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**Senior Scientific, LLC**

**Audited Financial Statements**

**As of December 31, 2015 and 2014**

**And for the Years Then Ended**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Member  
of Senior Scientific, LLC

We have audited the accompanying financial statements of Senior Scientific, LLC (a New Mexico limited liability corporation), which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of operations, members deficit and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Senior Scientific, LLC as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**RBSM LLP**

New York, NY

February 27, 2017

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**SENIOR SCIENTIFIC, LLC**  
**BALANCE SHEETS**

	<b>December 31,</b> <b>2015</b>	<b>December 31,</b> <b>2014</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 283,000	\$ 133,000
Total current assets	283,000	133,000
Property and equipment, net	291,000	144,000
Total assets	\$ 574,000	\$ 277,000
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 115,000	\$ 99,000
Note payable - related party	4,414,000	928,000
Total current liabilities	4,529,000	1,027,000
Long-term liabilities:		
Convertible notes payable	2,500,000	2,500,000
Total long-term liabilities	2,500,000	2,500,000
Total liabilities	7,029,000	3,527,000
<b>MEMBER'S DEFICIT</b>		
Member's capital	60,000	60,000
Accumulated deficit	(6,515,000)	(3,310,000)
Total member's deficit	(6,455,000)	(3,250,000)
TOTAL LIABILITIES AND MEMBER'S DEFICIT	\$ 574,000	\$ 277,000

The accompanying notes are an integral part of these financial statements.

**SENIOR SCIENTIFIC, LLC**  
**STATEMENTS OF OPERATIONS**

	<b>YEARS ENDED</b>	
	<b>DECEMBER 31,</b>	
	<b>2015</b>	<b>2014</b>
Revenue	\$ 4,000	\$ 5,000
Operating costs:		
General and administrative expenses	179,000	71,000
Research and development	2,829,000	1,832,000
	3,008,000	1,903,000
Total operating costs and expenses		
	(3,004,000)	(1,898,000)
Loss from operations before other income and expenses		
Other expenses:		
Interest and other expenses	(201,000)	(160,000)
	(3,205,000)	(2,058,000)
NET LOSS	\$ (3,205,000)	\$ (2,058,000)

The accompanying notes are an integral part of these financial statements.

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**SENIOR SCIENTIFIC, LLC**  
**STATEMENT OF MEMBER'S DEFICIT**  
**For The Years Ended December 31, 2015 And 2014**

	<b>Member's</b>	<b>Accumulated</b>	
	<b>Capital</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance December 31, 2013</b>	\$ 60,000	\$ (1,252,000)	\$ (1,192,000)
Net loss		(2,058,000)	(2,058,000)
<b>Balance December 31, 2014</b>	60,000	(3,310,000)	(3,250,000)
Net loss		(3,205,000)	(3,205,000)
<b>Balance December 31, 2015</b>	\$ 60,000	\$ (6,515,000)	\$ (6,455,000)

The accompanying notes are an integral part of these financial statements.

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**SENIOR SCIENTIFIC, LLC**  
**STATEMENTS OF CASH FLOWS**

	YEARS ENDED	
	DECEMBER 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (3,205,000)	\$ (2,058,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Debt discount and original issue discount accretion	-	-
Depreciation and amortization	113,000	39,000
Changes in:		
Accounts payable and accrued expenses	67,000	49,000
Accrued interest and expenses, related parties	(51,000)	(19,000)
Net cash used in operating activities	(3,076,000)	(1,989,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(260,000)	(36,000)
Net cash used in investing activities	(260,000)	(36,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable - related party	3,486,000	779,000
Proceeds from long term convertible note payable	-	1,000,000
Net cash provided by financing activities	3,486,000	1,779,000
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>150,000</b>	<b>(246,000)</b>
Cash and cash equivalents, beginning of year	133,000	379,000
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 283,000</b>	<b>\$ 133,000</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 251,000	\$ 308,000
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Recognition of debt discount on warrants associated with debt	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

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**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 – ORGANIZATION AND OPERATIONS**

Senior Scientific, LLC, a New Mexico limited liability corporation (“Company”) was established on October 4, 2006.

On May 31, 2011, Manhattan Scientifics, Inc. (“MHTX”) entered into an Agreement and Plan of Reorganization (“Nanomedicine Agreement”) by and among the Company, Scientific Nanomedicine, Inc. (“Nanomedicine”), Edward, R. Flynn (“Flynn”) and Edward R. Flynn and Maureen A. Flynn, as Co-Trustees of the Edward R. Flynn and Maureen A. Flynn Revocable Trust u/t/a dated 10/25/2006 (“Trust”); and entered into a Purchase Agreement (“Senior Scientific Agreement”) by and among the Company, Senior Scientific LLC, (“Senior Scientific”) and Flynn.

Under the Nanomedicine Agreement, MHTX has agreed to purchase all of the common stock of Nanomedicine. The purchase price for the common stock of Nanomedicine was 21,667,000 restricted shares of the Company’s voting common stock (less 7,667,000 shares already issued) pursuant to the Acquisition Option Agreement, dated February 8, 2010, among the Company, Nanomedicine, Flynn and Senior Scientific. Nanomedicine holds the commercial rights to technology and intellectual property with respect to the early detection of diseases using nanotechnologies.

Under the Senior Scientific Agreement, the Company has agreed to purchase all of the membership interests of Senior Scientific. The purchase price for the membership interests of Senior Scientific was 1,000 restricted shares of the Company’s voting common stock. Senior Scientific operates a research laboratory in New Mexico.

As of December 31, 2015 and 2014, the Company was a wholly owned subsidiary of MHTX.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND RELATED MATTERS**

**YEAR END:**

The fiscal year end of the Company is December 31.

**USE OF ESTIMATES:**

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Management makes estimates that affect, carrying value of the Company’s patents, deferred income tax assets, estimated useful lives of property and equipment, useful lives of intangible assets, accrued expenses, fair value of equity instruments and reserves for any other commitments or contingencies. Any adjustments applied to estimates are recognized in the year in which such adjustments are determined.

**CASH AND CASH EQUIVALENTS:**

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the statement of cash flows.

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**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 1 – ORGANIZATION AND OPERATIONS

PROPERTY AND EQUIPMENT:

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

RESEARCH AND DEVELOPMENT:

Research and development costs are expensed as incurred and amounted to \$2,829,000 and \$1,832,000 for the years ended December 31, 2015 and 2014.

REVENUE RECOGNITION:

To date the only revenue generated is from the sale of nanoparticles.

Revenue is recognized when the four basic criteria of revenue recognition are met: (i) a contractual agreement exists; (ii) transfer of technology (intellectual property) has been completed or services have been rendered; (iii) the fee is fixed or determinable, and (iv) collectability is reasonably assured. Service revenue is recognized when specific milestones are reached or as service is provided if there are no discernible milestones.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, Pre Codification SFAS No. 157, “Fair Value Measurements”, which provides a framework for measuring fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also expands disclosures about instruments measured at fair value and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices for identical assets and liabilities in active markets;

Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1. The total amount of the Company’s investment classified as Level 3 is de minimis.

**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 1 – ORGANIZATION AND OPERATIONS (CONTINUED)

The fair value of the Company's debt as of December 31, 2015 and 2014 approximated their fair value at those times.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, short-term investments, accounts payable, accrued expenses and notes payables approximated fair value as of December 31, 2015 and December 31, 2014 because of the relative short term nature of these instruments. At December 31, 2015 and December 31, 2014, the fair value of the Company's debt approximates carrying value.

INCOME TAXES

The Company was formed as a limited liability company and has not filed for classification to be taxed as a corporation, and as such, United States federal and domestic state income taxes are the direct responsibility of the Company's member which is MHTX. Therefore, no provision or liability for federal and state income taxes is included in the accompanying financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flow.

NOTE 2 – PROPERTY AND EQUIPMENT

The following is a summary of fixed assets:

	December 31, 2015	December 31, 2014
Furniture and equipment	\$ 579,000	\$ 319,000
Less: accumulated depreciation	(288,000)	(175,000)
Fixed assets, net	<u>\$ 291,000</u>	<u>\$ 144,000</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$113,000 and \$39,000 respectively.

NOTE 3 – NOTES PAYABLE – RELATED PARTY

The Company has loans totaling \$4,414,000 and \$928,000 due to MHTX, the sole member. The loans are due upon demand and bear interest at 0% per annum.

NOTE 4 – CONVERTIBLE NOTES PAYABLE

During 2014 and 2013, the Company issued convertible notes for \$2,500,000, Senior Scientific, LLC. The convertible notes bear interest at 8%, mature four years from the date of issuance, and are convertible into either: (1) membership interests of Senior Scientific, LLC equal to the quotient of the principal due of the convertible notes divided by \$2,500,000 multiplied by 18% of the total equity of Senior Scientific, LLC outstanding as of the date hereof; or (2) the number of shares of common stock of MHTX equal to the quotient of the principal and interest payable due of the convertible notes divided by a conversion price of \$0.055 per share. The Company may not prepay the convertible notes. In the event of a default and so long as the default exists, interest on the convertible notes will accrue at 10%. The Company must account for all accrued interest on the convertible notes on the first calendar day of each quarter.

**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 4 – CONVERTIBLE NOTES PAYABLE (continued)

The following is a summary of convertible notes payable:

	December 31, 2015	December 31, 2014
Principal	\$ 2,500,000	\$ 2,500,000
Total	<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

Interest expense for the years ended December 31, 2015 and 2014 was \$201,000 and \$160,000 respectively.

NOTE 5 – CAPITAL TRANSACTIONS

Common Stock

The Company has a total of 1,000,000 common units. As of December 31, 2015 and 2014, 820,000 and 820,000 common units issued and outstanding, respectively.

NOTE 6 – COMMITMENTS

Consulting Agreement

On June 1, 2014, the Company entered into consulting agreement with Gerald Grafe, a shareholder, whereby Mr. Grafe has been retained to serve as President for Senior Scientific for a period of twenty four (24) months ending on May 31, 2016. As compensation, Mr. Grafe had the right to receive 5,000,000 shares of the MHTX's common stock (conditionally vest on certain conditions) and monthly fee of \$17,000. Additionally, Mr. Grafe will accrue an additional deferred consulting fee of \$4,200 a month however, if the Company's per share average closing bid for the 15 days prior to such date is above \$0.20 per share then, the deferred fee for the preceding 3 months shall not be accrued, and 625,000 shares (or the total remaining unvested shares, if less than 625,000 shares) shall vest. This agreement has terminated on December 31, 2014.

Litigation

The Company is subject from time to time to litigation, claims and suits arising in the ordinary course of business. As of December 31, 2015 and 2014, the Company was not party to any material litigation, claims or suit whose outcome could have material effect to the financial statements.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Company has loans totaling \$4,414,000 and \$928,000 due to MHTX, the sole member. The loans are due upon demand and bear interest at 0% per annum.

**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 8 – SUBSEQUENT EVENTS

During February 2016, a former employer of one of our employees filed a suit in Circuit Court for Montgomery County against the former employee claiming breach of restrictive covenants of an employment agreement. The employee has defended themselves against the claim and the court has not enforced the terms of the agreement against our employee with the court ruling that the former employer has failed to show that it is likely to succeed on the merits of its claim.

On November 1, 2016, MHTX, the Company and the Senior Lenders entered into a Spinout Approval whereby the Senior Lenders approved the merger of Senior Scientific into Imagion. Senior Lenders is defined as Raymond A. Mason, William B. Jones, and Ferdinand J. Crovato Trust (together, the “Senior Lenders”). Further, the Senior Lenders have agreed that upon receipt of an aggregate payment of \$2,000,000 by Imagion to the Senior Lenders, the Senior Notes shall be amended, restated and replaced by a Convertible Promissory Note (the “Replacement Notes”) in an amount equal to all amounts owed under the Senior Notes less \$2,000,000. The Replacement Notes shall continue to be guaranteed by MHTX and the collateral securing the Senior Notes. Further, the Senior Notes maturity date was extended to April 3, 2018.

On November 10, 2016, Imagion, MHTX and Robert Romeo Proulx and Tracey Jane Proulx Revocable Trust (the “Interim Investor #1”) entered into a Note Purchase Agreement pursuant to which the Interim Investor #1 invested \$100,000 in consideration of Promissory Notes issued by Imagion (the “Interim Imagion Note”) payable on the one year anniversary. The Interim Investor #1 or other investors may invest up to a total of \$500,000 under the Note Purchase Agreement. The Interim Imagion Note accrues interest at the rate of 8% per annum, provided, however, in the event of a default, interest shall accrue at 10% per annum. The Interim Imagion Note is subordinate to the Senior Notes. The Company, Imagion and the Interim Investor #1 also entered an Irrevocable Proxy as well as a Voting Agreement whereby the Company granted the Interim Investors a right to vote its Imagion shares to carry out the spinout plan and the parties agreed to vote their Imagion shares to provide for one director of Imagion to be appointed by the Company and four directors to be appointed by the Interim Investors. During November 2016 through December 2016, the amounts loaned were \$200,000.

On November 17, 2016, the Company merged with and into Imagion Biosystems, Inc. Following the merger, Imagion held all of the liabilities, obligations and assets of the Company and MHTX continued as the sole equity holder of Imagion.

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**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 8 – SUBSEQUENT EVENTS (CONTINUED)

On November 22, 2016, Imagination issued a Promissory Note in the principal amount of \$6,900,000 to MHTX (the “Intercompany Note”) payable on the one year anniversary. The Intercompany Note does not accrue interest, provided, however, in the event of a default, interest shall accrue at 10% per annum. Upon the completion of the partial buyout and replacement of the Senior Notes (as defined below) held by the Senior Lenders (as defined below) as set forth in the Spinout Approval, the Intercompany Note shall automatically be equal to \$250,000 (the “Minimum Principal Balance”) plus \$1. All obligations of Imagination to MHTX under the Intercompany Note shall be subordinate to all obligations of Imagination under the Convertible Notes (together with any replacement notes issued therefor, the “Senior Notes”) issued by Imagination or its predecessor to Raymond A. Mason, William B. Jones, and Ferdinand J. Crovato Trust (together, the “Senior Lenders”). Further, upon the approval of the registration statement for Imagination’s Initial Public Offering (the “Effective Date”), Imagination shall convert the principal and interest in excess of the Minimum Principal Balance for shares of Imagination’s common stock equal to the amount of shares that would cause the sum of (a) all shares of Imagination’s common stock issued to MHTX prior to the Effective Date and (b) all shares of Imagination’s common stock issued to MHTX upon conversion of the Intercompany Note, to equal 50.1% of Imagination’s total number of common shares issued or issuable on a fully diluted basis; provided, however, if the preceding sum is greater than 50.1% of Imagination’s total number of common shares issued or issuable on a fully diluted basis, the excess balance shall be converted into one share of Imagination’s common stock. Upon the completion of the Imagination’s Initial Public Offering, Imagination shall convert the Minimum Principal Balance and all other amounts due for interest for shares of Imagination’s common stock at a price per share equal to the price paid by investors in Imagination’s Initial Public Offering; provided, however, Imagination may, at its discretion, pay MHTX the Minimum Principal Balance and all other amounts due in cash.

On December 7, 2016, Imagination, MHTX and Brian Conn (the “Interim Investor #2”) entered into a Note Purchase Agreement pursuant to which the Interim Investor #2 invested \$100,000 in consideration of Promissory Notes issued by Imagination (the “Interim Imagination Note”) payable on the one year anniversary. The Interim Investor or other investors may invest up to a total of \$500,000 under the Note Purchase Agreement. The Interim Imagination Note accrues interest at the rate of 8% per annum, provided, however, in the event of a default, interest shall accrue at 10% per annum. The Interim Imagination Note is subordinate to the Senior Notes. The Company, Imagination and the Interim Investor #2 also entered an Irrevocable Proxy as well as a Voting Agreement whereby the Company granted the Interim Investors a right to vote its Imagination shares to carry out the spinout plan and the parties agreed to vote their Imagination shares to provide for one director of Imagination to be appointed by the Company and four directors to be appointed by the Interim Investors. During December 2016, the amounts loaned were \$75,000.

On January 9, 2017, Imagination, MHTX and (the “Interim Investor #3”) entered into a Note Purchase Agreement pursuant to which the Interim Investor #3 invested \$65,000 in consideration of Promissory Notes issued by Imagination (the “Interim Imagination Note”) payable on the one year anniversary. The Interim Investor or other investors may invest up to a total of \$500,000 under the Note Purchase Agreement. The Interim Imagination Note accrues interest at the rate of 8% per annum, provided, however, in the event of a default, interest shall accrue at 10% per annum. The Interim Imagination Note is subordinate to the Senior Notes. The Company, Imagination and the Interim Investor #3 also entered an Irrevocable Proxy as well as a Voting Agreement whereby the Company granted the Interim Investors a right to vote its Imagination shares to carry out the spinout plan and the parties agreed to vote their Imagination shares to provide for one director of Imagination to be appointed by the Company and four directors to be appointed by the Interim Investors. During January 2017, the amounts loaned were \$65,000.

During the two months ended February 28, 2017, the Imagination raised a total of approximately \$2.68 million from investors and sold a total of 63 million shares of common stock.

**SENIOR SCIENTIFIC, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

NOTE 8 – SUBSEQUENT EVENTS (CONTINUED)

On February 2, 2017, Imagination repaid a total of \$2 million of debt to three lenders and the remaining balance of \$500,000 was renegotiated and replaced with three new convertible promissory notes. The notes bear interest at 8% per annum with default interest at 10% per annum. The notes are due in February 2019 with a balloon payment of principal and accrued interest. In addition, at the close of the initial public offering (“IPO”) the note will automatically convert into shares of common stock at the conversion price equal to the price per share paid by investors in the IPO and any accrued interest will be paid in cash.

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