ASX Announcement

Imagion Biosystems – Appendix 4C & Restated Financial Statements

MELBOURNE —31 July 2017 — Imagion Biosystems Limited (Imagion, ASX:IBX), is pleased to report on its activities for the quarter ended 30 June 2017.

We submit our Appendix 4C Quarterly Statement of Cashflow together with commentary on the activities for the quarter ended 30 June 2017.

We also submit the restated Audited Financial Statements for the year ended 31 December 2016. The restated Financial Statements reflect a correction to an accrual for payments due to MD Anderson which was omitted from the accounts lodged with ASX on 21 June 2017. We note that the correct accounts were reflected in the Company's Prospectus.

WHERE BIOTECHNOLOGY & NANOTECHNOLGY MEET

IMAGION BIOSYSTEMS

ASX Announcement

Imagion Biosystems – Appendix 4C commentary

MELBOURNE —31 July 2017 — Imagion Biosystems Limited (Imagion, ASX:IBX), is pleased to report on its activities for the quarter ended 30 June 2017.

Imagion Biosystems commenced trading on the Australian Securities Exchange on 22 June 2017 after raising $12 million in its initial public offering (IPO) via the issue of 60 million new shares.

The proceeds of the IPO position the Company to build toward its first in-human clinical studies of the proprietary MagSense™ technology, expected in the second half of 2018.

With many cancers growing unnoticed and asymptomatic until reaching advanced stages, Imagion's MagSense™ technology uses tiny bio-safe nanoparticles to 'tag' the cancer, with highly sensitive magnetic sensors holding the potential of detecting, locating and characterising tumours at their earliest stages

The consensus within the medical community is that more lives could be saved if cancer could be detected earlier, but cancer continues to be one of the leading causes of mortality. Imaging methods such as MRI, PET and ultrasound, are neither sensitive enough nor specific enough to catch cancer early and effect treatment decisions. It is clear that the sooner patients and physicians are aware of cancer, the more choices for treatment and positive outcomes there will be. Imagion's MagSense™ magnetic relaxometry technology holds great promise to positively change the way cancer is diagnosed.

Outlook

As Imagion approaches first-in-human testing it expects to measure its progress against four key business objectives:

- Establish sites for the initial breast cancer study.
- Complete the safety testing of Imagion's nanoparticles for human use.
- Initiate development and manufacturing of the MagSense™ instrument.
- Establish GMP supply of the nanoparticles for the breast cancer study.

Imagion will also continue to pursue its important scientific collaborations with MD Anderson, and others, to progress each of the cancer diagnostic programs and advance the technology. The primary focus, though, will remain on the drive to first clinical studies and the route to early commercialisation of the technology.

Imagion holds strong intellectual property protection that covers the MagSense™ technology for a wide variety of applications, with the initial focus being cancer diagnostics. The technology includes both the MagSense™ detection instrument that would be installed at a hospital or clinic, as well as the nanoparticles that are used for each diagnostic test. This creates a classic "printer & ink" business model. The instrumentation should cost less to make and deliver than current conventional imaging technologies like PET and MRI, which

will reduce barriers to adoption in the market and make it attractive for prospective commercial partners. With simple needle biopsies costing USD1,000 - USD2,500 and surgical procedures USD10,000 or more, it is fair to expect that Imagion's nanoparticle tests will be a high-margin, high-volume consumable.

About Imagion Biosystems

Imagion Biosystems is at the crossroads of biotechnology and nanotechnology. Its novel bioimaging and nanomagnetic detection systems have been developed specifically to detect cancer and other diseases earlier and with higher specificity than is currently possible. With MagSense™ technology, the company has the potential to optimize patient care and reduce mortality rates across various cancer indications. Based in Albuquerque, New Mexico, Imagion Biosystems listed on the Australian Securities Exchange (ASX) in June 2017.

For further information please contact:

info@imagionbio.com or corpsecretary@imagionbio.com

U.S. Media Contact:
Matthew Wygant
matthew@biotechwriting.com
+1-408-905-7630

Australian Media & Investor Relations:
Matt Wright, NWR Communications
matt@nwrcommunications.com.au
+61-451-896-420

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity	
Imagion Biosystems Limited	
ABN	**Quarter ended ("current quarter")**
42 616 305 027	30 June 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1	1
1.2	Payments for		
	(a) research and development	(155)	(229)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(47)	(77)
	(d) leased assets		-
	(e) staff costs	(577)	(1,141)
	(f) administration and corporate costs	(796)	(1,271)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(68)	(132)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	108
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,641)**	**(2,740)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(9)	(31)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(9)**	**(31)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	12,000	18,208
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(75)	(100)
3.5	Proceeds from borrowings	-	85
3.6	Repayment of borrowings	(442)	(3,109)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**11,483**	**15,084**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,373	28
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,641)	(2,740)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(31)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,483	15,084

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.5	Effect of movement in exchange rates on cash held	134	(1)
4.6	**Cash and cash equivalents at end of quarter**	**12,340**	**12,340**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	12,340	2,373
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**12,340**	**2,373**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	5
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Relates to director remuneration in Imagion Biosystems Ltd for the quarter ended 30 March 2017.

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

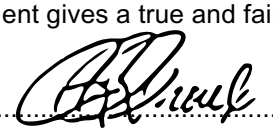
9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	1,547
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	32
9.4	Leased assets	8
9.5	Staff costs	547
9.6	Administration and corporate costs	855
9.7	Other (provide details if material)	-
9.8	**Total estimated cash outflows**	**2,989**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 July 2017

Print name: Robert Proulx

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.

2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

Imagion Biosystems Limited

Consolidated Financial Statements

For the period 31 December 2016

Imagion Biosystems Limited

Contents

Director's Report	2
Auditor's Independence Declaration	4
Statement of Profit and Loss and other comprehensive income Statement of Financial Position	5
Statmement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
Director's Declaration	19
Independent Auditor's Report	20

Imagion Biosystems Limited

Directors' Report

Your directors present their report on the consolidated entity consisting of Imagion Biosystems Ltd and the entities it controlled at the end of, or during, the period ended 31 December 2016. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons were directors of the group as at 31 December 2016 and up to the date of this report:

- R Proulx;
- M Harsh;
- J Hazle;
- P Dichiara;
- D Ludvigson;
- M Van Asten; and
- J Naumoska

Principal activities

During the year the principal continuing activities of the group consisted of:

a) Nanotechnology;
b) Biotechnology;
c) Cancer Diagnostics; and
d) Superparamagnetic Relaxometry.

Dividends

The directors have resolved that no dividend be declared.

Review of operations

The loss from operations for the year period ended 31 December 2016 was $1,034,477. The intention of the Directors is that the company continue with its Research & Development activities.

Events since the end of the financial year

On 9 January 2017, Imagion Biosystems, Inc and Robert Reveley entered into a Note Purchase Agreement, the amounts loaned were US$65,000 in consideration of Promissory Notes issued.

During the two months ended 28 February 2017, Imagion Biosystems Limited raised a total of approximately A$6,347,601 from investors and sold a total of 62,183,576 ordinary shares.

On 2 February 2017, Imagion Biosystems, Limited repaid a total of US$2 million of debt to three lenders and the remaining balance of US$500,000 was renegotiated and replaced with three new convertible promissory notes.

The Company has evaluated subsequent events through 17 May, 2017, which was the date the financial statements were issued.

Imagion Biosystems Limited

Directors' Report

Likely developments and expected results of operations

Likely developments in the operations of the group that were not finalised at the date of this report included:

The company has a program in place to raise $12 million in funds with an IPO listing on the Australian Stock Exchange (ASX) in May 2017.

Indemnity of auditors

Imagion Biosystems Ltd has agreed to indemnify their auditors, RSM Australia, to the extent permitted by law, against any claim by a third party arising from Imagion Biosystems Ltd's breach of their agreement. The indemnity stipulates that Imagion Biosystems Pty Ltd will meet the full amount of any such liabilities including a reasonable amount of legal costs.

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the ***Corporations Act 2001***.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the ***Corporations Act 2001*** is set out on page 4.

This report is made in accordance with a resolution of directors.



Robert Proulx
Director
17 May 2017

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 for the period ended 31 December 2016, 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

Dated: 17 May 2017
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

Imagion Biosystems Limited
Statement of Profit and Loss and other Comprehensive Income
For the period ended 31 December 2016

	2016 $
Income	
Interest received	1
Total income	1
Operating Costs:	
General Expenses	64,502
Research & Development	502,070
Total operating costs and expenses	566,572
(Loss) from operations before other income and expenses	**(566,571)**
Other Expenses:	
Interest	233,220
Foreign Exchange Loss	359,253
Fair Value Movement	(124,567)
(Loss) from operations before other income and expenses	**(1,034,477)**
Other Comprehensive Income	
Items that may be reclassified subsequently to profit or loss:	
Foreign Currency Translation	453,368
Other comprehensive income for the period	453,368
Total Comprehensive Income for the Period	**(581,109)**

The above statement should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Statement of financial position as at 31 December 2016

	Note	2016 $
Current Assets		
Cash Assets		
Cash on hand		2
Cash at bank		27,639
		27,641
Other Assets		
Prepayments		9,224
		9,224
Total Current Assets		**36,865**
Non-Current Assets		
Property, Plant and Equipment		
Plant & Equipment		218,477
Total Non-Current Assets		**218,477**
Total Assets		**255,342**

The above statement should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Statement of financial position as at 31 December 2016

	Note	2016 $
Current Liabilities		
Payables		
Trade creditors		867,129
Accrued Interest		68,104
Employee Benefits		17,175
		952,408
Financial Liabilities		
Promissory Notes- MSI	2	7,666,571
Promissory Note- Derivative Financial Liabilities	2	1,427,503
Convertible Promissory Notes	3	2,987,617
Convertible Notes- Derivative Financial Liabilities	3	1,482,536
Non - Convertible Promissory Notes	3	363,757
		13,927,984
Total Current Liabilities		**14,880,392**
Total Liabilities		**14,880,392**
Net Assets (Liabilities)		**(14,625,050)**
Equity		
Issued Capital		
Issued & paid up capital		2
Reserves		
Foreign Translation Reserve		453,368
Retained profits / (accumulated losses)		(15,078,420)
Total Equity		**(14,625,050)**

The above statement should be read in conjunction with the accompanying notes.

Imagion Biosystems Limited
Statement of Changes of Equity
For the period ended 31 December 2016

	Issued Capital	Reserves	Accumulated Deficit	Total Equity
Opening Balance	$ -	$ -	$ -	$ -
Assumption of Liabilities from related party on formation	-	-	(14,043,943)	(14,043,943)
Loss Incurred			(1,034,477)	(1,034,477)
Other comprehensive income for the period	-	453,368	-	453,368
Total Comprehensive income for the period		453,368	(1,034,477)	(581,109)
Transactions with owners in their capacity as owners:				
Contributions of Equity	2	-	-	2
Closing Balance	2	453,368	15,078,420	(14,625,050)

The above statement should be read in conjunction with the accompanying notes

Imagion Biosystems Limited
Statement of Cash Flows
For the period ended 31 December 2016

	2016 $
Cash Flow From Operating Activities	
Receipts from customers	1
Payments to suppliers and employees	(267,257)
Net cash used in operating activities	(267,256)
Cash Flow From Financing Activities	
Proceeds from short term convertible note payable	231,481
Net cash used in financing activities	231,481
Net (decrease)/increase in Cash and cash equivalents	(35,775)
Cash and cash equivalents at incorporation	-
Cash and cash equivalents transfered in from Merger with Senior Scientific LLC	80,043
Effects of currency translation on cash and cash equivalents	(16,629)
Cash and cash equivalents, end of period	27,639
Reconciliation of profit after income tax to net cash from operating activities	
Net Loss	(1,034,476)
Adjustments for:	
Foreign Exchange Loss	359,253
Unwind Interest	198,466
Fair Value Movement	(124,567)
Depreciation and amortisation	21,642
Changes in:	
Accounts payable and accrued expenses	268,839
Accrued Interest and other costs of finance	35,636
Prepayments	(9,223)
Accrued Expenses	17,174
Net Cash from operating activities	(267,256)

The above statement should be read in conjunction with the accompanying notes.

Note 1: Summary of 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 information presented, unless otherwise stated.

Imagion Biosystems Limited was Incorporated on the 6 December 2016. These financial statements are for the period 6 December to 31 December 2016.

Basis of preparation

These are special purpose financial statements that have been prepared for the purposes of complying with Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Imagion Biosystems Limited. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Imagion Biosystems Limited.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 ' interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

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 statement.

Financial assets at fair value through profit or loss are 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 (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

No further significant judgements have been made in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

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.

Note 1: Summary of Significant Accounting Policies

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.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

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 $1,034,477 and had net cash outflows from operating activities of $267,256 for the period ended 31 December 2016. As at that date the consolidated entity had net working capital deficiency of $14,843,527 and net liabilities of $14,625,050. The transfer of assets and liabilities from Senior Scientific LLC to Imagion Biosystems Inc a wholly owned subsidiary of Imagion Biosystems Limited included
"the assumption of net liabilities from related companies on formation". The consolidated entity is dependent on the need to raise capital for the continuation of product development, given that the consolidated entity has forecasted to incur losses for a 24-month period.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors consider that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, in light of the following factors:

- The company has a significant record of raising funds from its investor base. If the need arises, the company will consider additional capital raising activities through the issue of share capital. This is evident as outlined in note 7: $6,347.601 in additional funding was raised was achieved. This funding was used in part to repay existing convertible loan note holders.
- The company has a program in place to raise $12,000,000 in funds with an IPO listing on the Australian Stock Exchange (ASX) in May 2017. A Promissory note liability of $ US$6,900,000 as disclosed in note 2 will be converted to shares as part of the above mentioned listing on the ASX.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity did not continue as a going concern.

Note 1: Summary of Significant Accounting Policies

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 4.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Imagion Biosystems Limited ('company' or 'parent entity') as at 31 December 2016 and the results of all subsidiaries for the period then ended. Imagion Biosystems Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

Property, Plant and Equipment (PPE)

Property, plant and equipment are carried at cost, independent or director's valuation. All assets, excluding freehold land and buildings, are depreciated over their useful lives to the company. Increases in the carrying amount arising on revaluation of land and buildings are credited to a

revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each period the difference between depreciation based on the revalued carrying amount of the assets charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Revenue and Other Income

Revenue is measured at the value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

All revenue is stated net of the amount of goods and services tax (GST).

Note 1: Summary of Significant Accounting Policies

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST

is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

Income Tax

The income tax expense / (revenue) for the period comprises current income tax expense / (income) and deferred tax expense / (income). Current and deferred income tax expense / (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities / (assets) are therefore measured at the amounts expected to be paid to / (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred Tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future

Note 1: Summary of Significant Accounting Policies

periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

As it is not probable that future taxable profit will be available against the unused tax losses we have not recognised a deferred tax asset

Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid.

The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Foreign Currency Translation

The financial statements are presented in Australian dollars, which 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 period-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.

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.

Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date

Note 1: Summary of Significant Accounting Policies

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Research and development costs

Research costs for the development of the intellectual property and prototypes are expensed as incurred. An asset arising from the development expenditure on an internal project is recognised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and ability to measure reliably the expenditure attributable to the intangible asset during its development. 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 impartment losses. Any expenditure is capitalised is amortised over the period of expected benefits from the related project.

Employee Benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related costs.

Note 2: Promissory Notes

	2016 A$
Promissory Note Liability	7,666,571
Derivative Financial Liability	1,427,503
Total	9,094,074

The Promissory Note agreement includes a condition, that on IPO registration, a mandatory conversion is triggered converting the Promissory Note into shares in Imagion Biosystems Limited. This results in a derivative financial liability for the debt component payable.

The Promissory Note liability was discounted back to present value using an interest rate of 21%. While the option component (derivative) has been valued using the Black & Scholes option pricing model.

On November 22, 2016, Imagion Biosystems, Inc issued a Promissory Note with a principal amount of US $6,900,000 to Manhattan Scientifics, Inc. The Promissory Note is payable on the one year anniversary. The Promissory Note does not accrue interest. However, in the event of a default, interest shall accrue at 10% per annum.

Note 3: Convertible Notes

	2016 **A$**
Convertible Note Liability	2,987,617
Derivative Financial Liability	1,482,536
Total	4,470,153

During 2014 and 2013, Senior Scientific, LLC issued Convertible Notes for US$2,500,000. The Convertible Notes bear interest at 8%, mature four years from the date of issuance, and are convertible into equity.

The Convertible Note is in USD, resulting in a failure to meet the "fixed for fixed" assessment. This results in two liabilities being recognised, the debt, to be accounted for at amortised cost and a derivative financial instrument, and the conversion option, held at fair value through the profit and loss.

Note 3: Convertible Notes

The Convertible Note liability was discounted to present value using an interest rate of 12%. While the option component (derivative) has been valued using the Black & Scholes option pricing model.

In the final quarter of the financial year 2016, Senior Scientific LLC merged with a new incorporated entity Imagion Biosystems, Inc which is the surviving entity. The merger resulted in a transfer of assets and liabilities from Senior Scientific, LLC to Imagion Biosystems, Inc.

On the 30 December 2016, the Convertible Note holders approved the transfer of notes between the entities on the condition that upon receipt of an aggregate payment of US$2,000,000 by Imagion Biosystems, Inc to note holders (Senior notes). The remaining balance US$500,000 of the Convertible Notes would be amended, restated and replaced by a Convertible Promissory Note. The new note includes an option in the agreement, allowing the note holder to convert the remaining note of US$500,000 to shares in Imagion Biosystems Limited.

Non-Convertible Promissory Note

During November and December 2016, Robert Romero Proulx and Tracey Jane Proulx Revocable Trust and Brian Conn, both entered into Note Purchase Agreements, the amounts loaned were US$200,000 and US$75,000 respectively.

Note 4: Parent Entity Information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $
Profit/(Loss) after tax	(478,291)
Total Comprehensive Income	12,269
Total Current Assets	2
Total Assets	13,936,838
Total Current Liabilities	13,949,105
Total Liabilities	13,949,105
Equity	
Issued Capital	2
Foreign Translation Reserve	466,022
Retained Profits/(Losses)	(478,291)
Total Equity	(12,267)

Contingent liabilities

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2016.

Note 5: Interest In subsidiaries

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

Name	Principal place of business / Country of Incorporation	Ownership Interest 2016 %
Imagion Biosystems Inc	United States of America	100

Note 6: Litigation

The Company is subject from time to time to litigation, claims and suits arising in the ordinary course of business. As of 31 December. 2016 the Company was not party to any material litigation, claims or suit whose outcome could have material effect to the financial statements.

Note 7: Subsequent Events

Subsequent to period end and the newly formed company intends on listing on the Australian Securities Exchange (ASX). The listing is planned to take place in May 2017 and will aim to raise a minimum of $12,000,000

On 9 January 2017, Imagion Biosystems, Inc and Robert Reveley entered into a Note Purchase Agreement, the amounts loaned were US$65,000 in consideration of Promissory Notes issued.

During the two months ended 28 February 2017, Imagion Biosystems Limited raised a total of approximately A$6,347,601 from investors and sold a total of 62,183,576 million shares of ordinary shares.

On 2 February 2017, Imagion Biosystems Limited repaid a total of US$2,000,000 of debt to three lenders in relation to the original US$2,500,000 outstanding convertible loan note.
This was repaid in accordance with a newly renegotiated convertible promissory note for all three unit holders. The remaining balance of US$500,000, included in the renegotiated note, which outlines an option for the note to be either repaid or converted into ordinary share capital in Imagion Biosystems Limited.

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

Imagion Biosystems Limited
Director's Declaration

In the director's opinion:

- ·the consolidated entity is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Imagion Biosystems Limited;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Group will be able to meet any obligations or liabilities to which they are, or may become, subject to.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of directors



Director
Robert Proulx

17 May 2017

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 Biosystem Limited

Opinion

We have audited the financial report of Imagion Biosystems Limited. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 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 Group is 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 2016 and of its financial performance for the period then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1, 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 Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 ***Code of Ethics for Professional Accountants*** (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Company incurred a net loss of $1,034,477 during the period ended 31 December 2016 and, as of that date, the Company's current liabilities exceeded its total assets by $14,625,050. As stated in Note 1, these events or conditions, along with other matters as set forth in Note1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Certified System Quality ISO 9001

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 31 December 2016, 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 Group 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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards/Auditors-Responsibilities.aspx. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



R B MIANO
Partner

Dated: 18 May 2017
Melbourne, Victoria