



iQX LIMITED

ACN 155 518 380

APPENDIX 3 AND INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

iQX LIMITED
ACN 155 518 380

APPENDIX 3

Reporting Period: For the half-year ended 31 December 2019
Previous Corresponding Period: For the half-year ended 31 December 2018

The Company has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives did not require any restatement. Refer to note 3.

Results for announcement to the market

| | 31 December 2019 | Percentage change | Amount change |
|--|-------------------------|----------------------------|------------------------------------|
| Revenue and net profit | | | |
| Revenue from ordinary activities | 2,546,606 | 112% | 1,343,736 |
| Loss from ordinary activities after tax | (2,091,021) | (36%) | (550,099) |
| Loss from ordinary activities after tax attributable to owners | (2,091,021) | (36%) | (550,099) |
| Dividends | | | |
| | Dividend | Amount per security | Franked amount per security |
| Interim dividend in respect of half-year ended 31 December 2019: | NIL | NIL | NIL |
| | | 31 December 2019 | 31 December 2018 |
| Net tangible assets per security | | | |
| Net tangible assets per security (cents per security) ¹ | | 11.97 | 10.91 |

¹Net tangible assets includes right of use assets and leases liabilities

Commentary on results

Commentary for the interim financial results for the half-year ended 31 December 2019 is contained in the National Securities Exchange (NSX) release and on page 2 of the Interim Financial Report included with this announcement.

Details of associates

Details of iQX Limited's associates are contained on page 20 of the Interim Financial Report included with this announcement.

Compliance statement

The information provided in the Appendix 3 and throughout iQX Limited's Interim Financial Report is based on iQX Limited's interim financial statements for the half-year ended 31 December 2019.

iQX Limited's interim financial statements for the half-year ended 31 December 2019 have been subject to a review. A copy of the independent auditor's review report is set out on page 22 of the Interim Financial Report included with this announcement.



ACN 155 518 380

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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This Interim Financial Report is provided to the National Securities Exchange (NSX) and should be read in conjunction with the 2019 Annual Report and any announcements made to the market during the current reporting period.

DIRECTORS' REPORT

The directors present their report together with the interim consolidated financial statements of iQX Limited ("iQX" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at and for the half-year ended 31 December 2019.

DIRECTORS

The following persons were directors of iQX during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Dr George Symmalis
- Mr Kosmas Dimitriou
- Mr Peter Simpson
- Mr John Stratilas

PRINCIPAL ACTIVITIES

During the financial half-year, the principal activity for the Group consisted of general investing activities and exploring investment opportunities in the Life Science industry.

OPERATING AND FINANCIAL REVIEW

The iQX team has successfully continued to implement the Group's strategy in the first half of 2020.

The company is continuing its expansion strategy in the areas of crowd funding through Capital Labs (capitallabs.com.au), investing in early stage life science opportunities (Series 8 Life Science Fund (Global) (ESVCLP LP), and progressing with achieving further milestones in its investment interests in GBS Inc as it has continued to edge closer to commercialization stage and is preparing for the launch rollout in Asia-Pacific region whilst in preparation for a proposed Initial Public Offering in the USA.

Key highlights:

- Revenue increased by 112% to \$2.5 million (HY19: \$1.2m) as a result of an increase in capital management advisory services provided, and asset related revenue.
- Capital Labs, a venture of iQX Investment Services Pty Ltd was granted a financial services license in December 2017. Capital Labs is a crowdfunding platform, linking start-up Australian

biotechnology companies with retail investors. During the period Capital Labs successfully completed its first crowd funding of \$0.8 million.

- Series 8 Life Science Fund (Global) ESVCLP LP (Series 8), managed by subsidiary iQX Investment Services Pty Ltd, was granted unconditional registration from the Department of Industry, Innovation and Science as an early stage venture capital limited partnership in prior period. The iQ Series 8 Fund is currently capped at A\$100 million.
- Net loss after tax was \$2.1M, an increase of \$0.6m from the prior half-year (HY19 \$1.5M). This reflects the continued development of our infrastructure to meet our strategic objectives.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Company during the financial half-year.

ROUNDING OF AMOUNTS

The amounts in the interim consolidated financial statements have been rounded off to the nearest dollar in accordance with ASIC Corporation Instrument 2016/191.

AUDITOR INDEPENDENCE

The auditor's independence declaration is set out on page 3 and forms part of this directors' report for the financial half-year ended 31 December 2019.

The Directors' Report is signed in accordance with a resolution of the directors.

On behalf of the directors.



Kosmas Dimitriou

Chair

Sydney

15 March 2020

DECLARATION OF INDEPENDENCE BY TIM AMAN TO THE DIRECTORS OF IQX LIMITED

As lead auditor for the review of iQX Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of iQX Limited and the entities it controlled during the period.



Tim Aman
Partner

BDO East Coast Partnership

Sydney, 15 March 2020

IQX LIMITED AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| <i>In dollars</i> | <i>Note</i> | 31 December 2019 | 31 December 2018 |
|---------------------------------------|-------------|-----------------------------|-----------------------------|
| Revenue | 6 | 2,546,606 | 1,202,870 |
| Change in fair value financial asset | | - | 1,204,349 |
| Other income | | 323,043 | 6,572 |
| Employee benefits expense | | (1,404,357) | (907,567) |
| Depreciation and amortization expense | | (384,499) | (192,278) |
| Consultancy fees | | (483,612) | (166,303) |
| Occupancy costs | | (551,637) | (752,994) |
| Other expenses | 7 | (1,513,130) | (818,818) |
| Share of losses of associates | | (31,533) | (23,022) |
| Finance costs | | (554,619) | (766,485) |
| Loss before income tax | | (2,053,738) | (1,213,676) |
| Income tax expense | | (37,283) | (327,246) |
| Net loss for the period | | (2,091,021) | (1,540,922) |

Loss per share for the period attributable to the ordinary equity holders of the Company:

| | | | |
|--|----|--------|--------|
| Basic loss per share (cents per share) | 16 | (1.47) | (1.20) |
| Diluted loss per share (cents per share) | 16 | (1.47) | (1.20) |

INTERIM CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| <i>In dollars</i> | <i>Note</i> | 31 December 2019 | 31 December 2018 |
|--|-------------|-----------------------------|-----------------------------|
| Net loss for the period | | (2,091,021) | (1,540,922) |
| Other comprehensive income | | | |
| Items that are or may be reclassified subsequently to profit or loss when specific conditions are met: | | - | - |
| Other comprehensive profit/(loss) for the period, net of tax | | - | - |
| Total comprehensive loss for the period | | (2,091,021) | (1,540,922) |

The above interim consolidated statements of profit or loss, and the interim consolidated statement of comprehensive income, should be read in conjunction with the accompanying notes to the interim consolidated financial statements.

IQX LIMITED AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| <i>In dollars</i> | <i>Note</i> | 31 December 2019 | 30 June 2019 |
|--------------------------------------|-------------|-----------------------------|-------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 8 | 824,700 | 189,228 |
| Trade and other receivables | 9 | 957,271 | 1,005,535 |
| Prepayments | | 235,635 | 297,968 |
| Total current assets | | 2,017,606 | 1,492,731 |
| Non-current assets | | | |
| Property, plant and equipment | | 444,749 | 382,791 |
| Intangible assets | | 4,000 | 4,000 |
| Other receivables | 9 | 331,387 | 331,387 |
| Investment in associates | | 212,216 | 220,349 |
| Financial assets | 10 | 26,792,741 | 25,770,413 |
| Right of use assets | 11 | 2,838,418 | - |
| Deferred tax assets | 12 | 4,986,063 | 4,180,021 |
| Total non-current assets | | 35,609,574 | 30,888,961 |
| Total Assets | | 37,627,180 | 32,381,692 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 4,973,352 | 1,729,809 |
| Lease liabilities | | 540,739 | - |
| Employee benefit liabilities | | 279,281 | 214,365 |
| Provision for income tax | | 122,841 | - |
| Total current liabilities | | 5,916,213 | 1,944,174 |
| Non-current liabilities | | | |
| Employee benefit liabilities | | 70,367 | 64,584 |
| Borrowings | 14 | 4,586,672 | 4,401,020 |
| Lease liabilities | | 2,380,713 | - |
| Deferred tax liabilities | 12 | 7,649,498 | 6,937,791 |
| Total non-current liabilities | | 14,687,250 | 11,403,395 |
| Total liabilities | | 20,603,463 | 13,347,569 |
| Net assets | | 17,023,717 | 19,034,123 |
| Equity | | | |
| Contributed equity | 15 | 13,633,353 | 13,633,353 |
| Reserves | | 171,447 | 90,832 |
| Retained earnings | | 3,218,917 | 5,309,938 |
| Total equity | | 17,023,717 | 19,034,123 |

The above interim consolidated statement of financial position should be read in conjunction with the accompanying notes to the interim consolidated financial statements.

IQX LIMITED AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| <i>In dollars</i> | Contributed equity | Equity settled share-based payments reserve | Retained earnings | Total |
|---|--------------------|---|--------------------|--------------------|
| Balance at 1 July 2018 | 10,758,438 | - | 4,642,521 | 15,400,959 |
| Adjustments in prior period to correct classifications in opening balances ¹ | (952,166) | - | 889,188 | (62,978) |
| Restated balance at 1 July 2018 | 9,806,272 | - | 5,531,709 | 15,337,981 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (1,540,922) | (1,540,922) |
| Total comprehensive loss for the period | - | - | (1,540,922) | (1,540,922) |
| Transactions with owners recorded directly in equity | | | | |
| Issued capital | 1,323,350 | - | - | 1,323,350 |
| Capital raising costs | (124,113) | - | - | (124,113) |
| Total transactions with owners recorded directly in equity | 1,119,237 | - | - | 1,199,237 |
| Balance at 31 December 2018 | 11,005,509 | - | 3,990,787 | 14,966,296 |
| Balance at 1 July 2019 | 13,633,353 | 90,832 | 5,309,938 | 19,034,123 |
| Total comprehensive loss for the period | | | | |
| Loss for the period | - | - | (2,091,021) | (2,091,021) |
| Total comprehensive loss for the period | - | - | (2,091,021) | (2,091,021) |
| Transaction with owners recorded directly in equity | | | | |
| Cost of share-based payments | - | 80,615 | - | 80,615 |
| Total transactions with owners recorded directly in equity | - | 80,615 | - | 80,615 |
| Balance at 31 December 2019 | 13,633,353 | 171,447 | 3,218,917 | 17,023,717 |

¹The prior year adjustment to equity included reclassification of debt amounts relating to convertible notes recorded in contributed equity to borrowings for an amount of \$952,166. The prior year adjustment to retained earnings for an amount of \$889,188 related to the recognition of deferred tax assets for unrecognized carried forward tax losses.

The above interim consolidated statement of changes in equity should be read in conjunction with the accompanying notes to the interim consolidated financial statements.

IQX LIMITED AND CONTROLLED ENTITIES
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

| <i>In dollars</i> | <i>Note</i> | 31 December 2019 | 31 December 2018 |
|--|-------------|-----------------------------|-----------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 2,027,985 | 1,242,840 |
| Proceeds as client monies from crowd funding | | 749,045 | - |
| Payments to suppliers and employees | | (1,596,867) | (2,813,958) |
| Interest received | | 3,871 | - |
| Interest paid | | (135,681) | - |
| Net cash generated/(used) from operating activities | | 1,048,353 | (1,571,118) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (118,947) | (130,011) |
| Payments for investment in associates | | (23,400) | - |
| Investment in related party bonds | | 159,407 | (876,418) |
| Net cash generated/(used) in investing activities | | 17,060 | (1,006,429) |
| Cash flows from financing activities | | | |
| Proceeds from issue of ordinary shares (net of costs) | | - | 1,199,237 |
| Proceeds from subscription money received (net of costs) | | - | 1,144,703 |
| Repayment of lease liabilities | | (203,093) | - |
| Interest on convertible notes | | (226,848) | - |
| Net cash (used)/generated from financing activities | | (429,941) | 2,343,940 |
| Net increase/(decrease) in cash and cash equivalents | | 635,472 | (233,607) |
| Cash and cash equivalents at the beginning of the period | | 189,228 | 276,968 |
| Cash and cash equivalents at the end of the period | | 824,700 | 43,361 |

The above interim consolidated statement of cash flows should be read in conjunction with the accompanying notes to the interim consolidated financial statements.

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

IQX Limited (“iQX” or the “Company”) is a for-profit company limited by shares which is incorporated and domiciled in Australia. These interim consolidated financial statements as at and for the half-year ended 31 December 2019 comprise of the Company and its subsidiaries (collectively referred to as the “Group”).

These interim financial statements were authorized for issue by the Board of Directors on 15 March 2020.

2. STATEMENT OF COMPLIANCE

These condensed general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 ‘Interim Financial Reporting’ and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

These condensed general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

3. SIGNIFICANT ACCOUNTING POLICIES

This section sets out the significant accounting policies upon which the interim financial statements are prepared as a whole. Specific accounting policies are described in their respective notes to the interim financial statements. This section also shows information on new accounting standards, amendments and interpretations, and whether they are effective in the current or later years.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

AASB 16 Leases

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of adoption

AASB 16 was adopted at the beginning of the reporting period, 1 July 2019, using the modified retrospective approach and as such the comparatives have not been restated. A lease for office space was entered into in March 2018 for which a right-of-use asset and lease liability was recognized of \$3,165,928 at the date of adoption, with a \$Nil adjustment to equity.

Right-of-use assets

A right-of-use asset is recognized 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 Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognize 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.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized 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 Company'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 amortized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group recognizes revenue as follows:

Revenue from contracts with customers

Revenue is recognized at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: 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 recognizes 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 recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized 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 initially recognized as deferred revenue in the form of a separate refund liability.

Rendering of services

Revenue from a contract to provide services is recognized over time as the services are rendered based on either a fixed price or an hourly rate.

Interest

Interest revenue is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized 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 recognized when it is received or when the right to receive payment is established.

Trade and other receivables

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

Contract assets

Contract assets are recognized when the Group has satisfied the performance obligations in the contract and either has not recognized a receivable to reflect its unconditional right to consideration or the consideration is not due. Contract assets are treated as financial assets for impairment purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Customer acquisition costs

Customer acquisition costs are capitalized as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortized on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained, or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs

Customer fulfilment costs are capitalized as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the Group that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortized on a straight-line basis over the term of the contract.

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

Financial assets at fair value through profit or loss

Financial assets not measured at amortized 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 recognized 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 Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets which are either measured at amortized cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group'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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recognized 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 recognized within other comprehensive income. In all other cases, the loss allowance is recognized in profit or loss.

4. GOING CONCERN

The interim financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realization of assets and discharge of liabilities in the normal course of business.

As disclosed in the interim financial statements, the Group incurred a net loss of \$2,091,021 for the half-year ended 31 December 2019 and net operating cash inflows of \$1,048,353 (31 December 2018: \$1,540,992 and net operating cash outflow \$1,571,118 respectively). At 31 December 2019 the Group had net current liabilities of \$3,898,607, including \$ 2,210,383 net related party payables and net assets of \$17,023,717 (30 June 2019: net related party receivables \$327,780 and \$19,034,123 respectively). The net loss and net current liability position do prima facie give rise to a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern.

However, the directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after considering the following factors:

- The company's business model is based upon generating returns by acquiring early stage life science IP and with its specialist inhouse knowledge, developing the acquired IP into diagnostic or therapeutic bioscience assets. Accordingly, profits are generated by increase in the value of the assets as they are developed and reach clinical milestones. This is reflected in the net asset amount of \$17,023,717 which includes access to \$26,792,741 of investments recorded at fair value.
- Capital raisings by way of equity in relation to projects from its related parties and the existence of related party flow through agreements to provide funds to allow iQX to operate as a going concern.

In the event that the Group does not meet the above factors, it may not be able to continue its operations as a going concern and therefore may not be able to realize its assets and discharge its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

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

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

5. OPERATING SEGMENTS

The Group has identified operating segments based on internal reporting that is reviewed and used by the chief operating decision makers (the Group CEO and the Acting Chief Financial Officer) in assessing the performance of the respective segments. The operating segments are identified by management based on the nature of services provided, with each operating segment representing a strategic business that serves a different segment of the market.

The Group has two revenue streams being: (1) financial services fees charged; and (2) office and shared services fees charged. Segment analysis of revenue is provided below.

Information on net profit and assets by segment is not provided to the chief operating decision makers.

| <i>In dollars</i> | 31 December 2019 | 31 December 2018 |
|------------------------------------|-----------------------------|-----------------------------|
| Fees – financial services | 624,160 | 67,338 |
| Office and shared services revenue | 1,922,446 | 1,135,532 |
| Total revenue | 2,546,606 | 1,202,870 |

Information on geographical segments

One hundred percent of the Group's revenue, expenses and profit are derived in Australia.

Reliance on major customers

One hundred percent of the Group's revenue is derived from related parties.

6. REVENUE

| <i>In dollars</i> | 31 December 2019 | 31 December 2018 |
|------------------------------------|-----------------------------|-----------------------------|
| Fees – financial services | 624,160 | 67,338 |
| Office and shared services revenue | 1,922,446 | 1,135,532 |
| Total revenue | 2,546,606 | 1,202,870 |

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is presented as above.

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

7. OTHER EXPENSES

| <i>In dollars</i> | 31 December 2019 | 31 December 2018 |
|---------------------------------|-----------------------------|-----------------------------|
| Accounting and legal fees | 92,983 | 55,588 |
| Advertising and marketing | 322,366 | 28,328 |
| Insurance | 60,586 | 103,411 |
| Software and licensing | 176,174 | 94,270 |
| Recruitment fees | 162,111 | 90,285 |
| Office and administration | 250,277 | 142,742 |
| Contractors and temporary staff | 141,312 | 134,141 |
| Website maintenance | 87,837 | 132,000 |
| Filing fees | 35,815 | 14,986 |
| Cleaning and waste disposal | 30,858 | 22,320 |
| Other | 152,811 | 747 |
| Total other expenses | 1,513,130 | 818,818 |

8. CASH AND CASH EQUIVALENTS

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|--|-----------------------------|-------------------------|
| Bank balances | 75,655 | 189,228 |
| Proceeds from client monies | 749,045 | - |
| Total cash and cash equivalents | 824,700 | 189,228 |

9. TRADE AND OTHER RECEIVABLES

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|--|-----------------------------|-------------------------|
| Trade receivables | 11,747 | - |
| Related party receivables | 792,706 | 865,205 |
| | 804,453 | 865,205 |
| Other receivables | 152,818 | 140,330 |
| Bank guarantee ¹ | 331,387 | 331,387 |
| Total trade and other receivables | 1,288,658 | 1,336,922 |
| Current | 957,271 | 1,005,535 |
| Non-current | 331,387 | 331,387 |
| Total trade and other receivables | 1,288,658 | 1,336,922 |

¹ Provision of bank guarantee relating to the lease of Level 9, 85 Castlereagh Street, Sydney, NSW.

Allowance for expected credit losses

The Group has recognized a loss of \$Nil (31 December 2018: \$4,425) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2019.

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

10. FINANCIAL ASSETS

Financial assets carried at fair value through profit or loss – designed on initial recognition

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|--|-----------------------------|-------------------------|
| Shares in unlisted companies | 24,871,598 | 24,871,598 |
| Total financial assets carried at fair value through profit or loss | 24,871,598 | 24,871,598 |

Available for sale financial assets

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|--|-----------------------------|-------------------------|
| Shares in unlisted companies | 16,000 | 14,250 |
| Investment in unit trusts | - | 8,147 |
| Total available sale financial assets | 16,000 | 22,397 |

Financial assets carried at amortized cost

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|---|-----------------------------|-------------------------|
| Bond held with related party | 1,905,143 | 876,418 |
| Total financial assets carried at amortized cost | 1,905,143 | 876,418 |
| Total financial assets | 26,792,741 | 25,770,413 |

11. RIGHT-OF-USE ASSETS

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|---------------------------------------|-----------------------------|-------------------------|
| Land and building – right-of-use | 3,165,928 | - |
| Less: Accumulated depreciation | (327,510) | - |
| Balance as at 31 December 2019 | 2,838,418 | - |

12. DEFERRED TAX

Deferred tax assets

| <i>In dollars</i> | Opening Balance | Prior year adjustments | Recognized in profit or loss | Closing balance |
|----------------------------------|----------------------------|-----------------------------------|---|----------------------------|
| Carried forward losses | 3,592,434 | (1,280) | 321,540 | 3,912,694 |
| Other items | 587,587 | | 485,782 | 1,073,369 |
| Total deferred tax assets | 4,180,021 | (1,280) | 807,322 | 4,986,063 |

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

12. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

| <i>In dollars</i> | Opening Balance | Prior year adjustments | Recognized in profit or loss | Closing balance |
|---------------------------------------|--------------------|---------------------------|---------------------------------|--------------------|
| Financial instruments | 6,841,396 | - | - | 6,841,396 |
| Other items | 96,395 | - | 711,707 | 808,102 |
| Total deferred tax liabilities | 6,937,791 | - | 711,707 | 7,649,498 |

13. TRADE AND OTHER PAYABLES

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|---|---------------------|------------------|
| Trade payables | 720,551 | 653,632 |
| Sundry payables and accrued expenses ¹ | 1,249,712 | 538,752 |
| Related party payables | 3,003,089 | 537,425 |
| Total trade and other payables | 4,973,352 | 1,729,809 |
| Current | 4,973,352 | 1,729,809 |
| Non-current | - | - |
| Total trade and other payables | 4,973,352 | 1,729,809 |

¹ At 31 December 2019, sundry payables and accrued expenses included an amount of \$758,062 of proceeds from client's monies relating to crowd source funding.

14. BORROWINGS

| <i>In dollars</i> | 31 December 2019 | 30 June 2019 |
|-------------------------|---------------------|------------------|
| Borrowings | 4,586,672 | 4,401,020 |
| Total borrowings | 4,586,672 | 4,401,020 |

Balance represents the liability component of convertible notes. The convertible notes are at a coupon rate of 9% per annum and mature in February 2021

15. ISSUED CAPITAL

| | Number of shares | \$ |
|-------------------------------------|--------------------|-------------------|
| In issue at 1 July 2018 | 127,058,372 | 9,806,272 |
| Issue of shares | 15,099,049 | 4,076,742 |
| Share and note issue costs | - | (249,661) |
| In issue at 30 June 2019 | 142,157,421 | 13,633,353 |
| Issue capital | - | - |
| Share and note issue costs | - | - |
| In issue at 31 December 2019 | 142,157,421 | 13,633,353 |

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

15. ISSUED CAPITAL (CONTINUED)

All ordinary shares rank equally with regard to the Company's residual assets. The holders of these shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

The Company does not have authorized capital or par value in respect of its shares. All issued shares are fully paid.

16. EARNINGS PER SHARE (EPS)

The calculation of basic earnings per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

Loss attributable to ordinary shareholders

| <i>In dollars</i> | 31 December 2019 | 31 December 2018 |
|---|-----------------------------|-----------------------------|
| Loss for the period attributable to owners of iQX Limited | (2,091,021) | (1,540,922) |
| Weighted-average number of ordinary shares at the end of the period | 142,157,421 | 128,052,060 |
| Basic loss per share | (1.47) | (1.20) |
| Diluted loss per share | (1.47) | (1.20) |

Basic earnings per share is calculated as earnings for the period attributable to the Group over the weighted average number of shares.

Diluted earnings per share is calculated as earnings for the period attributable to the Group over the weighted average number of shares which has been adjusted to reflect the number of shares which would be issued if outstanding options were to be exercised.

17. FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

There were no transfers between levels during the financial half-year.

The gain recognized in profit or loss for the period from level 2 valuations is \$Nil (31 December 2018: \$1,204,349).

IQX LIMITED AND CONTROLLED ENTITIES
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

17. FAIR VALUE MEASUREMENT (CONTINUED)

Consolidated – at 31 December 2019

| <i>In dollars</i> | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|-------------------|----------------|-------------------|
| Assets | | | | |
| Shares in unlisted companies | - | 24,871,598 | - | 24,871,598 |
| Shares in listed companies | 16,000 | - | - | 16,000 |
| Bond held with related party | - | 1,905,143 | - | 1,905,143 |
| Shares in quoted unit trusts | - | - | - | - |
| Total assets | 16,000 | 26,776,741 | - | 26,792,741 |
| Liabilities | | | | |
| Convertible notes | - | 4,586,672 | - | 4,586,672 |
| Total liabilities | - | 4,586,672 | - | 4,586,672 |

Consolidated – at 30 June 2019

| <i>In dollars</i> | Level 1 | Level 2 | Level 3 | Total |
|------------------------------|----------------|-------------------|----------------|-------------------|
| Assets | | | | |
| Shares in unlisted companies | - | 24,871,598 | - | 24,871,598 |
| Shares in listed companies | 14,250 | - | - | 14,250 |
| Bond held with related party | - | 876,418 | - | 876,418 |
| Shares in quoted unit trusts | 8,147 | - | - | 8,147 |
| Total assets | 22,397 | 25,748,016 | - | 25,770,413 |
| Liabilities | | | | |
| Convertible notes | - | 4,401,020 | - | 4,401,020 |
| Total liabilities | - | 4,401,020 | - | 4,401,020 |

Valuation techniques for fair value measurements categorized within level 2

The valuation of these shares were reviewed on 31 December 2019 based on internal assessments performed by management, with reference to independent private placement investments made in the vehicle.

The planned listing of the underlying investment will entail 12% of the total equity of which iQX Limited owns 19% of the issued capital being listed. Independent pre-IPO investors have valued the shares in the underlying entity at \$128,333,096 (June 2019: \$128,333,096).

18. TRANSACTIONS WITH RELATED PARTIES

(i) Parent and ultimate controlling party

iQX Limited was the parent and ultimate controlling party of the Group throughout the half-year ended 31 December 2019.

18. TRANSACTION WITH RELATED PARTIES (CONTINUED)

(ii) Transactions with other related parties

The Group transacted with the following related companies. Transactions with other related parties are on normal commercial terms and conditions no more favorable than those available to other parties unless otherwise stated.

| Entity name | Relationship |
|---|--|
| The iQ Group Global Ltd (formerly iQnovate Ltd) and controlled entities | Common directorship and/ key management personnel |
| iQ3Corp Ltd and controlled entities | Common directorship and/ key management personnel |
| Nereid Enterprises Pty Ltd | An Associate with common directorship and/key management personnel |

The aggregate value of transactions and outstanding balances relating to subsidiaries and associates are set out in the following table.

| <i>In dollars</i> | 31 December 2019 | 31 December 2018 |
|---|--------------------|------------------|
| Total revenue and other income received from related parties | 2,546,606 | 1,202,870 |
| Office sharing invoices received from related parties | 414,187 | 296,295 |
| Other transaction and administrative invoices received from related parties | 137,250 | 197,303 |
| Total invoices received from related parties | 551,437 | 493,598 |
| | 31 December 2019 | 30 June 2019 |
| Trade payable accounts with related parties | (3,003,089) | (537,425) |
| Trade receivable accounts with related parties | 792,706 | 865,205 |
| Net trade receivable/(payable) from related parties | (2,210,383) | 327,780 |

(iii) Bond with related entities

The iQ Group Global Ltd (formerly iQnovate Ltd)

On 10 September 2018 the Group entered into a bond instrument with a related entity, The iQ Group Global Ltd, for a value of \$876,418. The maturity date of the bond is 30 June 2021, with a simple annual coupon rate of 9%.

iQ3Corp Ltd

On 31 December 2019 IQX Limited entered into a bond instrument with related entity iQ3Corp Ltd, for a value of \$927,000. The maturity date of the bond is 30 June 2022, with a simple annual coupon rate of 9%. The funds were sourced from the settlement of related party receivables.

18. TRANSACTION WITH RELATED PARTIES (CONTINUED)

(iv) Details of associates

| Name | Country of incorporation | Ownership interest 31 December 2019 | Ownership interest 30 June 2019 |
|-------------------------------|--------------------------|--|------------------------------------|
| New Frontier Holdings LLC | USA | 20% | 20% |
| Nereid Enterprises Pty Ltd | AUS | 20% | 20% |
| Nereid Enterprises LLC | USA | 20% | 20% |
| Antisoma Therapeutics Pty Ltd | AUS | 38% | 38% |

19. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial half-year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors to affect significantly the operations or state of affairs of the Group in future financial years.

IQX LIMITED AND CONTROLLED ENTITIES
DIRECTOR'S DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

In the opinion of the Board of Directors of iQX Limited ("the Company"):

- a. the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b. the attached financial statements and notes give a true and fair view of the Company's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Kosmas Dimitriou

Chair

Sydney

15 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of iQX Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of iQX Limited (the Company) and its subsidiaries (the Group), which comprises the interim consolidated statement of financial position as at 31 December 2019, the interim consolidated statement of profit or loss, the interim consolidated statement of other comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material uncertainty relating to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

Yours sincerely

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'Tim Aman', is written over a horizontal line.

Tim Aman

Sydney, 15 March 2020

CORPORATE DIRECTORY

ACN 155 518 380

Directors

Kosmas Dimitriou, *Chair*

Dr George Symmalis, *Executive Director and Group Chief Executive Officer*

Peter Buchanan Simpson

John Stratilas

Company secretary

Gerardo Incollingo

Group Chief Executive Officer

Dr George Symmalis

Registered office

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Principal place of business

Level 9, 85 Castlereagh Street

Sydney, NSW 2000

Share register

Boardroom Pty Limited

Level 12, 225 George Street

Auditor

BDO East Coast Partnership

Level 11, 1 Margaret Street,

Sydney, NSW 2000

Stock exchange listings

iQX Limited shares are listed on the National Securities Exchange (NSX:IQX).

Website address

www.iqxinvestments.com