includes sales to New Phase, an Israeli-based company, for the exploratory use of their SaNP hyperthermia treatment.

Liquidity

The consolidated entity remains in a positive cash position with \$13.4 million in cash at the end of 2021. This position was supported by the inflow of \$5.5 million during 2021 due to the exercise of options throughout 2021.

The consolidated entity will use the funds to continue to fund clinical development operations, upcoming costs for its MagSense® HER2 Breast Cancer Phase I Study, to explore further research and development pipeline opportunities for its iron-oxide nanoparticles (including manufacturing), and other operational costs.

Clinical development

MagSense® HER2 Breast Cancer Phase I Study

The consolidated entity commenced its MagSense® HER2 breast cancer Phase 1 study – a milestone achievement marking the transition for the consolidated entity to a clinical stage company. Whilst recruitment into the study was impacted by the pandemic multiple patients completed the study in 2021. The study is currently recruiting through four sites in three states – Monash Health, Austin Health, Royal Brisbane Women's Hospital and Lake Macquarie Private Hospital.

The study is investigating the potential for the MagSense® HER2 targeted imaging agent to aid in nodal staging of HER2 positive breast cancer by identifying if tumour cells have metastasized to the lymph nodes.

All enrolled trial patients receive a dose of the MagSense® HER2 targeted imaging agent, followed by exploratory assessment by two forms of imaging modalities:

- our proprietary magnetic relaxometry imaging method (MRX); and
- a standard magnetic resonance imaging method (MRI).

The primary objective of the study is to investigate the safety and tolerability of the MagSense® injectable imaging agent. The secondary objective of the study is to provide a preliminary assessment of the effectiveness of the MagSense® imaging agent in reaching and being detectable in the lymph nodes.

Findings from this study will inform future clinical research efforts and commercial viability.

Brain tumour imaging and diagnosis

The consolidated entity is collaborating with Patrys Limited to investigate the use of a Patrys' PAT-DX1 deoxymabs antibody with the consolidated entity's MagSense® nanoparticles to improve brain tumour imaging and diagnosis. This collaboration further explores the utility of the consolidated entity's nanoparticles in other complex indications. Should this collaborative work progress positively, the consolidated entity will have an exclusive option to a future license agreement.

Prostate cancer imaging

Using funds provided by the CSIRO, the consolidated entity is working with Monash University's Biomedicine Discovery Institute with the aim of providing early proof of concept demonstration of MagSense® nanoparticles as a potential prostate cancer imaging agent.

Joint Development Agreement with Global Cancer Technology

The consolidated entity also entered into a joint development agreement with Global Cancer Technology (GCT), to develop GCT's novel nanoscintillator technology for the treatment of breast cancer. Under the terms of the Agreement, the consolidated entity will be paid for certain R&D services while gaining an ownership interest in the arising GCT nanoscintillator product.

The consolidated entity expects these ongoing projects to continue to progress throughout 2022, effectively positioning the Company's imaging and nanoparticle technology for future commercial and clinical growth in the coming years.

New facility

The fit-out of a new San Diego R&D facility was largely completed by the end of 2021 with the consolidated entity taking occupancy early in 2022. This new facility significantly expands the consolidated entity's internal nanoparticle research & development capabilities, provides additional manufacturing capacity to support clinical programs and can be leveraged to generate revenue through third party commercial relationships.

Outlook

As the consolidated entity's MagSense® HER2 breast cancer Phase 1 study progresses and the consolidated entity advances its development pipeline, the consolidated entity is budgeting for research and development expenditures and staffing costs to increase in 2022.

The consolidated entity is well positioned to continue the progression of its MagSense® HER2 Breast Cancer Phase 1 Study, as well as other indications and collaborations.

Significant changes in state of affairs

On 26 November 2021 the IBXO listed options expired. Since the options listed in November 2019 all 96,706,395 options were exercised resulting in cash inflows of \$4,835,320 to the consolidated entity. In total the consolidated entity received \$5,505,290 (net of costs) from the exercise of options in 2021.

Matters subsequent to the end of the financial year

On 7 January 2022 the consolidated entity commenced tenancy at its new premises at Suite 100, 5601 Oberlin Drive, San Diego. This lease will be accounted for in the 2022 financial year.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the consolidated entity financially up to 31 December 2021 the pandemic has slowed progress with the pace of its Phase 1 Clinical Study. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is constantly evolving and is dependent on measures imposed by the Australian and State-based Governments.

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.

Likely developments and expected results of operations

Management expects spending to increase in future periods pending successful results from the consolidated entity's first in-human-trial in relation to HER2 breast cancer which continued throughout 2021. The consolidated entity also expects to carry out other research and development projects throughout 2022.

Environmental regulation

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

Information on Directors

Name and title:	Mr Robert Proulx (Executive Chair / President)
Qualifications:	- Master of Arts and Bachelor of Arts, The State University of New York at Albany; - Executive Master of Business Administration, Penn State Smeal College of Business.
Expertise and experience:	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.
Other current directorships:	None
Former directorships (last 3 years):	None
Membership of committees:	None
Interest in shares:	6,163,250 shares
Interest in options:	6,282,000 options
Interest in rights:	5,000,000 performance rights
Contractual rights to shares:	5,000,000 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.

Name and title:	Mr Michael Harsh (Non-Executive Director)
Qualifications:	- Bachelor's degree in Electrical Engineering, Marquette University
Expertise and experience:	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); EmOpti, Inc. (2015 – present); Compute Health Acquisition Corp (2021-present).
Former directorships (last 3 years):	FloDesign (2015 - 2019), NociMed (2019-2020).
Membership of committees:	Audit and Risk Committee, Remuneration and Nomination Committee
Interest in shares:	260,000 shares
Interest in options:	560,000 options
Interest in rights:	Nil
Contractual rights to shares:	Nil

Name and title:	Mr David Ludvigson (Non-Executive Director)
Qualifications:	- Bachelor of Science in Accounting, University of Illinois - Masters in Accounting Science, University of Illinois.
Expertise and experience:	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); One BioMed PTE Ltd (2021-present).
Former directorships (last 3 years):	None
Membership of committees:	Audit and Risk Committee, Disclosure Committee
Interest in shares:	545,000 shares
Interest in options:	620,000 options
Interest in rights:	Nil
Contractual rights to shares:	Nil

Name and title:	Ms Jovanka Naumoska (Non-Executive Director)
Qualifications:	- Bachelor of Science degree, University of Wollongong; - Bachelor of Law degree and the Graduate Diploma in Legal Practice, University of Wollongong; -Graduate Diploma in Applied Corporate Governance, Governance Institute of Australia.
Expertise and experience:	Jovanka is an Australian-qualified corporate lawyer with board-level experience in legal and regulatory issues pertaining to medical imaging technology. Jovanka serves Australian scientific development organisations in an expert capacity on matters relating to corporate law, business operations, intellectual property development and regulatory compliance.
Other current directorships:	Security Matters Limited; National Accreditation Authority for Translators and Interpreters Limited.
Former directorships (last 3 years):	None
Membership of committees:	Disclosure Committee
Interest in shares:	260,000 shares
Interest in options:	560,000 options
Interest in rights:	Nil
Contractual rights to shares:	Nil

Name and title:	Mr Mark Van Asten (Non-Executive Director)
Qualifications:	- Bachelor of Science, University of New South Wales
Expertise and experience:	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:	None
Former directorships (last 3 years):	Cimtech Limited
Membership of committees:	Audit and Risk Committee, Remuneration and Nomination Committee
Interest in shares:	545,000 shares
Interest in options:	620,000 options
Interest in rights:	Nil
Contractual rights to shares:	Nil

Name and title:	Ms Dianne Angus (Non-Executive Director)
Qualifications:	- Bachelor of Science (Hons), University of Melbourne; Masters in Biotechnology, Monash University.
Expertise and experience:	Dianne has worked as a senior executive or director within the biotechnology, medtech, agritech and healthcare sectors for over twenty years. With numerous years' experience in ASX and NASDAQ listed companies, Dianne has expertise in corporate governance, capital raising and stakeholder engagement within the listed capital market sector.
Other current directorships:	Neuren Pharmaceuticals Limited; Cyclopharm Limited.
Former directorships (last 3 years):	None
Membership of committees:	Remuneration and Nomination Committee, Disclosure Committee
Interest in shares:	Nil
Interest in options:	500,000 options
Interest in rights:	Nil
Contractual rights to shares:	Nil

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

Geoff is a member of Chartered Accountant Australia and New Zealand, holds a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia and a Bachelor of Commerce from Deakin University.

Geoff has 3,000,000 options which are subject to prescribed vesting conditions and 5,000,000 performance rights which are subject to the achievement of prescribed performance conditions.

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 2021, and the number of meetings attended by each director were:

	Board		Audit & Risk Management Committee		Remuneration & Nomination Committee	
	No. of meetings eligible to attend	Attended	No. of meetings eligible to attend	Attended	No. of meetings eligible to attend	Attended
Mr Robert Proulx	6	6	-	-	-	-
Mr Michael Harsh	6	6	2	2	5	5
Mr David Ludvigson	6	6	2	2	5	5
Ms Jovanka Naumoska	6	5	-	-	-	-
Mr Mark Van Asten	6	6	2	2	5	5
Ms Dianne Angus	6	6	-	-	-	-

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; and
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

- (a) 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. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- Having strategic objectives as a core component of the reward framework design;
 - Focusing on sustained growth in shareholder wealth, which may comprise growth in share price, increasing opportunities for the consolidated entity as well as focusing the executive on key non-financial drivers of value;
 - Alignment of executive compensation to performance; and
 - Acceptability to shareholders.
- (b) 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. Accordingly, the reward framework should seek to enhance executives' interests by:
- Rewarding capability and application of relevant experience;
 - Being competitive and providing a reasonable framework with regard to applicable industry standards;
 - Reflecting competitive rewards for contribution to growth in shareholder wealth; and
 - Providing a clear and transparent structure for earning rewards.

The Remuneration and Nomination Committee reviews, recommends and reports to the Board on remuneration and performance appraisal policies and practices.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration are treated separately.

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 applicable industry standards.

The Board recommends the actual payments to directors with shareholders being responsible for ratifying any such recommendations. ASX listing rules require the aggregate non-executive director's remuneration be determined periodically by a general meeting. At the 2021 Annual General Meeting the non-executive directors fee pool was increased to \$450,000 (from \$250,000). The revised fee pool:

- More closely aligns to fee pools for non-executive directors of comparable companies;
- Provides greater flexibility for the consolidated entity to attract and retain non-executive directors of a high calibre; and
- Provides headroom for future adjustments to non-executive directors fees in line with changing market conditions and to reflect the increasing demands of non-executive directors.

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 five components:

- Base pay and non-monetary benefits;
- Short-term performance incentives;
- Share-based payments;
- Health care benefits (applicable to US based personnel); and
- Other remuneration such as superannuation and long service leave.

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

The CEO consults with the Remuneration and Nomination Committee in relation to executive remuneration. Executive fixed remuneration, consisting of base salary and non-monetary benefits, are reviewed annually based on individual and business performance, the overall performance of the consolidated entity and comparable market remunerations.

The short-term incentives ('STI') program is designed to align short-term organisational goals with the short-term performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. No STI payments were proposed or paid during the financial year to executives.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three or four years based on strategic objectives and 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.

Executive Director and CEO remuneration

In 2021 the Remuneration and Nomination Committee undertook benchmarking of Mr Proulx's salary to align it more closely with comparable roles in the market and a performance review. Mr Proulx's base salary was increased to US\$320,000 per annum (from US\$240,000) on 1 July 2021. Mr Proulx continues to provide invaluable service to the consolidated entity and had not had an increase in salary since the IPO of the consolidated entity in 2017.

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

Imagion Biosystems Limited
Directors' Report
For the year ended 31 December 2021



Details 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 are: Non-Executive Directors; Executive Director and CEO - Robert Proulx; Chief Development Officer - Yalia Jayalakshmi; and Chief Financial Officer - Geoff Hollis.

2021	Short-term benefits			Share-based payment		Total
	Cash salary & fees	Cash bonus	Non-monetary	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Michael Harsh	32,038	-	-		7,038	39,076
David Ludvigson	32,038	-	-		7,038	39,076
Jovanka Naumoska	33,450	-	-		7,038	40,488
Mark Van Asten	33,450	-	-		7,038	40,488
Dianne Angus	41,663	-	-		7,038	48,701
<i>Non-Executive Directors</i>						
Robert Proulx	432,902	-	-	47,093	31,062	511,057
<i>Other Key Management</i>						
Yalia Jayalakshmi ⁽¹⁾	142,354	-	-	4,307	6,132	152,793
Geoff Hollis	300,165	-	-	105,030	101,004	506,199
Total	1,048,060	-	-	156,430	173,388	1,377,878

(1) Represents remuneration from 1 September 2021 to 31 December 2021.

2020	Short-term benefits			Share-based payment		Total
	Cash salary & fees	Cash bonus	Non-monetary	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Michael Harsh	20,851	-	-		804	21,655
David Ludvigson	20,851	-	-		804	21,655
Jovanka Naumoska	20,950	-	-		804	21,754
Mark Van Asten	20,950	-	-		804	21,754
Dianne Angus ⁽¹⁾	24,726	-	-		804	25,530
Bronwyn Le Grice ⁽²⁾	5,000	-	-	-	-	5,000
<i>Non-Executive Directors</i>						
Robert Proulx	406,819	-	-	171,225	29,533	607,577
<i>Other Key Management</i>						
Geoff Hollis ⁽³⁾	25,000	-	-	6,331	6,318	37,649
Brian Conn ⁽⁴⁾	178,145	-	-	-	-	178,145
Total	723,292	-	-	177,556	39,871	940,719

(1) Represents remuneration from 8 May 2020 to 31 December 2020.

(2) Represents remuneration from 1 January 2020 to 31 March 2020.

(3) Represents remuneration from 1 December 2020 to 31 December 2020.

(4) Represents remuneration from 1 January 2020 to 31 July 2020.

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

	Fixed Remuneration		At Risk - STI		At Risk - LTI	
	2021	2020	2021	2020	2021	2020
<i>Non-Executive Directors</i>						
Michael Harsh	82%	96%	-	-	18%	4%
David Ludvigson	82%	96%	-	-	18%	4%
Jovanka Naumoska	83%	96%	-	-	17%	4%
Mark Van Asten	83%	96%	-	-	17%	4%
Dianne Angus	86%	97%	-	-	14%	3%
<i>Non-Executive Directors</i>						
Robert Proulx	85%	67%	-	-	15%	33%
<i>Other Key Management</i>						
Yalia Jayalakshmi	93%	-	-	-	7%	-
Geoff Hollis	59%	66%	-	-	41%	34%

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 Proulx
Title:	Executive Chair / President
Agreement commenced:	1 May 2020
Term of agreement:	3 years, unless extended by mutual agreement
Details:	-Base salary of US\$320,000 per annum (increased from US\$240,000 effective 1 July 2021), to be reviewed by the Remuneration and Nomination Committee; -Entitled to up to 16,000,000 Rights and Options under the Equity Incentive Plan (subject to certain milestones being met) (issued in 2020); -12 months termination notice by the Company.

Name:	Ms Yalia Jayalakshmi
Title:	Chief Development Officer
Agreement commenced:	1 September 2021
Term of agreement:	Ongoing
Details:	-Base salary of US\$300,000 per annum, to be reviewed annually; -Entitled to up to 15,000,000 Rights and Options under the Equity Incentive Plan (subject to certain milestones being met) (issued in 2021); -At-will employee.

Name:	Mr Geoff Hollis
Title:	Chief Financial Officer / Company Secretary
Agreement commenced:	1 December 2020
Term of agreement:	Ongoing
Details:	-Base salary of AUD\$300,000 per annum, to be reviewed annually by the Nomination and Remuneration Committee; -Entitled to up to 8,000,000 Rights and Options under the Equity Incentive Plan (subject to certain milestones being met) (issued in 2020); -3 months termination notice by either party.

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

Share-based compensation

Issue of shares

On 10 November 2021, 75,000 listed options were converted into ordinary shares to a director.

On 17 November 2021, 176,250 listed options were converted into ordinary shares to the executive director.

On 19 November 2021, 75,000 listed options were converted into ordinary shares to a director.

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 and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
					\$	\$
Robert Proulx	2,000,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
Robert Proulx	2,000,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
Robert Proulx	2,000,000	6-Aug-20	1-May-23	1-May-28	0.028	0.016
Michael Harsh	250,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
Michael Harsh	250,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
David Ludvigson	250,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
David Ludvigson	250,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
Jovanka Naumoska	250,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
Jovanka Naumoska	250,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
Mark Van Asten	250,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
Mark Van Asten	250,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
Dianne Angus	250,000	6-Aug-20	1-May-21	1-May-26	0.028	0.010
Dianne Angus	250,000	6-Aug-20	1-May-22	1-May-27	0.028	0.014
Geoff Hollis	1,000,000	9-Dec-20	30-Nov-21	30-Nov-26	0.140	0.045
Geoff Hollis	1,000,000	9-Dec-20	30-Nov-22	30-Nov-27	0.140	0.064
Geoff Hollis	1,000,000	9-Dec-20	30-Nov-23	30-Nov-28	0.140	0.077
Yalia Jayalakshmi	1,000,000	14-Dec-21	30-Nov-22	30-Nov-27	0.087	0.047
Yalia Jayalakshmi	1,000,000	14-Dec-21	30-Nov-23	30-Nov-28	0.087	0.053
Yalia Jayalakshmi	1,000,000	14-Dec-21	30-Nov-24	30-Nov-29	0.087	0.058
Yalia Jayalakshmi	1,000,000	14-Dec-21	30-Nov-25	30-Nov-30	0.087	0.061
Yalia Jayalakshmi ⁽¹⁾	2,000,000	14-Dec-21	Refer below	30-Nov-25	0.087	0.041

(1) Options are in two equal tranches and subject to performance milestones

Options granted carry no dividend or voting rights.

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
				\$	\$
Robert Proulx ⁽¹⁾	10,000,000	6-Aug-20	30-Apr-23	-	0.028
Geoff Hollis	5,000,000	9-Dec-20	30-Nov-23	-	0.063
Yalia Jayalakshmi	6,500,000	14-Dec-21	30-Nov-25	-	0.073
Yalia Jayalakshmi	2,500,000	14-Dec-21	30-Nov-25	-	0.064

(1) Note: 5,000,000 performance rights were converted into ordinary shares during the 2020 financial year upon achievement of performance milestones.

Performance rights granted carry no dividend or voting rights.

Additional information

The historical earnings of the Consolidated Entity are summarised below:

	2021	2020	2019	2018
	\$	\$	\$	\$
Revenue	2,855,566	2,696,964	2,490,000	371,489
Net loss before tax	6,024,706	5,364,007	3,432,506	8,340,013
Net loss after tax	6,024,706	5,364,007	3,432,506	8,340,013

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

	2021	2020	2019	2018
Share price at the start of the financial year (\$)	0.145	0.025	0.030	0.110
Share price at the end of the financial year (\$)	0.076	0.145	0.025	0.030
Basic earnings per share (cents per share)	(0.006)	(0.007)	(0.010)	(0.038)
Diluted earnings per share (cents per share)	(0.006)	(0.007)	(0.010)	(0.038)

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 at start of year	Received remuneration	Additions	Disposals	Balance at the end of the year
Robert Proulx	5,987,000	-	176,250	-	6,163,250
Michael Harsh	260,000	-	-	-	260,000
David Ludvigson	470,000	-	75,000	-	545,000
Jovanka Naumoska	260,000	-	-	-	260,000
Mark Van Asten	470,000	-	75,000	-	545,000
Dianne Angus	-	-	-	-	-
Geoff Hollis	-	-	-	-	-
Yalia Jayalakshmi	-	-	-	-	-
Total	7,447,000	-	326,250	-	7,773,250

Imagion Biosystems Limited
Directors' Report
For the year ended 31 December 2021



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 at start of year	Granted	Exercised	Expired / forfeited / other	Balance at the end of the year
Robert Proulx	6,458,250	-	(176,250)	-	6,282,000
Michael Harsh	560,000	-	-	-	560,000
David Ludvigson	695,000	-	(75,000)	-	620,000
Jovanka Naumoska	560,000	-	-	-	560,000
Mark Van Asten	695,000	-	(75,000)	-	620,000
Dianne Angus	500,000	-	-	-	500,000
Yalia Jayalakshmi	-	6,000,000	-	-	6,000,000
Geoff Hollis	3,000,000	-	-	-	3,000,000
Total	12,468,250	6,000,000	(326,250)	-	18,142,000

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 at start of year	Granted	Vested	Expired / forfeited / other	Balance at the end of the year
Robert Proulx	5,000,000	-	-	-	5,000,000
Yalia Jayalakshmi	-	9,000,000	-	-	9,000,000
Geoff Hollis	5,000,000	-	-	-	5,000,000
Total	10,000,000	9,000,000	-	-	19,000,000

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
24-Jun-19	24-Jun-24	\$0.0280	2,150,000
22-Oct-19	20-Sep-24	\$0.0600	100,000
22-Oct-19	22-Aug-24	\$0.0600	300,000
22-Oct-19	7-Oct-24	\$0.0600	200,000
28-Apr-20	28-Apr-23	\$0.0300	233,301,933
6-Aug-20	1-May-26	\$0.0280	3,250,000
6-Aug-20	1-May-27	\$0.0280	3,250,000
6-Aug-20	1-May-28	\$0.0280	2,000,000
29-Sep-20	30-Sep-25-31-Aug-28	\$0.0909	7,150,000
9-Dec-20	30-Nov-26	\$0.1400	1,000,000
9-Dec-20	30-Nov-27	\$0.1400	1,000,000
9-Dec-20	30-Nov-28	\$0.1400	1,000,000
7-Jun-21	30-Jun-26-31-May-29	\$0.1150	200,000
14-Dec-21	30-Nov-27-30-Nov-30	\$0.0872	4,000,000
14-Dec-21	31-Dec-26-30-Nov-29	\$0.0872	1,500,000
14-Dec-21	30-Nov-25	\$0.0872	2,000,000
17-Feb-22	28-Feb-27-31-Jan-30	\$0.0679	1,000,000
			<u>263,401,933</u>

Shares issued on the exercise of options

The following ordinary shares of Imagion Biosystems Limited were issued during the year ended 31 December 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
6-Jan-21 to 24-Dec-21 ⁽¹⁾	\$0.0300	28,283,247
14-Jan-21 to 2-Dec-21 ⁽²⁾	\$0.0500	91,581,395
		<u>119,864,642</u>

(1) 30 separate conversions of listed options occurred between the dates as per above

(2) 77 separate conversions of listed options occurred between the dates as per above

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.

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

Non-audit services provided during the financial year by the auditor included \$1,800 for general consultancy services. The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of these non-audit services mean that auditor independence was not compromised.

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.

On behalf of the directors



Robert Proulx
Director

24 February 2022

RSM Australia Partners

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

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

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Imagion Biosystems Limited and its Controlled Entities for the year ended 31 December 2021, 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.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Melbourne, Victoria
Dated: 24 February 2022

Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December 2021



	Note	2021 \$	2020 \$
Revenue			
Revenue and other income	4	243,407	501,413
Research & development tax incentives		2,612,159	2,195,551
		2,855,566	2,696,964
Operating Expenses			
Research & development expenses		(2,704,032)	(2,860,772)
Employment expenses		(3,261,734)	(2,424,170)
Professional fees		(1,186,408)	(1,161,389)
General expenses		(816,347)	(749,786)
Share based payments expense		(497,534)	(399,145)
Depreciation expense	5	(404,437)	(360,574)
Foreign exchange gain/(loss)		(1,960)	(61,283)
Finance costs	5	(7,820)	(43,852)
		(8,880,272)	(8,060,971)
Loss before income tax expense		(6,024,706)	(5,364,007)
Income tax expense (benefit)		-	-
Loss after Income Tax Expense		(6,024,706)	(5,364,007)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve	16	413,102	(92,235)
Income tax relating to these items		-	-
Other comprehensive income/(loss), net of tax		413,102	(92,235)
Total comprehensive Income (loss) for the year Attributable to the Owners of Imagion Biosystems Limited		(5,611,604)	(5,456,242)
		Cents	Cents
Basic earnings (loss) per share	24	(0.006)	(0.007)
Diluted earnings (loss) per share	24	(0.006)	(0.007)

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

Imagion Biosystems Limited
Consolidated Statement of Financial Position
As at 31 December 2021



	Note	2021 \$	2020 \$
Current Assets			
Cash and cash equivalents	6	13,393,768	13,200,547
Trade and other receivables	7	31,345	-
Other current assets	8	343,946	233,440
Total Current Assets		13,769,059	13,433,987
Non-Current Assets			
Property, plant and equipment	9	346,096	160,432
Right-of-use assets	10	-	524,585
Total Non-Current Assets		346,096	685,017
Total Assets		14,115,155	14,119,004
Current Liabilities			
Trade and other payables	11	585,866	402,090
Lease liabilities	12	15,141	358,230
Employee benefits	13	140,462	109,095
Other liabilities	14	34,496	31,438
Total Current Liabilities		775,965	900,853
Non-Current Liabilities			
Lease liabilities	12	30,877	302,748
Employee benefits	13	3,034	1,536
Total Non-Current Liabilities		33,911	304,284
Total Liabilities		809,876	1,205,137
Net Assets		13,305,279	12,913,867
Equity			
Issued capital	15	56,827,608	51,322,126
Reserves	16	2,511,925	1,601,289
Accumulated losses	17	(46,034,254)	(40,009,548)
Total Equity		13,305,279	12,913,867

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

Imagion Biosystems Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2021



	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 January 2020	36,904,580	714,478	(34,645,541)	2,973,517
Loss after income tax	-	-	(5,364,007)	(5,364,007)
Other comprehensive income/(loss) after tax	-	(92,235)	-	(92,235)
Total comprehensive income/(loss)	-	(92,235)	(5,364,007)	(5,456,242)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity	16,157,593	-	-	16,157,593
Costs of contributions of equity	(1,901,922)	-	-	(1,901,922)
Transfer from reserves	161,875	(161,875)	-	-
Share based payments	-	1,140,921	-	1,140,921
Balance as at 31 December 2020	<u>51,322,126</u>	<u>1,601,289</u>	<u>(40,009,548)</u>	<u>12,913,867</u>
	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 January 2021	51,322,126	1,601,289	(40,009,548)	12,913,867
Loss after income tax	-	-	(6,024,706)	(6,024,706)
Other comprehensive income/(loss) after tax	-	413,102	-	413,102
Total comprehensive income/(loss)	-	413,102	(6,024,706)	(5,611,604)
<i>Transactions with owners in their capacity as owners</i>				
Contributions of equity	5,511,399	-	-	5,511,399
Costs of contributions of equity	(5,917)	-	-	(5,917)
Transfer from reserves	-	-	-	-
Share based payments	-	497,534	-	497,534
Balance as at 31 December 2021	<u>56,827,608</u>	<u>2,511,925</u>	<u>(46,034,254)</u>	<u>13,305,279</u>

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

Imagion Biosystems Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2021



	Note	2021 \$	2020 \$
Cash Flows from Operating Activities			
Receipts from customers (inc of sales and other taxes)		251,950	319,125
Payments to suppliers and employees (inc of sales and other taxes)		(7,929,019)	(7,102,542)
Interest received		12,999	1,132
Interest and other finance costs paid		(16,581)	(36,356)
Government grants and tax incentives		2,612,159	2,195,551
Net cash outflow from operating activities	23	(5,068,492)	(4,623,090)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		(218,833)	(7,860)
Payment for other assets		(91,260)	-
Net cash outflow from investing activities		(310,093)	(7,860)
Cash Flows from Financing Activities			
Proceeds from the issue of shares		-	13,501,480
Share issue costs		(6,109)	(1,340,077)
Proceeds from the exercise of options		5,511,399	2,606,144
Loan from US Government authority		-	233,815
Lease repayments		(359,252)	(480,624)
Net cash inflow from financing activities		5,146,038	14,520,738
Net increase (decrease) in cash and cash equivalents		(232,546)	9,889,788
Cash and cash equivalents at start of year		13,200,547	3,401,713
Effects of exchange rate changes on cash and cash equivalents		425,767	(90,954)
Cash and cash equivalents at end of year	6	13,393,768	13,200,547

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

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.

The financial statements of Imagion Biosystems Limited & Controlled Entities (the "consolidated entity") for 31 December 2021 were authorised for issue by the Directors on 24 February 2022.

a) 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 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imagion Biosystems Limited as at 31 December 2021 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.

1 Significant accounting policies (continued)

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.

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.

Comparatives

Comparative figures for the prior year have been re-classified where appropriate to align with current year disclosures.

b) 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 \$6,024,706 (2020: \$5,364,007), and had net cash outflows from operating activities of \$5,068,492 (2020: \$4,623,090) for the year ended 31 December 2021. The consolidated entity is still in the product development phase recording minimal sales revenue, consequently it is dependent on external funding to cover ongoing product development and has forecast losses for the next financial year.

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

- The consolidated entity has a strong working capital position of \$12,993,094 to meet its short-term requirements for the coming financial year;
- The consolidated entity has a proven record of being able to raise funds to support its ongoing activities including successfully raising \$14.8 million (net of costs) during 2020 from a combination of rights issues, placements and exercises of options;
- The consolidated entity received \$5.5 million in funds upon the exercise of listed options in 2021; and
- The consolidated entity has historically received some cost relief through the receipt of research & development income tax incentives and the directors expect this to continue.

1 Significant accounting policies (continued)

c) 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.

d) 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.

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.

1 Significant accounting policies (continued)

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.

e) 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.

f) 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.

1 Significant accounting policies (continued)

A liability is classified as current when: it is either 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.

g) 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.

h) 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.

i) 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, it's 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.

1 Significant accounting policies (continued)

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.

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.

j) 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 using straight-line and diminishing value methods 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
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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.

k) 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.

1 Significant accounting policies (continued)

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.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

1 Significant accounting policies (continued)

q) 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 that 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.

r) 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.

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.

1 Significant accounting policies (continued)

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; and
- 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.

s) 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.

1 Significant accounting policies (continued)

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 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.

t) 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.

u) Dividends

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

v) 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.

w) 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.

1 Significant accounting policies (continued)

x) 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.

y) New Accounting Standards and Interpretations not yet mandatory or early adopted

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 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2 Critical Accounting Estimates, Assumptions and Judgements

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.

2 Critical Accounting Estimates, Assumptions and Judgements (continued)

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.

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 determine the allocation of resources).

4 Revenue

	2021	2020
	\$	\$
Sales revenue		
Sale of goods	232,865	205,717
	<u>232,865</u>	<u>205,717</u>
Other revenue:		
Interest	10,542	5,338
Forgiveness of US Government authority loan	-	222,676
Other revenue	-	67,682
	<u>10,542</u>	<u>295,696</u>
	<u>243,407</u>	<u>501,413</u>

Sale of goods includes \$215,641 (2020: \$197,328) relating to contracted sales which were delivered at a point in time. Sale of goods revenue (\$232,865) was derived in the United States of America (2020: \$205,717).

Forgiveness of US Government authority loan in 2020 relates to a loan provided by the US Small Business Association for its Paycheck Protection Payment as part of COVID-19 relief. The Company, in accordance with eligibility requirements, applied to have this loan forgiven in December 2020 and the Company received notification in January 2021 that the loan and any associated interest had been forgiven in full.

Other revenue in 2020 includes \$62,854 from the Australian Taxation Office in relation to cash flow boosts received as part of COVID-19 relief.

5 Expenses

	Note	2021	2020
		\$	\$
Depreciation:			
Plant and equipment	9	118,948	68,049
Right-of-use assets	10	285,489	292,525
		<u>404,437</u>	<u>360,574</u>
Finance costs:			
Interest payable on hire purchase liabilities	12	3,420	6,440
Unwinding of the lease liability interest	12	3,518	37,387
Other interest		882	25
		<u>7,820</u>	<u>43,852</u>

6 Cash and cash equivalents

	2021	2020
	\$	\$
Cash on hand	16	15
Cash at bank	13,393,752	5,200,532
Term deposits	-	8,000,000
	<u>13,393,768</u>	<u>13,200,547</u>

Funds were placed on term deposit in December 2020 in two tranches for periods of three and six months. They are at call within 31 days notice and are therefore recorded as cash and cash equivalents.

7 Trade and other receivables

	2021	2020
	\$	\$
<i>Current</i>		
Trade receivables	31,345	-

Trade receivable are typically received within 30 days.

8 Other current assets

	2021	2020
	\$	\$
Prepayments	174,534	129,606
GST refundable	25,889	65,514
Security deposits	143,523	35,805
Other assets	-	2,515
	<u>343,946</u>	<u>233,440</u>

9 Property, plant and equipment

	2021	2020
	\$	\$
Plant and equipment, at cost	857,216	753,535
Less: accumulated depreciation	(752,740)	(593,103)
Leasehold improvements, at cost	241,620	-
Less: accumulated depreciation	-	-
	<u>346,096</u>	<u>160,432</u>

Reconciliation

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

Opening balance	160,432	434,150
Additions	298,983	63,502
Assets written-off	(4,231)	(120,331)
Foreign currency revaluation movements	9,860	(22,519)
Depreciation expense	(118,948)	(194,371)
Closing balance	<u>346,096</u>	<u>160,432</u>

10 Right-of-use assets

	2021	2020
	\$	\$
Land and buildings: right-of-use	-	808,738
Less: accumulated depreciation	-	(284,153)
	<u>-</u>	<u>524,585</u>

10 Right-of-use assets (continued)

Reconciliation

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

	2021	2020
	\$	\$
Opening balance	524,585	865,051
Adjustment to reflect shorter lease-term	(262,091)	-
Other	(116)	(13)
Foreign currency revaluation movements	23,111	(47,928)
Depreciation expense	(285,489)	(292,525)
Closing balance	<u>-</u>	<u>524,585</u>

The consolidated entity leased land and buildings for its offices in December 2019 under an agreement of 25 months with an option to extend. The option to extend wasn't exercised and the consolidated entity's lease ceased in December 2021. A new lease has commenced in January 2022.

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.

11 Trade and other payables

	2021	2020
	\$	\$
Trade payables	428,278	288,301
Other payables and accruals	157,588	113,789
	<u>585,866</u>	<u>402,090</u>

12 Lease liabilities

		2021	2020
	Interest rate	\$	\$
Current			
Lease liability - premises	5.0%	-	267,384
Hire purchase liabilities	5.0%	15,141	90,846
		<u>15,141</u>	<u>358,230</u>
Non-current			
Lease liability - premises	5.0%	-	265,735
Hire purchase liabilities	5.0%	30,877	37,013
		<u>30,877</u>	<u>302,748</u>

Information in relation to the lease liability - premises is below:

Maturity analysis - contractual undiscounted cash flows

Less than one year	10,988	288,702
One to five years	26,579	297,545
Total undiscounted lease liabilities	<u>37,567</u>	<u>586,247</u>

12 Lease liabilities (continued)

	2021	2020
<i>Amounts recognised in profit and loss</i>	\$	\$
Interest on lease liabilities	3,518	37,387
Interest on hire purchase liabilities	3,420	6,440
	<u>6,938</u>	<u>43,827</u>
 <i>Amounts recognised in cash flows</i>		
Total cash outflow for leases	<u>359,252</u>	<u>480,624</u>

13 Employee benefits

	2021	2020
	\$	\$
Current		
Provision for annual leave	140,462	109,095
Non-current		
Provision for long service leave	3,034	1,536

14 Other liabilities

	2021	2020
	\$	\$
Make good provision	<u>34,496</u>	<u>31,438</u>

15 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.

	2021	2020	2021	2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>1,121,218,534</u>	<u>998,367,288</u>	<u>56,827,608</u>	<u>51,322,126</u>

15 Issued capital (continued)

Movements in ordinary share capital - 2020

Details	Date	Shares	Issue Price	\$
Opening balance	1-Jan-20	511,282,191	-	36,904,580
Issue of shares (rights issue)	28-Apr-20	250,147,965	0.010	2,501,480
Costs of capital raising	28-Apr-20	-	-	(295,228)
Issue of shares (performance rights)	29-Apr-20	150,000	0.060	9,375
Issue of shares (performance rights)	23-Jun-20	200,000	0.060	12,500
Issue of shares (placement)	4-Aug-20	111,111,111	0.045	5,000,000
Issue of shares	4-Aug-20	1,000,000	0.050	50,000
Issue of shares (costs of capital raising)	4-Aug-20	-	-	(50,000)
Costs of capital raising	4-Aug-20	-	-	(667,963)
Issue of shares (exercise of options)	18-Aug-20	21,600,000	0.060	1,296,000
Issue of shares (exercise of options)	28-Aug-20	2,000,000	0.028	55,980
Issue of shares (performance rights)	10-Sep-20	2,500,000	0.028	70,000
Issue of shares (exercise of options)	20-Oct-20	2,370,000	0.060	142,200
Issue of shares (performance rights)	22-Oct-20	2,500,000	0.028	70,000
Issue of shares (exercise of options)	26-Nov-20	10,730,000	0.060	643,800
Issue of shares (placement)	27-Nov-20	70,588,236	0.085	6,000,000
Costs of capital raising	27-Nov-20	-	-	(888,731)
Issue of shares (exercise of listed options)	Various	7,062,785	0.030	211,884
Issue of shares (exercise of listed options)	Various	5,125,000	0.050	256,250
	31-Dec-20	<u>998,367,288</u>		<u>51,322,126</u>

Movements in ordinary share capital - 2021

Details	Date	Shares	Issue Price	\$
Opening balance	1-Jan-21	998,367,288	-	51,322,126
Issue of shares (exercise of supplier options)	15-Feb-21	2,986,604	0.028	83,827
Costs of issue of supplier options	24-Feb-21	-	-	(1,922)
Issue of shares (exercise IBXO listed options)	Various	91,581,395	0.050	4,579,075
Costs of issue of IBXO listed options	30-Nov-21	-	-	(3,995)
Issue of shares (exercise IBXOA listed options)	Various	<u>28,283,247</u>	0.030	<u>848,497</u>
	31-Dec-21	<u>1,121,218,534</u>		<u>56,827,608</u>

On 15 February 2021, 2,986,604 vested supplier options were converted into ordinary shares. The supplier options were issued to a service provider with the options originally issued in lieu of cash.

On various dates throughout 2021 option holders exercised a total of 28,283,247 \$0.03 listed options and converted to ordinary shares.

On various dates throughout 2021 option holders exercised a total of 91,581,395 \$0.05 listed options and converted to ordinary shares.

Listed options

As part of two separate renounceable rights issues (in November 2019 and April 2020) the Company issued listed options. In November 2019 'IBXO options' were issued with an exercise price of \$0.05. In April 2020 'IBXOA options' were issued with an exercise price of \$0.03. IBXO options expired on 26 November 2021 (and were fully exercised) and IBXOA options expire on 28 April 2023. The listed options entitle the holder to convert one option to one ordinary share upon application and payment.

15 Issued capital (continued)

Movements in listed options during the current and previous financial year are set out below:

2020 Details	IBXO		IBXOA	
	Date	Options	Date	Options
Opening balance	1-Jan-20	96,706,395	1-Jan-20	-
Options allotted post rights issue			28-Apr-20	228,732,965
Options allotted follow-on placement			27-Jul-20	21,415,000
Options allotted to lead manager			27-Jul-20	6,000,000
Options allotted to lead manager			6-Aug-20	6,500,000
Options allotted to lead manager			27-Nov-20	6,000,000
Options converted to ordinary shares	Various	(5,125,000)	Various	(7,062,785)
Closing balance	31-Dec-20	<u>91,581,395</u>	31-Dec-20	<u>261,585,180</u>

2021 Details	IBXO		IBXOA	
	Date	Options	Date	Options
Opening balance	1-Jan-21	91,581,395	1-Jan-21	261,585,180
Options converted to ordinary shares	Various	(91,581,395)	Various	(28,283,247)
Closing balance	31-Dec-21	<u>-</u>	31-Dec-21	<u>233,301,933</u>

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.

16 Reserves

	2021	2020
	\$	\$
Foreign currency translation reserve	353,529	(59,573)
Share based payment reserve	2,158,396	1,660,862
	<u>2,511,925</u>	<u>1,601,289</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.

16 Reserves (continued)

Movements in reserves

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

	Share based payment reserve \$	Foreign currency reserve \$	Total \$
Balance as at 1 January 2020	681,816	32,662	714,478
Movements in revaluation of foreign currency	-	(92,235)	(92,235)
Share based payment for lead managers and advisors	722,368		722,368
Share based payment for suppliers	37,212		37,212
Share based payments for key management, non-executive directors and employees	381,341	-	381,341
Conversion to share capital	(161,875)	-	(161,875)
Balance at 31 December 2020	<u>1,660,862</u>	<u>(59,573)</u>	<u>1,601,289</u>
	Share based payment reserve \$	Foreign currency reserve \$	Total \$
Balance as at 1 January 2021	1,660,862	(59,573)	1,601,289
Movements in revaluation of foreign currency	-	413,102	413,102
Share based payments for key management, non-executive directors and employees	497,534	-	497,534
Balance at 31 December 2021	<u>2,158,396</u>	<u>353,529</u>	<u>2,511,925</u>

17 Accumulated losses

	2021 \$	2020 \$
Accumulated losses at the beginning of the financial year	(40,009,548)	(34,645,541)
Losses after income tax expense for the year	(6,024,706)	(5,364,007)
Accumulated losses at the end of the financial year	<u>(46,034,254)</u>	<u>(40,009,548)</u>

18 Key management personnel

Compensation

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

	2021 \$	2020 \$
Short-term employee benefits	1,048,060	723,292
Share based payments	329,818	217,427
	<u>1,377,878</u>	<u>940,719</u>

19 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:

	2021	2020
	\$	\$
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	61,200	67,000
Other services in relation to general consultancy services	1,800	4,700
	<u>63,000</u>	<u>71,700</u>

20 Commitments

The consolidated entity had contracted commitments for services in relation to its MagSense™ HER2 breast cancer Phase I first-in-human study totalling \$460,373. These expenses are expected to be incurred in 2022. The consolidated entity had no other commitments (2020: \$718,821).

21 Parent entity information

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

<i>Statement of profit or loss and other comprehensive income</i>		
	2021	2020
	\$	\$
(Loss) after income tax	<u>(4,411,522)</u>	<u>(4,117,825)</u>
Total comprehensive income	<u>(4,411,522)</u>	<u>(4,117,825)</u>
<i>Statement of financial position</i>		
	2021	2020
	\$	\$
Total current assets	<u>7,354,843</u>	<u>11,296,821</u>
Total assets	<u>7,356,241</u>	<u>11,296,834</u>
Total current liabilities	<u>442,605</u>	<u>364,414</u>
Total liabilities	<u>445,639</u>	<u>365,950</u>
Equity		
Issued capital	56,827,608	51,322,126
Reserves	2,445,524	1,947,990
Retained earnings	<u>(52,362,530)</u>	<u>(42,339,232)</u>
Total equity	<u>6,910,602</u>	<u>10,930,884</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2021 and 31 December 2020.

Capital commitments

The parent entity had contracted commitments for services in relation to its MagSense™ HER2 breast cancer Phase I first-in-human study totalling \$460,373. These expenses are expected to be incurred in 2022. The parent entity had no other commitments (2020: \$718,821).

21 Parent entity information (continued)

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.

22 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	
		2021 %	2020 %
Imagion Biosystems Inc	Unites States of America	100	100

23 Reconciliation of loss after income tax to net cash flows from operating activities

	2021 \$	2020 \$
<i>Loss after income tax expense for the year</i>	(6,024,706)	(5,364,007)
<i>Adjustments for:</i>		
Depreciation expense	404,437	360,574
Assets written-off	4,231	120,331
Foreign exchange loss	1,960	61,283
Share based payments expense	497,534	399,145
Insurance hire purchase	-	249,875
Loan forgiveness	-	(222,676)
Equity settled payments	-	24,425
	<u>(5,116,544)</u>	<u>(4,371,050)</u>
<i>Changes in operating assets and liabilities:</i>		
Trade and other receivables	(34,133)	(66,000)
Trade and other payables	82,185	(186,040)
	<u>(5,068,492)</u>	<u>(4,623,090)</u>

24 Earnings per share

	2021 \$	2020 \$
Loss after income tax	(6,024,706)	(5,364,007)
Loss after income tax attributable to the owners of Imagion Biosystems Limited	<u>(6,024,706)</u>	<u>(5,364,007)</u>

24 Earnings per share (continued)

	2021 Number	2020 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,047,531,564	747,075,458
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,047,531,564	747,075,458

	2021 Cents	2020 Cents
Loss after income tax	(0.006)	(0.007)
Loss after income tax attributable to the owners of Imagion Biosystems Limited	(0.006)	(0.007)

25 Share based payments

Performance shares

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

Employees

No performance rights were issued to employees in 2021 (2020: nil).

There are no performance rights outstanding for employees at end of 2021 (2020:nil).

Key management personnel and directors

On 14 December 2021, 9,000,000 rights over shares were issued to key management personnel. These rights vest four years after the date of issue with all rights being subject to performance milestones. Each right is convertible into one ordinary share upon vesting. Performance rights are unquoted.

	Employees		Directors & Key Management	
	Unvested	Vested	Unvested	Vested / not exercised
2020				
1 January 2020	-	-	10,750,000	-
Issued	-	-	15,000,000	-
Vested - based on employment	-	-	(350,000)	350,000
Vested - based on achievement of milestones	-	-	(5,000,000)	5,000,000
Lapsed - due to non-achievement of milestones	-	-	(10,400,000)	-
Converted to shares	-	-	-	(5,350,000)
Balance 31 December 2020	-	-	10,000,000	-
2021				
Issued	-	-	9,000,000	-
Balance 31 December 2021	-	-	19,000,000	-

25 Share based payments (continued)

Options

A share option plan has been established by the consolidated entity and approved by shareholders at a general 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.

Employees

A total of 2,500,000 options were issued to employees on 4 February 2021. These options have now been cancelled as the employees are no longer with the consolidated entity.

A total of 1,700,000 options were issued to employees on 7 June 2021. The options have an exercise price of \$0.115 with options vesting monthly over three years with expiry dates between 30 June 2026 and 31 May 2029. 1,500,000 of these options have now been cancelled as the employees are no longer with the consolidated entity.

A total of 1,500,000 options were issued to employees on 14 December 2021. The options have an exercise price of \$0.0872 with options vesting monthly over three years with expiry dates between 31 December 2026 and 30 November 2029.

Key management personnel and directors

A total of 6,000,000 options were issued to key management personnel on 14 December 2021. The options have an exercise price of \$0.0872 with 4,000,000 vesting annually over four years with expiry dates between 30 November 2027 and 30 November 2030. The remaining 2,000,000 options expire on 30 November 2025 and are subject to performance milestones.

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

2021

Grant date	Expiry date	Exercise price	Balance at 1-Jan-2021	Granted	Exercised	Expired / forfeited / other	Balance at 31-Dec-2021
24-Jun-19	24-Jun-24	\$0.028	2,150,000	-	-	-	2,150,000
1-Jun-20	1-May-26	\$0.028	3,250,000	-	-	-	3,250,000
1-Jun-20	1-May-27	\$0.028	3,250,000	-	-	-	3,250,000
1-Jun-20	1-May-28	\$0.028	2,000,000	-	-	-	2,000,000
29-Sep-20	30-Sep-28	\$0.091	10,150,000	-	-	(3,000,000)	7,150,000
9-Dec-20	30-Nov-26	\$0.140	1,000,000	-	-	-	1,000,000
9-Dec-20	30-Nov-27	\$0.140	1,000,000	-	-	-	1,000,000
9-Dec-20	30-Nov-28	\$0.140	1,000,000	-	-	-	1,000,000
4-Feb-21	31-Jan-29	\$0.175	-	2,500,000	-	(2,500,000)	-
7-Jun-21	31-May-29	\$0.115	-	1,700,000	-	(1,500,000)	200,000
14-Dec-21	30-Nov-30	\$0.087	-	7,500,000	-	-	7,500,000
			<u>23,800,000</u>	<u>11,700,000</u>	<u>-</u>	<u>(7,000,000)</u>	<u>28,500,000</u>
Weighted average exercise price			\$0.069	\$0.110	-	\$0.126	\$0.072

25 Share based payments (continued)

2020

Grant date	Expiry date	Exercise price	Balance at 1-Jan-2020	Granted	Exercised	Expired / forfeited / other	Balance at 31-Dec-2020
24-Jun-19	24-Jun-24	\$0.028	4,650,000	-	(2,000,000)	(500,000)	2,150,000
1-Jun-20	1-May-26	\$0.028	-	3,250,000	-	-	3,250,000
1-Jun-20	1-May-27	\$0.028	-	3,250,000	-	-	3,250,000
1-Jun-20	1-May-28	\$0.028	-	2,000,000	-	-	2,000,000
29-Sep-20	30-Sep-28	\$0.091	-	10,150,000	-	-	10,150,000
9-Dec-20	30-Nov-26	\$0.140	-	1,000,000	-	-	1,000,000
9-Dec-20	30-Nov-27	\$0.140	-	1,000,000	-	-	1,000,000
9-Dec-20	30-Nov-28	\$0.140	-	1,000,000	-	-	1,000,000
			<u>4,650,000</u>	<u>21,650,000</u>	<u>(2,000,000)</u>	<u>(500,000)</u>	<u>23,800,000</u>

Weighted average exercise price \$0.028 \$0.073 \$0.028 - \$0.069

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

Grant date	Expiry date	2021 Number	2020 Number
24-Jun-19	24-Jun-24	2,150,000	2,150,000
29-Sep-20	30-Sep-28	2,979,167	845,833
1-Jun-20	1-May-26	3,250,000	-
9-Dec-20	30-Nov-26	1,000,000	-
7-Jun-21	31-May-29	38,889	-
14-Dec-21	30-Nov-30	41,667	-
		<u>9,459,723</u>	<u>2,995,833</u>

The weighted average share price during the financial year was \$0.112 (2020: \$0.062).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 5.38 years (2020: 6.08 years).

25 Share based payments (continued)

For the options granted during the current and previous 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-Jun-19	24-Jun-24	\$0.017	\$0.028	87.00%	0.00%	0.92%	\$0.011
1-Jun-20	1-May-26	\$0.028	\$0.028	110.00%	0.00%	0.04%	\$0.010
1-Jun-20	1-May-27	\$0.028	\$0.028	110.00%	0.00%	0.04%	\$0.014
1-Jun-20	1-May-28	\$0.028	\$0.028	110.00%	0.00%	0.04%	\$0.016
29-Sep-20	30-Sep-28	\$0.083	\$0.091	110.00%	0.00%	0.36%	\$0.047-\$0.064
9-Dec-20	30-Nov-26	\$0.125	\$0.140	110.00%	0.00%	0.43%	\$0.045
9-Dec-20	30-Nov-27	\$0.125	\$0.140	110.00%	0.00%	0.43%	\$0.064
9-Dec-20	30-Nov-28	\$0.125	\$0.140	110.00%	0.00%	0.43%	\$0.077
4-Feb-21	31-Jan-29	\$0.170	\$0.175	110.00%	0.00%	0.38%	\$0.097-\$0.132
7-Jun-21	31-May-29	\$0.115	\$0.115	110.00%	0.00%	0.68%	\$0.066-\$0.089
14-Dec-21	30-Nov-30	\$0.073	\$0.087	120.00%	0.00%	0.86%-1.165%	\$0.039-\$0.061

26 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 minimize 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 \$6,394,690 (assets of \$6,758,926 less liabilities of \$364,236) as at 31 December 2021 (2020: Net assets \$1,982,996 (assets of \$2,822,183 less liabilities of \$829,187)). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2020: 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 \$319,734 lower/\$319,734 higher (2020: \$99,150 lower/\$99,150 higher) .

26 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):

	Assets		Liabilities	
	2021	2020	2021	2020
US dollars	6,758,926	2,822,183	364,236	839,187

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.

26 Financial instruments (continued)

	Weighted average	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2021	%	\$	\$	\$	\$	\$
<i>Non-interest bearing</i>						
Trade payables		428,278	-	-	-	428,278
Other payables		157,588	-	-	-	157,588
<i>Interest bearing</i>						
Lease liability	5.0%	-	-	-	-	-
Hire purchase liability	5.0%	15,141	9,979	20,898	-	46,018
		<u>601,007</u>	<u>9,979</u>	<u>20,898</u>	<u>-</u>	<u>631,884</u>
	Weighted average	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
2020	%	\$	\$	\$	\$	\$
<i>Non-interest bearing</i>						
Trade payables		288,301	-	-	-	288,301
Other payables		113,789	-	-	-	113,789
<i>Interest bearing</i>						
Lease liability	5.0%	267,384	265,735	-	-	533,119
Hire purchase liability	6.1%	90,846	12,050	24,963	-	127,859
		<u>760,320</u>	<u>277,785</u>	<u>24,963</u>	<u>-</u>	<u>1,063,068</u>

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

27 Fair value measurement

There are no assets or liabilities held at fair value on a recurring or non-recurring basis.

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 are 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.

28 Income tax benefit

	2021	2020
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised (Australia)	9,074,207	7,742,871
Potential tax benefit at 25.0% for 2021 and 26.0% for 2020	2,268,552	2,013,146
Unused tax losses for which no deferred tax asset has been recognised (USA)	11,599,257	9,587,222

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.

29 Contingent liabilities

As of 31 December 2021, 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 2020: Nil).

30 Related party transactions

Parent entity

Imagion Biosystems Limited is the parent entity.

Subsidiaries

Interest in subsidiaries are set out in Note 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2021	2020
	\$	\$
Payment for contracting services - Bronwyn Le Grice	-	5,000

There are no receivables or payable to related parties.

31 Events after the reporting period

On 7 January 2022 the consolidated entity commenced tenancy at its new premises at Suite 100, 5601 Oberlin Drive, San Diego. This lease will be accounted for in the 2022 financial year.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact on the consolidated entity financially up to 31 December 2021 the pandemic has slowed progress with the pace of its Phase 1 Clinical Study. It is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is constantly evolving and is dependent on measures imposed by the Australian and State-based Governments.

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

Imagion Biosystems Limited
Directors' Declaration
For the year ended 31 December 2021



In the directors' opinion:

- the attached financial statements and notes and the remuneration disclosures that are contained within the Remuneration report within the Directors' report 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 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

Robert Proulx
Executive Chair
Imagion Biosystems Limited

24 February 2022

RSM Australia Partners

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

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

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT To the Members of Imagion Biosystems Limited

Opinion

We have audited the financial report of Imagion Biosystems Limited (the Company) and its Controlled Entities (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other 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 2021 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.

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. 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
<p>Fair Value of the share-based payments Refer to Note 25 in the financial statements</p>	
<p>In the current year, share-based payments in the form of performance rights and share options were awarded to employees and key management personnel. In addition, options were converted to shares for various stakeholders during the current year.</p> <p>There is an element of subjectivity in management's assessment around achievement of vesting conditions relating to the performance rights.</p> <p>We identified share-based payments as a key audit area due the complexity in the valuation of the options and performance rights issued.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - reviewing the minutes of directors' meetings and ASX announcements for the approvals in relation to the granting of the instruments; - reviewing the key terms and conditions of the share-based payment arrangements; - reviewing managements estimates of achieving vesting conditions for the performance rights issued based on the performance in the current period; - involving our valuation specialists in assessing the key assumptions used in the valuations model including the risk free rate relevant share prices of the company and volatility rates reflecting likely share price movements over the life of the option; - challenging the reasonableness of key assumptions used by management relative to the valuation at the grant date; - verifying the mathematical accuracy of the computation; and - reviewing the adequacy and accuracy of the relevant disclosures in the financial statements.
<p>Going Concern Refer to Note 1 in the financial statements</p>	
<p>Historically, the consolidated entity has been loss-making, has significant cash outflows and is dependent on continued support from investors through ongoing capital raises to fund research and development activities during its current research and development phase. We note key financial indicators such as loss-making, operating cash outflows of \$5.1m (net of R&D refund) for 12 months.</p> <p>The consolidated entity had cash reserves of approximately \$13.4m as at 31 December 2021. We note that the consolidated entity's forecasted cash burn rate for the coming financial year is approximately \$18.3m.</p> <p>We identified going concern as a key audit matter as it relies on existing cash reserves to cover necessary expenditure and future activities.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> - reviewing the current financial position of the consolidated entity; - reviewing ASX announcements, board minutes and all other relevant documentation to assess the entities progress with its research activities; - reviewing managements' forecasts for the expected results for a period of twelve months from the date of signing the financial statements, including assessing the accuracy and the assumptions used; - understanding the forecast expenditure committed and what could be considered discretionary; and - considering potential downside scenarios and the resultant impact on available funds.

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 2021 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: https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.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 2021.

In our opinion, the Remuneration Report of Imagination Biosystems Limited, for the year ended 31 December 2021, 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**

Melbourne, Victoria
24 February 2022

Corporate Governance Statement

The Company's Directors and management are committed to conducting the business of the Group in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations* (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.imagionbiosystems.com), and will be lodged together with an Appendix 4G with the ASX at the same time that this Annual Report is lodged with the ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's website (www.imagionbiosystems.com).

Additional Securities Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders no elsewhere disclosed in this Annual Report. The information provided is current as at 22 February 2022 (**Reporting Date**).

Quoted equity securities - ordinary shares

As at the Reporting Date, the Company had a total of 1,121,218,534 fully paid ordinary shares on issue. The Company's shares are quoted on the ASX, and form the only class of securities on issue in the Company that is quoted on the ASX, and that carries voting rights.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands (every person present who is a member has one vote); and on a poll (every person present in person or by proxy or attorney has one vote for each ordinary share they hold).

Range of holdings

An analysis of the number of shareholders in the Company by size of holding is as follows:

Share Range	Number of Holders	Units	%
1-1,000	87	18,585	0.002%
1,001-5,001	942	3,500,617	0.312%
5,001-10,000	1,719	13,214,795	1.179%
10,001-100,000	5,288	201,907,955	18.008%
100,001 and over	1,738	902,576,582	80.500%
Total	9,774	1,121,218,534	100.000%

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel of shares as at the Reporting Date (based on a closing price of \$0.056 per share) was 2,196.

Imagion Biosystems Limited
Shareholder Information
For the year ended 31 December 2021



Top 20 Shareholders

The names of the 20 largest holders of ordinary shares as at the Reporting Date are listed below:

Rank	Name	No. of shares	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	57,104,408	5.093%
2	CITICORP NOMINEES PTY LIMITED	21,643,436	1.930%
3	MR YUSUF KUCUKBAS <YASEP A/C>	11,000,000	0.981%
4	THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM	10,529,053	0.939%
5	MR ANTHONY FAILLACE	10,361,838	0.924%
6	MR HAOJIE LI	9,367,000	0.835%
7	G & D FINN PTY LTD	8,000,000	0.714%
8	MR ANESTIS LAZARIDIS	7,930,852	0.707%
9	MR G J HOWLETT & MRS M W HOWLETT <GH SUPERFUND A/C>	6,740,000	0.601%
10	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,670,504	0.595%
11	MR ROBERT PROULX	6,163,250	0.550%
12	MR ROBERT REVELEY	6,100,000	0.544%
13	MR FEERAS NAJJAR <NAJJAR FAMILY A/C>	5,750,000	0.513%
14	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	5,632,235	0.502%
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,556,528	0.496%
16	WH & PR PTY LTD <ROBHOO UNIT A/C>	5,368,586	0.479%
17	BNP PARIBAS NOMS PTY LTD <DRP>	5,288,888	0.472%
18	MR YOANTO WAKIMIN	5,063,239	0.452%
19	BAIRDOS PTY LTD	5,000,000	0.446%
20	E & W NOMINEE PTY LTD <LIANG FAMILY SUPER FUND A/C>	4,750,000	0.424%
	Total	204,019,817	18.196%
	Balance of register	917,198,717	81.804%
	Grand total	1,121,218,534	100.000%

Substantial Shareholders

There were no substantial holders of shares in the Company as at the Reporting Date.

Escrowed securities

There are no escrowed securities in the Company as at the Reporting Date.

Unquoted equity securities

The Company has two classes of unquoted equity securities on issue, being Performance Rights and Options.

Performance Rights

The Performance Rights will vest into ordinary shares (on a 1-for-1 basis), subject to satisfaction of prescribed vesting conditions.

None of the Performance Rights carry any voting rights. However, any underlying shares issued upon the vesting or conversion of the Performance Rights will carry equal voting rights with the other share on issue in the Company.

As at the Reporting Date, there were a total of 19,000,000 Performance Rights on issue, held by three holders.

Imagion Biosystems Limited
Shareholder Information
For the year ended 31 December 2021



An analysis of the number of Performance Rights holders by size of holding is as follows:

Range	Number of Holders	Units	%
1-1,000	-	-	0.000%
1,001-5,001	-	-	0.000%
5,001-10,000	-	-	0.000%
10,001-100,000	-	-	0.000%
100,001 and over	3	19,000,000	100.000%
Total	3	19,000,000	100.000%

Options

The Options upon exercise will convert into ordinary shares (on a 1-for-1 basis), subject to various exercise prices and expiry dates.

None of the Options carry any voting rights. However, any underlying shares issued upon the vesting or conversion of the Options will carry equal voting rights with the other share on issue in the Company.

As at the Reporting Date, there were a total of 263,401,933 Options on issue, held by 785 holders.

An analysis of the number of Option holders by size of holding is as follows:

Range	Number of Holders	Units	%
1-1,000	7	1,092	0.000%
1,001-5,001	22	85,918	0.033%
5,001-10,000	40	325,289	0.123%
10,001-100,000	355	17,549,271	6.663%
100,001 and over	361	245,440,363	93.181%
Total	785	263,401,933	100.000%

Corporate Directory

Directors

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

Company Secretary

Mr Geoff Hollis

Registered Office

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

Principal Place of Business

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

Share Registry

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

Auditor

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

Australian Legal Advisor

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

United States Legal Advisor

The Grafe Law Office, PC
PO Box 2689
Corrales, NM, 87048, USA

Stock Exchange

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