



IMAGION BIOSYSTEMS LIMITED

ANNUAL REPORT – 31 DECEMBER 2017

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CORPORATE DIRECTORY

DIRECTORS

Mr Robert Romeo Proulx	Executive Chairman/President
Mr Peter Di Chiara	Non-Executive Director
Mr Michael John Harsh	Non-Executive Director
Mr David Gerald Ludvigson	Non-Executive Director
Ms Jovanka Naumoska	Non-Executive Director
Mr Mark Gerald Van Asten	Non-Executive Director

COMPANY SECRETARY

Ms Jovanka Naumoska

REGISTERED OFFICE

c/o- Holding Redlich
Level 8, 555 Bourke Street
MELBOURNE VIC 3000 AUSTRALIA

PRINCIPAL PLACE OF BUSINESS

800 Bradbury SE, Suite 213
Albuquerque NM 87106 UNITED STATES OF AMERICA

SHARE REGISTER

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

AUDITOR

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

AUSTRALIAN LEGAL ADVISOR

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

UNITED STATES LEGAL ADVISOR

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

STOCK EXCHANGE

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

HIGHLIGHTS

January 2017

Imagion Biosystems Limited Formed and Financed

Incorporation of Imagion Biosystems Limited (**Imagion Biosystems** or **Company**) as the parent owning all assets of Imagion Biosystems, Inc. and raising A\$ 6.0M in private financing to eliminate prior debt and provide working capital for business operations.

April 2017

Scientific Results Reported at AACR

The Company reported its most recent scientific results of its preclinical work on the detection of HER2 breast cancer at the annual meeting of the American Association of Cancer Research paving the way to translational development of the clinical product.

June 2017

Initial Public Offering - IBX

The Company successfully undertook an initial public offering (**IPO**) on the Australian Securities Exchange raising A\$12M to fund the initial stages of translational development of our flagship MagSense™ technology in preparation for a first-in-human test.

August 2017

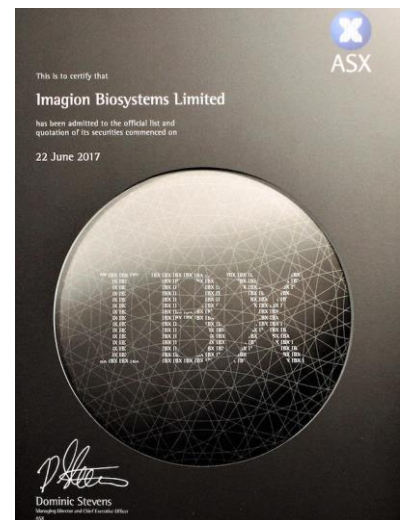
Clinical Instrument Design and Development Initiated

Medical device developer, Starfish Medical, was engaged to help the Company design and develop the clinical version of the MagSense instrument. Starfish's extensive experience in medical device design and regulatory requirements are expected to help the Company achieve entering clinical studies earlier.

October 2017

Contract Manufacturer Engaged to Make Clinical Grade Nanoparticles

Dutch drug manufacturer ChemConnections, experienced in drug and nanoparticle manufacturing, was contracted to make the Company's first clinical grade product for the detection of HER2 breast cancer.



LETTER FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board and all Imagion Biosystems employees, I'm pleased to present Imagion Biosystems Limited's annual report for the year ending 31 December 2017.

The 2017 fiscal year has been a transformative year for Imagion Biosystems. After having successfully spun the cancer detection technology assets out from its prior parent, Manhattan Scientifics, Inc. in late 2016, the new parent, Imagion Biosystems Limited was formed. This restructuring allowed the Company to eliminate prior debt, provide interim financing and establish an independent path to funding the Company's operations. We are proud to note that Manhattan Scientifics, Inc. remains a valued and substantial shareholder in Imagion Biosystems, believing in our vision and the long-term value we will create.

With the progress being made in our preclinical research programs, it became clear that 2017 was the year we needed to begin transforming from a purely preclinical research and development (**R&D**) company, to one focused on translational development of a clinical product. To that end in the first half of the year we established a strategy and roadmap that would lead to a first-in-human testing of our first clinical product - a test for the detection of metastatic HER2 breast cancer.

Our IPO in June was fully subscribed with the A\$12m raised intended to provide sufficient funding to get the Company into a position to undertake its first clinical testing. We have been laser-focused on optimising the use of cash to achieve that goal and meet the milestones we defined in our offering.

The performance of our stock since the IPO has been disappointing and we believe that we are currently undervalued by the market. Our IPO prospectus laid out a clear near-term plan for the Company, against which we have faithfully executed whilst maintaining tight fiscal control to preserve cash. As we continue to execute our plan in 2018 and move towards our first-in-human test, we expect the market will recognise the inherent value in our progress. We are committed to redoubling our efforts to communicate with our shareholders, and the markets in general, to ensure there is clarity of our business plan and the value it will create for our shareholders.

If 2017 was the beginning of our transformation, I expect 2018 to be the year we emerge ready for the clinical stage. I would personally like to thank our Board of Directors for their efforts and willingness to dedicate their time, and to our employees and collaborators for working hard to deliver outstanding result. Finally, I would like to express my thanks to our shareholders, customers and suppliers who have contributed to Imagion Biosystems' success and for their continued support.



Robert Proulx
Executive Chairman

INVESTOR RELATIONS

Transparent Communication for a Fair Valuation

The Company continues to work on increasing awareness for its shares and its equity story in the financial community and recognises the value of regular dialogue with its shareholders. Our goal is to ensure we communicate the Company's strategy and objectives reliably and transparently to gain investor confidence and achieve a fair valuation of its shares.

Throughout the second half of the year, management, and certain Directors, travelled throughout Australia and held periodic investor conference calls to apprise investors and brokers of our business progress. Additionally, in October 2017, management participated in the ASX Spotlight Series held in New York City. This event provided exposure to the NY investor community with ties to the Australian securities market.

Subsequent to the end of the fiscal year, management attended the JP Morgan Healthcare Conference in January 2018 and in March presented at the AusBiotech Asian Investor meetings in Hong Kong and Shanghai. During those events management held numerous one-on-one meetings with potential new international investors and strategic partners.

We expect to continue to undertake periodic "roadshows" throughout Australia to meet with our shareholders and interested investors and brokers as well as participate in relevant investor conferences globally to raise awareness of our Company and the investment opportunity it presents.

We make a concerted effort to ensure shareholders have been informed about current developments via regular press releases and announcements and maintain a Newsletter and use of social media to support communications.

Directors' Dealings

During the last quarter of 2017, Imagion Biosystems' Executive Chairman Robert Proulx increased his holdings in Imagion Biosystems through an on-market acquisition of 235,000 shares, reinforcing his trust in the Company and its future growth.

MANAGEMENT REPORT

Company Overview

Imagion Biosystems has pioneered the field of non-invasive detection of specific solid tumour cancers by use of magnetic nanoparticles. We have been awarded key patents on the technology in most of the global markets and are poised to enter the clinical stage of development. Researchers from internationally recognised institutions like MD Anderson Cancer Center have chosen to work with us because it holds the promise of high sensitivity, which can mean detection of cancer earlier, and can minimise the need for invasive biopsy procedures. The early and non-invasive detection of cancers will have a significant impact on the cancer diagnostic markets, saving countless lives and improving patient care.

Imagion Biosystems, Inc. is a wholly owned subsidiary of Imagion Biosystems and the primary business operations for the group. In December of 2017 the Board of Directors of Imagion Biosystems, unanimously supported a proposal to move the U.S. operations from Albuquerque, New Mexico to San Diego, California. Subsequent to the close of the fiscal year, the Company has announced that it has secured a location in San Diego and expects to be fully operational in San Diego in the second quarter of 2018. Expenses related to the relocation and on-going expenditures are expected to be neutral to the approved 2018 budget.

Market and Industry Conditions

In 2017 we saw two of the largest players in the medical imaging space, GE and Siemens, restructure their companies to provide renewed focus on their medical businesses, specifically medical imaging. The field of non-invasive imaging and diagnostic methods is a large and highly valued business arena and we believe we have a unique and valuable technology to bring to bear on these markets.

Additionally, the clinical and medical community continues to stress the need for improved medical imaging and diagnostic techniques. As recently as March 2018 an article in the New England Journal of Medicine stated that the current standard of care in prostate cancer diagnosis *“is associated with the underdetection of higher-grade (clinically significant) prostate cancers and the overdetection of low-grade (clinically insignificant) cancers.”* And in February 2018 the Journal of the American Medical Association reported that the US Preventative Services Task Force found *“screening for ovarian cancer does not reduce ovarian cancer mortality”*.

Clearly, the market opportunity is ripe. With the support of our shareholders we believe we can deliver significant value both to the markets we serve and our shareholders.

Research & Development

In 2017, after reporting encouraging results at the annual meeting of the American Association of Cancer Research (AACR) we began to focus the majority of our R&D efforts on the clinical phase of development for our lead product intended for the detection and staging of metastatic HER2 breast cancer. With the input of our collaborators at the MD Anderson Cancer Center in Houston Texas, we established a translational development plan that would accelerate our ability to undertake first-in-human testing and reduce technical risk.

As part of our translational efforts we established relationships with two key contractors, Starfish Medical and ChemConnection, both ISO 13485 certified vendors, to help us with the development and manufacturing of our MagSense instrument and nanoparticle test reagent to meet regulatory requirements for human clinical testing.

Future Opportunities

We believe there is long-term value for our shareholders in our nanoparticle technology beyond cancer diagnostics with the MagSense instrument. We continue to undertake limited R&D efforts and collaborations exploring therapeutic applications of our nanoparticles in a variety of formats, including magnetic hyperthermia. Additionally, there are opportunities to generate revenue through the sale of our magnetic relaxometry technology and nanoparticles to the research market.

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Imagion Biosystems Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017.

Directors

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

Mr Robert Romeo Proulx	Executive Chairman President	Appointed 6 December 2016
Mr Peter Di Chiara	Non-Executive Director	Appointed 28 April 2017
Mr Michael John Harsh	Non-Executive Director	Appointed 28 February 2017
Mr David Gerald Ludvigson	Non-Executive Director	Appointed 8 March 2017
Ms Jovanka Naumoska	Non-Executive Director	Appointed 6 December 2016
Mr Mark Gerald Van Asten	Non-Executive Director	Appointed 6 December 2016

Principal activities

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

- Nanotechnology;
- Biotechnology;
- Cancer Diagnostics; and
- Superparamagnetic Relaxometry.

Dividends

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

Review of operations

Revenue and Other Income comprised interest income, sales of nanoparticles, a government grant and adjustments to the valuation of a derivative financial instrument. The Company markets nanoparticles to customers through its website and expects to continue to do so, though revenue from this activity is not material and not expected to be material in the future. The grant from the state of New Mexico of \$109,000 is a one-time revenue item, and, the net effect of adjustments to a derivative financial instrument of \$128,000 is non-recurring as the loan associated with this item has been retired.

Total expenses of \$7.8 million were slightly less than projections. Legal, accounting and other expenses related to the Company's IPO, which were non-recurring exceeded projections, while R&D expenditures were less than projected.

In 2017, the Company raised \$2.7 million in a stock offering to retire existing debt, \$3.5 million in a separate stock offering to fund operations and a further \$12 million was raised at its IPO to fund operations and to prepare the technology for human trials.

Significant changes in the state of affairs

Imagion Biosystems was listed on the Australian Stock Exchange (ASX) on 22 June 2017, following a successful capital raising of \$12 million.

Management is executing its plan to bring Imagion Biosystems' technology to human trials. Recently announced was an agreement with Starfish Medical as the first step toward designing the Company's commercial version of the detection instrument and build prototypes for clinical use. This announcement was followed by an announcement of an agreement with ChemConnection BV to manufacture clinical-grade nanoparticles for use in Imagion Biosystems' planned human clinical study.

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

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Management expects spending to remain constant in future periods except for contracts and collaborations agreements to advance our progress toward human trials. These agreements would include, manufacturing for our formulated nanoparticle, design and prototype production of our instrument, clinical consultants among other things.

Environmental Regulation

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

Information on Directors

Name:	Mr Robert Romeo Proulx
Title:	Executive Chairman/President
Qualifications:	- Master of Arts and Bachelor of Arts, The State University of New York at Albany; - Executive Master of Business Administration, Penn State Smeal College of Business.
Experience & Expertise:	Robert has over 25 years' experience bringing life science and medical device products through development and commercialisation and joined the predecessor company, Senior Scientific as President and Chief Operating Officer. Previous employment experience includes President and General Manager for Silicon Biosystems developing an imaged-based "liquid biopsy" diagnostic platform for circulating tumor cells. His career in marketing and sales management spans the computer, life science and medical diagnostics industries. Robert holds a Master of Arts and Bachelor of Arts from The State University of New York at Albany and an Executive Master of Business Administration from the Penn State Smeal College of Business.
Other Current Directorships:	Nil
Former Directorships (last 3 years):	PGXL Diagnostics Laboratories, Inc (2009 – 2017)
Interest in Shares:	235,000 Shares
Interest in Options:	Nil
Interest in Rights:	8,700,000 performance rights
Contractual rights to Shares:	8,700,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's loan term incentive plan. And will each vest into an ordinary share subject to achievement of prescribed performance conditions.

Information on Directors (continued)

Name:	Mr Peter Di Chiara
Title:	Non-Executive Director
Qualifications:	- Bachelor of Business Administration degree, University of Notre Dame; - JD degree, Pace University School of Law.
Experience & Expertise:	Peter is the founding partner of Carmel, Milazzo & DiChiara, LLP, a boutique law firm specialising in corporate and securities law. With over 30 years of experience, his practice is concentrated on advising public companies, private companies, and investors on securities issuance, complex business transactions, regulatory compliance, and corporate governance. Prior to founding Carmel, Milazzo & DiChiara, Peter served at several professional firms including Willkie Farr & Gallagher, Cadwalader Wickerham & Taft, and Ernst & Young. Peter is licensed both as an attorney and as a certified public accountant in the State of New York. He holds a Bachelor of Business Administration degree from the University of Notre Dame and a JD degree from Pace University School of Law.
Other Current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's long term incentive plan and will each vest into an ordinary share 24 months after official quotation

Name:	Mr Michael John Harsh
Title:	Non-Executive Director
Qualifications:	- Bachelor's degree in Electrical Engineering, Marquette University
Experience & Expertise:	With almost 36 years' service to GE, mostly with GE Healthcare on his résumé, Michael Harsh is extraordinarily fluent in the complex processes of transforming high-potential platform technologies into successful medical diagnostic products. As the Global Technology Leader of Imaging Technologies at GE Global Research, he directed the company's research in X-ray, CT, MRI, Ultrasound, Nuclear Medicine, PET, and Optical Imaging, as well as research associated with computer visualization/image analysis and superconducting systems. In 2008, Michael was elected to the America Institute for Medical and Biological Engineering (AIMBE) College of Fellows for his contributions to medical and biological engineering. Michael earned his Bachelor's degree in Electrical Engineering from Marquette University.
Other Current Directorships:	ENDRA Life Sciences (2016 – present); FloDesign Sonics (2015 – present); EmOpti, Inc. (2015 – present);
Former Directorships (last 3 years):	Nil
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's long-term incentive plan and will each vest into an ordinary share 24 months after official quotation

Information on Directors (continued)

Name:	Mr David Gerald Ludvigson
Title:	Non-Executive Director
Qualifications:	- Bachelor of Science in Accounting, University of Illinois - Masters in Accounting Science, University of Illinois.
Experience & Expertise:	David is President and CEO of Nanomix, Inc, a mobile diagnostics company. Previously, David held executive leadership positions with Nanogen, Matrix Pharmaceutical, IDEC Pharmaceuticals, MIPS Computer Systems, and other high-tech companies. He began his career at Price Waterhouse. David holds a Bachelor of Science in Accountancy degree, and a Masters in Accounting Science degree, both from the University of Illinois.
Other Current Directorships:	China Stem Cells Ltd (2010-present); Nanomix Inc. (2014-present).
Former Directorships (last 3 years):	Nil
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's long term incentive plan and will each vest into an ordinary share 24 months after official quotation

Name:	Ms Jovanka Naumoska
Title:	Non-Executive Director
Qualifications:	- Bachelor of Science degree, University of Wollongong; - Bachelor of Law degree and the Graduate Diploma in Legal Practice, University of Wollongong; - Graduate Diploma in Applied Corporate Governance, Governance Institute of Australia.
Experience & Expertise:	Jovanka Naumoska is an Australian-qualified corporate lawyer with board-level experience in legal issues pertaining to medical imaging technology. Jovanka has served as Senior Corporate Lawyer and Policy Advisor for Australian Nuclear Science and Technology Organisation (ANSTO), and currently holds the position of Manager, Business Excellence, serving a cross-functional role in business operations, intellectual property development, and regulatory compliance. Jovanka also serves on the Board of Directors for PETNET Australia Pty Ltd, a state-of-the-art PET (Positive Emission Tomography) radiopharmaceutical production facility. After receiving her Bachelor of Science degree from the University of Wollongong, Jovanka earned both the Bachelor of Law degree and the Graduate Diploma in Legal Practice, also from the University of Wollongong. In addition, she holds a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia
Other Current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's long term incentive plan and will each vest into an ordinary share 24 months after official quotation

Information on Directors (continued)

Name:	Mark Gerald Van Asten
Title:	Non-Executive Director
Qualifications:	Bachelor of Science, University of New South Wales
Experience & Expertise:	As the Managing Director and founder of Diagnostic Technology Pty Ltd, Mark has been responsible for the development, introduction, and mainstream healthcare adoption of technologies throughout Australia and Asia, such as HPV DNA testing for cervical cancer screening and molecular monitoring for both viral infections and cancer treatments. Concurrent with his founding and leadership of Diagnostic Technology Pty Ltd, Mark has held several director-level business development positions with US and Australian diagnostics corporations.
Other Current Directorships:	Nil
Former Directorships (last 3 years):	Nil
Interest in Shares:	Nil
Interest in Options:	Nil
Interest in Rights:	150,000 performance rights
Contractual rights to Shares:	150,000 performance rights which are subject to ASX escrow restrictions for 24 months from official quotation. The Performance rights are issued under the company's long term incentive plan and will each vest into an ordinary share 24 months after official quotation

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Management Committee	
	Number of meetings eligible to attend	Attended	Number of meetings eligible to attend	Attended
Mr Robert Romeo Proulx	4	4	-	-
Mr Peter Di Chiara	3	3	2	1
Mr Michael John Harsh	4	4	2	2
Mr David Gerald Ludvigson	4	4	2	2
Ms Jovanka Naumoska	4	4	-	-
Mr Mark Gerald Van Asten	4	4	2	2

Remuneration report (audited)

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

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

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

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

Principles used to determine the nature and amount of remuneration

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

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

The Board has determined the remuneration arrangements for the directors and executives with the appointment of the Nomination and Remuneration Committee they will be responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

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

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

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

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

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

Non-executive director's remuneration

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

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board recommends the actual payments to directors and shareholders are responsible for ratifying any recommendations, if appropriate. ASX listing rules require the aggregate non-executive director's remuneration be determined periodically by a general meeting. The aggregate approved remuneration for non-executive directors is \$125,000.

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- health care benefits

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

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

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

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

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

Consolidated entity performance and link to remuneration

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

Details of remuneration

Amounts of remuneration

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

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

Executive Directors:

Robert Romeo Proulx – Executive Chairman/President

Other Key Management:

Giulio Paciotti – Vice President – Research & Development

Brian Conn – Chief Financial Officer

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

Details of Remuneration (continued)

2017	Short Term Benefits			Share-Based Payments		Total
	Cash Salary & Fees	Cash Bonus	Non- Monetary	Equity-settled shares	Equity-settled options	
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Mr Peter Di Chiara*	5,178	-	-	-	5,681	10,859
Mr Michael John Harsh**	5,178	-	-	-	5,681	10,859
Mr David Gerald Ludvigson***	5,178	-	-	-	5,681	10,859
Ms Jovanka Naumoska	5,178	-	-	-	5,681	10,859
Mr Mark Gerald Van Asten	5,178	-	-	-	5,681	10,859
<i>Executive Directors</i>						
Robert Romeo Proulx	309,675	-	-	-	329,504	639,179
<i>Other Key Management</i>						
Giulio Paciotti	238,035	-	-	-	64,386	302,421
Brian Conn	176,458	-	-	-	64,386	240,844
Total	750,058	-	-	-	486,681	1,236,739

*Represents remuneration from 28 April 2017 to 31 December 2017

**Represents remuneration from 28 February 2017 to 31 December 2017

***Represents remuneration from 8 March 2017 to 31 December 2017

Service agreements

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

Name:	Mr Robert Romeo Proulx
Title:	Executive Chairman/President
Agreement Commenced	1 May 2017
Term of Agreement	3 years, unless extended by mutual agreement
Details	<p>Robert is entitled to a base salary of \$US200,000 per annum, but shall be subject to periodic review and adjustment as recommended by the Remuneration Committee of the Company's Board of Directors and approved by the Board of the Company from time to time. Robert is also entitled to up to 8,700,000 Shares under the Long Term Incentive Plan (subject to certain milestones being met) as an initial grant upon Listing; Imagion US shall own all rights created by Robert during the term, and all confidential information shall remain the exclusive property of Imagion US;</p> <p>if Robert's employment is terminated:</p> <ul style="list-style-type: none"> - without cause or because he has resigned due to a material reduction in his duties or responsibilities (Good Reason), he shall be entitled to a termination payment of 12 months' base salary, - as a result of a transaction that results in a change of control of Imagion US (or the Company), he shall receive a termination payment of 12 months' salary, plus the 100% acceleration of any vesting schedules associated with any equity compensation programs; - because of cause, he shall not be entitled to receive any further compensation other than any salary or expenses accrued but unpaid. <p>If Robert's employment is terminated:</p> <ul style="list-style-type: none"> - without cause, because of breach by Imagion US or because of Good Reason, his non-compete period shall end when his entitlement to any accrued benefits or expenses cease; - because of disability, his non-compete period shall end upon such termination; - for cause or for other than Good Reason, the non-compete period shall otherwise end at the end of the term or the one year anniversary of termination, whichever is later.

Service agreements (continued)

Name:	Giulio Paciotti
Title:	Vice President Research & Development
Agreement Commenced	1 May 2017
Term of Agreement	3 years, unless extended by mutual agreement
Details	<p>Giulio's base salary is \$US165,000 per annum. Giulio is also eligible to receive up to 1,700,000 rights over Shares as an initial grant upon Listing under the Long-Term Incentive Plan.</p> <p>Each senior manager in the Imagion Group has entered into an executive employment agreement with Imagion US.</p> <p>The key terms of each senior manager's employment are as follows:</p> <ul style="list-style-type: none"> the term of each agreement is three years from a specified effective date, unless extended by mutual agreement; - the senior manager's base salary shall be determined in accordance with Imagion US' customary payroll practices, but shall be subject to periodic review and adjustment as recommended by the Remuneration Committee of Imagion US' (or the Company's) Board of Directors and approved by the Board of Imagion US (or the Company) from time to time; Imagion US shall own all rights created by the senior manager during the term, and all confidential information shall remain the exclusive property of Imagion US; - if the senior manager's employment is terminated: <ul style="list-style-type: none"> - without cause or because the senior manager has resigned due to a material reduction in their duties or responsibilities (Good Reason), the senior manager shall be entitled to a termination payment of 6 months' base salary, - as a result of a transaction that results in a change of control of Imagion US (or the Company), they shall receive a termination payment of 6 months' salary, plus the 100% acceleration of any vesting schedules associated with any equity compensation programs; - because of cause, the senior manager shall not be entitled to receive any further compensation other than any salary or expenses accrued but unpaid. if the senior manager's employment is terminated: <ul style="list-style-type: none"> - without cause, because of breach by Imagion US or because of Good Reason, their non-competition period shall end when their entitlement to any accrued benefits or expenses cease; - because of disability, their non-competition period shall end upon such termination; - for cause or for other than Good Reason, the non-competition period shall otherwise end at the end of the term or the one-year anniversary of termination, whichever is later.

Service agreements (continued)

Name:	Brian Conn
Title:	Chief Financial Officer
Agreement Commenced	1 May 2017
Term of Agreement	3 years, unless extended by mutual agreement
Details	<p>Brian's base salary is \$US120,000 per annum. Brian is also eligible to receive up to 1,700,000 rights over Shares as an initial grant upon Listing under the Long-Term Incentive Plan.</p> <p>Each senior manager in the Imagion Group has entered into an executive employment agreement with Imagion US.</p> <p>The key terms of each senior manager's employment are as follows:</p> <ul style="list-style-type: none"> - the term of each agreement is three years from a specified effective date, unless extended by mutual agreement; - the senior manager's base salary shall be determined in accordance with Imagion US' customary payroll practices, but shall be subject to periodic review and adjustment as recommended by the Remuneration Committee of Imagion US' (or the Company's) Board of Directors and approved by the Board of Imagion US (or the Company) from time to time; - Imagion US shall own all rights created by the senior manager during the term, and all confidential information shall remain the exclusive property of Imagion US; <p>if the senior manager's employment is terminated:</p> <ul style="list-style-type: none"> - without cause or because the senior manager has resigned due to a material reduction in their duties or responsibilities (Good Reason), the senior manager shall be entitled to a termination payment of 6 months' base salary, - as a result of a transaction that results in a change of control of Imagion US (or the Company), they shall receive a termination payment of 6 months' salary, plus the 100% acceleration of any vesting schedules associated with any equity compensation programs; - because of cause, the senior manager shall not be entitled to receive any further compensation other than any salary or expenses accrued but unpaid. <p>if the senior manager's employment is terminated:</p> <ul style="list-style-type: none"> - without cause, because of breach by Imagion US or because of Good Reason, their non-competition period shall end when their entitlement to any accrued benefits or expenses cease; - because of disability, their non-competition period shall end upon such termination; - for cause or for other than Good Reason, the non-competition period shall otherwise end at the end of the term or the one year anniversary of termination, whichever is later.

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

Share-based compensation

Issue of Shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 31 December 2017.

Options

There were no options issued to Directors and other key management personnel as part of compensation during the year ended 31 December 2017.

Performance Rights

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

Name	Number of rights granted	Grant date	Expiry date	Exercise price	Fair value per right at grant date
Mr Robert Romeo Proulx	8,700,000	22 June 2017	22 June 2019	-	\$ 0.16
Mr Peter Di Chiara	150,000	22 June 2017	22 June 2019	-	0.16
Mr Michael John Harsh	150,000	22 June 2017	22 June 2019	-	0.16
Mr David Gerald Ludvigson	150,000	22 June 2017	22 June 2019	-	0.16
Ms Jovanka Naumoska	150,000	22 June 2017	22 June 2019	-	0.16
Mr Mark Gerald Van Asten	150,000	22 June 2017	22 June 2019	-	0.16
Giulio Paciotti	1,700,000	22 June 2017	22 June 2019	-	0.16
Brian Conn	1,700,000	22 June 2017	22 June 2019	-	0.16

Performance rights granted carry no dividend or voting rights.

Additional information

The earnings of the Consolidated Entity for the year ended 31 December 2017 is summarised below:

	2017
	\$
Revenue	339,057
Net loss before tax	7,794,602
Net loss after tax	7,794,602

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

	2017
	\$
Share Price at listing date (22 June 2017) (\$)	0.200
Share price at financial year end (\$)	0.110
Basic earnings per share (cents per share)	(0.0507)
Diluted earnings per share (cents per share)	(0.0507)

Additional disclosures relating to key management personnel

Shareholding

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

Name	Balance start of year	Received Remuneration	Additions	Disposals	Balance at the end of the year
Mr Robert Romeo Proulx	-	-	235,000	-	235,000
Mr Peter Di Chiara	-	-	-	-	-
Mr Michael John Harsh	-	-	-	-	-
Mr David Gerald Ludvigson	-	-	-	-	-
Ms Jovanka Naumoska	-	-	-	-	-
Mr Mark Gerald Van Asten	-	-	-	-	-
Giulio Paciotti	-	-	-	-	-
Brian Conn	-	-	-	-	-
Total	-	-	235,000	-	235,000

Performance Rights Holding

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

Name	Balance start of year	Granted	Vested	Expired/forfeited /other	Balance at end of year
Mr Robert Romeo Proulx	-	8,700,000	-	-	8,700,000
Mr Peter Di Chiara	-	150,000	-	-	150,000
Mr Michael John Harsh	-	150,000	-	-	150,000
Mr David Gerald Ludvigson	-	150,000	-	-	150,000
Ms Jovanka Naumoska	-	150,000	-	-	150,000
Mr Mark Gerald Van Asten	-	150,000	-	-	150,000
Giulio Paciotti	-	1,700,000	-	-	1,700,000
Brian Conn	-	1,700,000	-	-	1,700,000
Total	-	12,850,000	-	-	12,850,000

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 15 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 15 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

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

On behalf of the directors



Robert Proulx
Director

28 February 2018

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Imagion Biosystems Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to be "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be "R B Miano".

R B MIANO
Partner

Dated: 28 February 2018
Melbourne, Victoria

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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

Imagion Biosystems Limited
Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue and other income	4	339,057	1
Expenses			
Research & development costs		(2,155,714)	(502,070)
Employee salaries and expenses		(2,100,536)	-
Professional fees		(1,084,342)	-
General expenses		(1,026,512)	(42,860)
Interest		(858,583)	-
Share based payments expense		(623,927)	-
Depreciation expense		(206,834)	(21,642)
Finance costs		(76,682)	(233,219)
Foreign exchange loss		(529)	(359,253)
Fair value movement		-	124,567
Loss after income tax expense		(7,794,602)	(1,034,477)
Income tax expense		-	-
Loss after income tax expense for the year		(7,794,602)	(1,034,477)
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign translation reserve		61,575	453,368
Other comprehensive income for the year, net of tax		61,575	453,368
Total comprehensive income (loss) for the year		(7,733,027)	(581,109)
Total comprehensive income (loss) for the year is attributable to:			
Owners of Imagion Biosystems Limited		(7,733,027)	(581,109)
		Cents	Cents
Basic earnings per share	21	(0.0507)	-
Diluted earnings per share	21	(0.0507)	-

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Imagion Biosystems Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	5	6,872,829	27,641
Trade and other receivables		8,704	-
Other current assets	6	387,690	9,224
Total current assets		<u>7,269,223</u>	<u>36,865</u>
Non-current assets			
Property, plant and equipment	7	372,103	218,477
Total non-current assets		<u>372,103</u>	<u>218,477</u>
Total assets		<u>7,641,326</u>	<u>255,342</u>
Liabilities			
Current liabilities			
Trade and other payables	8	564,663	935,233
Lease liability		30,684	-
Borrowings	9	-	13,927,984
Employee benefits		44,094	17,175
Total current liabilities		<u>639,441</u>	<u>14,880,392</u>
Non-current liabilities			
Lease liability		49,329	--
Total non-current liabilities		<u>49,329</u>	<u>--</u>
Total liabilities		<u>688,770</u>	<u>14,880,392</u>
Net assets		<u>6,952,556</u>	<u>(14,625,050)</u>
Equity			
Issued capital	11	28,686,708	2
Reserves	12	1,138,870	453,368
Accumulated losses	13	(22,873,022)	(15,078,420)
Total equity		<u>6,952,556</u>	<u>(14,625,050)</u>

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

Imagion Biosystems Limited
Consolidated Statement of Changes in Equity
As at 31 December 2017

Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at incorporation	2	-	-	2
Assumption of liabilities from related party on formation	-	-	(14,043,943)	(14,043,943)
Loss after income tax expense for the year	-	-	(1,034,477)	(1,034,477)
Other comprehensive income for the year, net of tax	-	453,368	-	453,368
Total comprehensive income for the year		453,368	(1,034,477)	(581,109)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Costs of contributions of equity	-	-	-	-
Share-based payments	-	-	-	-
Balance at 31 December 2016	<u>2</u>	<u>453,368</u>	<u>(15,078,420)</u>	<u>(14,625,050)</u>
Consolidated	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 January 2017	2	453,368	(15,078,420)	(14,625,050)
Loss after income tax expense for the year	-	-	(7,794,602)	(7,794,602)
Other comprehensive income for the year, net of tax	-	61,575	-	61,575
Total comprehensive income for the year	-	61,575	(7,794,602)	(7,733,027)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	32,610,261	-	-	32,610,259
Cost of contributions of equity	(3,923,553)	-	-	(3,923,553)
Share-based payments	-	623,927	-	623,927
Balance at 31 December 2017	<u>28,686,708</u>	<u>1,138,870</u>	<u>(22,873,022)</u>	<u>6,952,556</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Imagion Biosystems Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Note	Consolidated	
		2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of sales and other taxes)		125,158	1
Payments to suppliers and employees (inclusive of sales and other taxes)		(7,017,667)	(267,257)
Interest received		51,213	-
Interest and other finance costs paid		<u>(136,089)</u>	<u>-</u>
Net cash from operating activities	20	<u>(6,977,385)</u>	<u>(267,256)</u>
Cash flows from investing activities			
Payment for property, plant and equipment		<u>(369,606)</u>	<u>-</u>
Net cash used in investing activities		<u>(369,606)</u>	<u>-</u>
Cash flows from financing activities			
Lease repayments		(99,294)	-
Proceeds from financing arrangements		213,375	-
Proceeds from the issue of shares		18,208,278	-
Share issue costs		(1,109,420)	-
Proceeds from note issue		81,169	231,481
Repayment of notes		<u>(3,108,683)</u>	<u>-</u>
Net cash used in financing activities		<u>14,185,425</u>	<u>231,481</u>
Net increase/(decrease) in cash and cash equivalents		6,838,434	(35,775)
Cash and cash equivalents at the beginning of the financial year		27,641	-
Cash and cash equivalents transferred in from merger with Senior Scientific LLC		-	80,045
Effects of exchange rate changes on cash and cash equivalents		<u>6,754</u>	<u>(16,629)</u>
Cash and cash equivalents at the end of the financial year		<u><u>6,872,829</u></u>	<u><u>27,641</u></u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 \$7,794,602, and had net cash outflows from operating activities of \$6,977,385 for the year ended 31 December 2017.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated entity is dependent on the need to raise capital for the continuation of product development, given that the consolidated entity has forecasted to incur continued losses for a minimum of a 12-month period.

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

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Note 1. Significant accounting policies (continued)

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 17.

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 2017 and the results of all subsidiaries for the year then ended. Imagion Biosystems Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Interest

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

Other revenue

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

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

Note 1. Significant accounting policies (continued)

Current and non-current classification (continued)

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

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

Cash and cash equivalents

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

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

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

Note 1. Significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Research and development

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

Trade and other payables

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

Borrowings

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

Note 1. Significant accounting policies (continued)

Finance costs

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

Employee Benefits

Short-term employee benefits

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

Share based payments

The consolidated entity operates an equity-settled share based payment employee incentive scheme. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. The fair value of the equity to which employees became entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

Fair value measurement

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

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Dividends

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

Earnings per share

Basic earnings per share

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

Note 1. Significant accounting policies (continued)

Earnings per share (continued)

Diluted earnings per share

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

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

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

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

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

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

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

Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments

AASB 9 Financial Instruments This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Consolidated Entity will adopt this standard from 1 July 2018 and it is not expected to have a material impact on the Consolidated Entity's financial performance.

Note 1. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods.

For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Consolidated Entity will adopt this standard from 1 July 2018 and it is not expected to have a material impact on the Consolidated Entity's financial performance.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019 and it is not expected to have a material impact on the Consolidated Entity's financial performance.

Note 2. Critical accounting judgements, estimates and assumptions

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

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The carrying amounts of cash and cash equivalents, trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature.

Note 3. Operating Segments

Identification of reporting operating segments

The consolidated entity is organised into one operating segment being Research & Development. This operating segment is based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determine the allocation of resources.

Note 4. Revenue

	Consolidated	
	2017	2016
	A\$	A\$
<i>Sales revenue</i>		
Sale of goods	20,102	-
	<u>20,102</u>	<u>-</u>
<i>Other revenue</i>		
Interest	81,620	1
Other income	109,459	-
Fair value of financial derivative movement	127,876	-
	<u>318,955</u>	<u>1</u>
Revenue	<u><u>339,057</u></u>	<u><u>1</u></u>

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	A\$	A\$
Cash on hand	2	2
Cash at bank	837,320	27,639
Cash on deposit	6,035,507	-
	<u>6,872,829</u>	<u>27,641</u>

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

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

Balances as above	6,872,829	27,641
Balance as per statement of cash flows	<u>6,872,829</u>	<u>27,641</u>

Note 6. Current assets - other

	Consolidated	
	2017	2016
	A\$	A\$
Prepayments	340,555	9,224
Other assets	16,974	-
Accrued interest income	30,161	-
	<u>387,690</u>	<u>9,224</u>

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

	Consolidated	
	2017	2016
	A\$	A\$
Plant and equipment - at cost	1,123,017	783,733
Less: accumulated depreciation	<u>(750,914)</u>	<u>(565,256)</u>
	<u>372,103</u>	<u>218,477</u>

Reconciliation

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

	Consolidated	
	2017	2016
	\$	\$
Consolidated – Plant & Equipment		
Opening Balance	218,477	240,119
Additions	369,606	-
Disposals	-	-
Foreign currency revaluation movements	(9,460)	-
Depreciation expense	<u>(206,520)</u>	<u>(21,642)</u>
Closing Balance	<u>372,103</u>	<u>218,477</u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	A\$	A\$
Trade payables	401,658	867,129
Other payables	<u>163,005</u>	<u>68,104</u>
	<u>564,663</u>	<u>935,233</u>

Note 9. Current liabilities – borrowings

	Consolidated	2016
	2017	A\$
Note	A\$	A\$
Promissory note	-	9,094,074
Convertible notes	-	4,470,153
Non-convertible promissory notes	-	363,757
	<u>-</u>	<u>13,927,984</u>

(a) Promissory notes

	Consolidated	2016
	2017	A\$
	A\$	A\$
Face value of promissory notes issued	7,666,571	7,666,571
Derivative financial liability	1,427,503	1,427,503
Extinguishment of note liability	(8,866,667)	-
Other movements recognised through profit and loss	105,926	-
Conversion to ordinary shares	(333,333)	-
	<u>-</u>	<u>9,094,074</u>
Closing balance	-	9,094,074

The amount of AUD\$8,866,667 (US\$6,650,000) was converted to shares on 7 February 2017. The remaining amount of AUD\$333,333 (USD\$250,000) of the promissory notes were converted to 1,666,667 shares in the company on completion of the Initial Public Offering. The promissory note did not accrue interest.

(b) Convertible notes

	Consolidated	2016
	2017	A\$
	A\$	A\$
Face value of notes issued	2,987,617	2,987,617
Derivative financial liability	1,482,536	1,482,536
Fair value of convertible note derivative recognised through the profit and loss	(861,194)	-
Other movements recognised through profit and loss	(275,626)	-
Interest expense	42,397	-
Redemption of convertible note liability	(2,666,667)	-
Payment – interest expense	(42,397)	-
Conversion to ordinary shares	(666,666)	-
	<u>-</u>	<u>4,470,153</u>
Closing balance	-	4,470,153

In February 2017, the Company redeemed certain Notes by the payment of AUD\$2,666,667 (\$US2,000,000) in cash. The remaining Notes, having a total face value of AUD\$666,667 (US\$500,000), were converted into 3,333,333 ordinary shares on completion of the Initial Public Offer on 22 June 2017. Interest accrued on the notes at 8% per annum.

Note 9. Current liabilities – borrowings (continued)

(c) Non-Convertible promissory notes

	Consolidated	
	2017	2016
	A\$	A\$
Opening balance	363,757	-
Additional notes issued	81,169	363,757
Interest expense	18,671	-
Movement in foreign currency	1,737	-
Repayment – principal	(446,663)	-
Repayment - interest	(18,671)	-
	<hr/>	<hr/>
Closing balance	<u>-</u>	<u>363,757</u>

In January 2017, the company issued an additional note for AUD\$81,169 (US\$65,000). The entire balance of the interim notes including interest was repaid on completion of the offer on the 22 June 2017.

Note 10. Contingent liabilities

As of 31 December 2017, the Company was not party to any material litigation, claims or suit whose outcome could have a material effect on the financial statements (31 December 2016: Nil).

Note 11. Equity - issued capital

	2016	Consolidated		2016	2017
	Shares	2017	Shares	A\$	A\$
Ordinary shares - fully paid	20	203,766,163	2	28,686,708	
<i>Movements in ordinary share capital</i>					
Details	Date	Shares	Issue Price	A\$	
Balance	1 January 2017	20	0.10	2	
Issue of shares	7 February 2017	29,629,637	0.09	2,666,667	
Issue of shares	7 February 2017	32,553,959	0.11	3,580,935	
Issue of shares	7 February 2017	64,099,456	0.15	9,797,733	
Issue of shares	22 June 2017	3,333,091	0.52	1,734,924	
Issue of shares	22 June 2017	74,150,000	0.20	14,830,000	
		<hr/>		<hr/>	
Sub total	31 December 2017	<u>203,766,163</u>		<u>32,610,261</u>	
Costs of capital raising				<u>(3,923,553)</u>	
Closing balance				<u>28,686,708</u>	

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 11. Equity - issued capital (continued)

Capital risk management

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

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

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

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

Note 12. Equity - reserves

	Consolidated	
	2017	2016
	A\$	A\$
Share based payment reserve – options	623,927	-
Foreign currency translation reserve	514,943	453,368
Total	<u>1,138,870</u>	<u>453,368</u>

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Movements in reserves

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

Consolidated	Share based payment reserve A\$	Foreign currency reserve A\$	Total A\$
Balance at 1 January 2016	-	-	-
Foreign currency translation	-	453,368	453,368
Balance at 31 December 2016	-	453,368	453,368
Movements in revaluation of foreign currency through translation reserve	-	61,575	61,575
Share based payments for key management, non-executive directors and employees	623,927	-	623,927
Balance at 31 December 2017	<u>623,927</u>	<u>514,943</u>	<u>1,138,870</u>

Note 13. Accumulated Losses

	Consolidated	
	2017	2016
	A\$	A\$
Accumulated Losses at the beginning of the financial year	(15,078,420)	(14,043,943)
Losses after income tax expense for the year	(7,794,602)	(1,034,477)
Dividends paid	-	-
	<u> </u>	<u> </u>
Accumulated Losses at the end of the financial year	<u>(22,873,022)</u>	<u>(15,078,420)</u>

Note 14. Key management personnel disclosures

Compensation

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

	Consolidated	
	2017	2016
	A\$	A\$
Short-term employee benefits	750,058	-
Share-based payments	486,681	-
	<u> </u>	<u> </u>
	<u>1,236,739</u>	<u> </u>

Note 15. Remuneration of auditors

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

	Consolidated	
	2017	2016
	A\$	A\$
<i>Audit services – RSM Australia Partners</i>		
Audit or review of the financial statements	60,000	-
	<u> </u>	<u> </u>
<i>Other services – RSM Australia Pty Ltd</i>		
Investigating accountants report	61,720	-
	<u> </u>	<u> </u>
	<u>121,720</u>	<u> </u>

Note 16. Commitments

	Consolidated	
	2017	2016
	A\$	A\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year**	1,250,126	1,096,953
One to five years	<u>158,439</u>	<u>-</u>
	<u>1,408,565</u>	<u>1,096,953</u>
 <i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	34,844	-
One to five years	<u>52,009</u>	<u>-</u>
Total commitment	86,853	-
Less: Future finance charges	<u>(6,840)</u>	<u>-</u>
Net commitment recognised as liabilities	<u>80,013</u>	<u>-</u>
Representing:		
Lease liability - current	30,684	-
Lease liability - non-current	<u>49,329</u>	<u>-</u>
	<u>80,013</u>	<u>-</u>

Finance lease commitments includes contracted amounts for various plant and equipment with a written down value of \$77,257 (2016: Nil) secured under finance leases expiring within one to five years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

The consolidated entity has no capital expenditure commitments as at 31 December 2017 (2016: Nil)

** Included in operating commitments is a research and collaboration agreement with The University of Texas MD Anderson Cancer Centre (MD Anderson) commenced in 2016.

The agreement requires Imagion Biosystems Limited to fund the research program for the Magsense technology, including the costs of personnel, supplier and equipment expenses, estimated at a total of \$US2,447,370 over 3 years.

Note 17. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017 A\$	2016 A\$
(Loss) after income tax	(2,333,573)	(478,291)
Total comprehensive income	(2,333,573)	(478,291)

Statement of financial position

	Parent	
	2017 A\$	2016 A\$
Total current assets	6,263,838	2
Total assets	26,652,192	13,936,838
Total current liabilities	167,165	13,949,105
Total liabilities	167,165	13,949,105
Equity		
Issued capital	28,686,708	2
Reserves	610,182	466,022
Retained earnings	(2,811,863)	(478,291)
Total equity	<u>26,485,027</u>	<u>(12,267)</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 31 December 2017 and 31 December 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2017 and 31 December 2016.

Significant accounting policies

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

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

Note 18. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Imagion Biosystems Inc	United States of America	100.00	100.00

Note 19. Events after the reporting period

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

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

	Consolidated	
	2017	2016
	\$	\$
<i>Loss after income tax expense for the year</i>	(7,794,602)	(1,034,476)
<i>Adjustments for:</i>		
Depreciation expense	206,834	21,642
Fair value adjustment	(127,877)	(124,567)
Foreign exchange loss	529	359,253
Share based payments expense	623,927	-
Interest	858,582	198,466
	<u>(6,232,607)</u>	<u>(579,682)</u>
<i>Changes in operating assets and liabilities:</i>		
Trade and other receivables	(66,046)	-
Prepayments	(331,332)	(9,223)
Trade and other payables	(364,374)	321,649
Monies in trust	16,974	-
	<u>(6,977,385)</u>	<u>(267,256)</u>
Net cash used in operating activities	<u>(6,977,385)</u>	<u>(267,256)</u>

Note 21. Earnings per share

	Consolidated	
	2017	2016
	A\$	A\$
Loss after income tax	(7,794,602)	-
Loss after income tax attributable to the owners of Imagion Biosystems Limited	<u>(7,794,602)</u>	<u>-</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	153,835,849	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>153,835,849</u>	<u>-</u>
	Cents	Cents
Basic earnings per share	(0.0507)	-
Diluted earnings per share	(0.0507)	-

Note 22. Share based payments

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

The key management group will receive, in aggregate up to a total of 12,100,000 performance rights under the long-term incentive (LTI) plan. The performance rights granted to the key management group shall vest on certain performance milestones being achieved.

For both non-executive directors and employees will receive in aggregate up to a total of 3,450,000 performance rights under the LTI plan. A total of 2,550,000 rights over shares will be issued to employees of the consolidated entity under the LTI plan, which will vest quarterly over the two years following the listing and will not be subject to performance milestones. A total of 900,000 rights over share will be issued to non-executive directors under the LTI plan which will vest over 2 years.

Employee incentive plan options are unquoted and will vest in accordance with the rules of the LTI plan. Cancellation of unvested employee incentive options occurs on termination of employment.

Issue Date	Expiry Date	Issued	Cancelled	Exercised	Balance	Vested not exercised	Unvested
22/06/2017	22/06/2019	12,100,000	-	-	12,100,000	-	12,100,000
22/06/2017	22/06/2019	2,550,000	(500,000)	-	2,050,000	(122,000)	1,928,000
22/06/2017	22/06/2019	900,000	-	-	900,000	-	900,000
		<u>15,550,000</u>	<u>(500,000)</u>	<u>-</u>	<u>15,050,000</u>	<u>(122,000)</u>	<u>14,928,000</u>

Note 23. Financial Instruments

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

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

Market Risk

Foreign currency risk

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

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

Note 23. Financial instruments (continued)

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

	Assets		Liabilities	
	2017	2016	2017	2016
Consolidated				
US dollars	1,377,514	-	521,605	-
	<u>1,377,514</u>	<u>-</u>	<u>521,605</u>	<u>-</u>

Price risk

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

Credit risk

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the consolidated entity uses. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and investment decisions are governed by the monetary policy. During the year, the consolidated entity had no variable rate interest bearing liability. It is the consolidated entity's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

Liquidity risk

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

Remaining contractual maturities

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

Note 23. Financial instruments (continued)

	Weighted average interest rate %	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Consolidated - 2017						
Non-derivatives						
Non-interest bearing						
Trade payables	-	401,658	-	-	-	401,658
Other payables	-	163,005	-	-	-	163,005
Interest-bearing - fixed rate						
Lease liability	6.279%	34,844	34,844	17,165	-	86,853
Total non-derivatives		599,507	34,844	17,165	-	651,516
Derivatives						
Promissory and Convertible Notes						
	-	-	-	-	-	-
Total derivatives		-	-	-	-	-
Consolidated - 2016						
Non-derivatives						
Non-interest bearing						
Trade payables	-	867,129	-	-	-	867,129
Other payables	-	68,104	-	-	-	68,104
Total non-derivatives		935,233	-	-	-	935,233
Derivatives						
Promissory and convertible Notes						
		2,910,039	-	-	-	2,910,039
Total derivatives		2,910,039	-	-	-	2,910,039

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

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability.

Note 24. Fair value measurement (continued)

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

	Level 1	Level 2	Level 3	Total
Consolidated - 2017				
Liabilities				
Derivative financial liability	-	-	-	-
Total liabilities	-	-	-	-
Consolidated - 2016				
Liabilities				
Derivative financial liability	-	2,910,039	-	2,910,039
Total liabilities	-	2,910,039	-	2,910,039

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2.

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

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

Note 25. Income tax benefit

	Consolidated	
	2017	2016
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised (Australia)	1,053,419	45,139
Potential tax benefit @ 27.5% for 2017 and 28.5% for 2016	289,690	12,865
Potential unused tax losses for which no deferred tax asset has been recognised (United States of America)	5,972,199	539,393

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

Note 26. Related party transactions

Parent Entity

Imagion Biosystems Limited is the parent entity

Subsidiaries

Interest in subsidiaries are set out in note 18

Key management personnel

Disclosures relating to key management personnel are set out in note 14 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Payment for goods and services:		
Payment for contracting services – Brian Conn	-	13,333

Receivable from and payable to related parties

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

	Consolidated	
	2017	2016
	\$	\$
Trade payables to Giulio Paciotti	14,496	-
Trade payables to Brian Conn	9,421	70,903

Loans to/from related parties

The following loan movements occurred with related parties:

	Consolidated	
	2017	2016
	\$	\$
Loan from Related Parties – Interim Notes – Brian Conn and Robert Proulx	-	352,564
Repayment of Loan from Related Parties - Interim Notes - Brian Conn and Robert Proulx	352,564	-
Interest paid (8%) on Interim Notes for Brian Conn and Robert Proulx	15,513	-

Imagion Biosystems Limited
Director's Declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors



Robert Proulx
Director

28 February 2018

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

Opinion

We have audited the financial report of Imagion Biosystems Limited. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the 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 Group, 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 Group incurred a net loss of \$7,794,602 during the period ended 31 December 2017 and reported negative operating cash flows of \$6,977,385 during the year ended 31 December 2017. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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

Key Audit Matter	How our audit addressed this matter
<p><i>Fair Value of the derivative financial liability</i> Refer to Note 24 in the financial statements</p>	
<p>The Group has a Convertible note and a Promissory note with face values of \$US2.5 million and \$US6.9 million respectively. Both agreements have the option to convert to shares upon IBL listing on the Australian Stock Exchange (ASX).</p> <p>The notes are considered compound financial instruments, with the debt and the conversion being accounted for separately. Since the notes are denominated in a foreign currency, the conversion option does not meet the definition of an equity instrument under AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>. They are therefore treated as derivative financial liability, which is measured at fair value at each reporting date, with any change in value being recognised in the income statement.</p> <p>This matter is considered a Key Audit Matter due to the risk that equity could be materially misstated due to an incorrect valuation of Convertible notes and Promissory notes on conversion to equity.</p>	<p>Our audit procedures in relation to the fair value of the derivative financial liability included:</p> <ul style="list-style-type: none"> • Reviewing the Convertible and Promissory Note terms and conditions and ensuring that the accounting treatment is in line with the requirements of AASB 132 and 139. • Reviewing and reperforming a recalculation of management's assumptions considered in determining fair value of the debt and the conversion option; and • Engaging our internal valuation specialists to assist in the review of the Convertible and Promissory Notes valuations and the assessment of whether the assumptions and factors used are reasonable and supportable.

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 year ended 31 December 2017, 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 Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the 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/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Imagination Biosystems Limited., for the year ended 31 December 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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



RSM AUSTRALIA PARTNERS



R B MIANO

Partner

Dated: 28 February 2018
Melbourne, Victoria

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

ADDITIONAL SECURITIES INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 5 April 2018 (**Reporting Date**).

QUOTED EQUITY SECURITIES – ORDINARY SHARES

As at the Reporting Date, the Company had a total of 203,766,163 fully paid ordinary shares on issue. The Company's shares are quoted on the ASX, and form the only class of securities on issue in the Company that is quoted on the ASX, and that carries voting rights.

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

Range of holdings

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

Share Range	Number of Holders	Units	%
1-1,000	2	502	0.000
1001-5001	15	56,340	0.028
5001-10,000	43	385,707	0.189
10,000-100,001	206	10,152,674	4.983
100,001 and over	206	193,170,940	94.800
Total	420	203,766,163	100.000

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel of shares as at the Reporting Date (based on a closing price of \$0.079 per share) was 24.

Imagion Biosystems Limited
Shareholder Information
31 December 2017

Top 20 Shareholders

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

Rank	Name	No. of shares	%
1.	MANHATTAN SCIENTIFICS INC	64,099,476	31.457
2.	WILLIAM TAYLOR NOMINEES PTY LTD	11,798,818	5.790
3.	MR KEMPER SHAW	11,798,818	5.790
4.	MR ANTHONY FAILLACE	10,361,838	5.085
5.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,890,000	4.363
6.	MR TOBY CHANDLER	7,450,000	3.656
7.	MR ROBERT REVELEY	7,350,000	3.607
8.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	5,319,940	2.611
9.	ARISION PTY LIMITED <JARE SUPER FUND A/C>	4,042,011	1.984
10.	CITICORP NOMINEES PTY LIMITED	3,025,212	1.485
11.	MR TODD JOHN HOARE	2,377,941	1.167
12.	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	2,338,302	1.148
13.	NEW WORLD RESOURCES INVESTMENT PTE LTD	2,045,455	1.004
14.	MR TREVOR JOHN HOARE & MRS ROBYN ANN HOARE <HOAREHOUSE FAMILY A/C>	1,945,587	0.955
15.	CITYSCAPE ASSET PTY LTD <CITYSCAPE FAMILY A/C>	1,735,592	0.852
16.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,515,000	0.743
17.	MR HAOJIE LI	1,389,539	0.682
18.	WEINER PTY LTD	1,330,000	0.653
19.	MR JOHN NOLAN	1,224,999	0.601
20.	ROBERT DAHL & MERRIL DAHL <THE SWAINHILL SF ACCOUNT>	1,200,000	0.589
	Total	151,238,528	74.22
	Balance of register	52,527,635	25.78
	Grand total	203,766,163	100.00

Substantial shareholders

The substantial holders of shares in the Company as at the Reporting Date were:

Substantial holders	Number of shares held	% of total issued share capital
Manhattan Scientifics Inc	64,099,476	31.457%
William Taylor Nominees Pty Ltd	11,798,818	5.790%
Mr Kemper Shaw	11,798,818	5.790%
Mr Anthony Faillace	10,361,838	5.085%
Imagion Biosystems Limited*	81,582,809	40.04%

* Imagion Biosystems Limited has a deemed relevant interest in 40.04% of its own shares pursuant to section 608(1)(c) of the Corporations Act, arising from the restriction on the disposal of shares under ASX restriction agreements as disclosed in the Company's substantial holding lodged with the ASX on 12 February 2018 under the heading "Notice of change of interests of substantial holder – IBX". Accordingly, the total relevant interest attributed to Imagion Biosystems Limited consists of shares which are held by other holders and which Imagion Biosystems Limited has no right to acquire or dispose of these shares, or to control the voting rights attaching to these shares.

Escrowed Securities

Description	Number of securities	Expiry date of escrow period
Fully Paid Ordinary Shares	3,483,333	15 June 2018
Fully Paid Ordinary Shares	78,099,476	22 June 2019
Performance Rights	15,550,000	22 June 2019

UNQUOTED EQUITY SECURITIES

Performance Rights

The Company has one class of unquoted equity securities on issue, being Performance Rights. The Performance Rights will vest into ordinary shares (on a 1-for-1 basis), subject to satisfaction of prescribed vesting conditions.

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

As at the Reporting Date, there were a total of 14,706,250 Performance Rights on issue, held by 16 holders.

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

Range	Number of Holders	Units	%
1-1,000	0	0	0
1001-5001	0	0	0
5001-10,000	0	0	0
10,000-100,001	2	81,250	0.55%
100,001 and over	14	14,625,000	99.45%
Total	16	14,706,250	100

LISTING RULE 4.10.19 DISCLOSURE

For the purposes of Listing Rule 4.10.19, the Company confirms that it has used the cash and assets in a form readily convertible to cash in a way consistent with its business objectives at the time of admission.

STOCK EXCHANGE LISTING

The Company's ordinary shares are quoted on the Australian Securities Exchange (ASX: IBX).

ON-MARKET BUYBACK

The Company is not currently conducting an on-market buy-back.

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

ITEM 7 ISSUES OF SECURITIES

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.