Quarterly Activity Report

Quarter ending 31 December 2023

IMAGION BIOSYSTEMS LIMITED

(ASX: IBX)

31 January 2024

Highlights:

Announced positive results from IBI10103 Phase I Study demonstrating safety and clinical feasibility of molecular MRI with MagSense® HER2 Imaging Agent

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Presented new animal data on MagSense® MRI ovarian cancer detection at AACR conference

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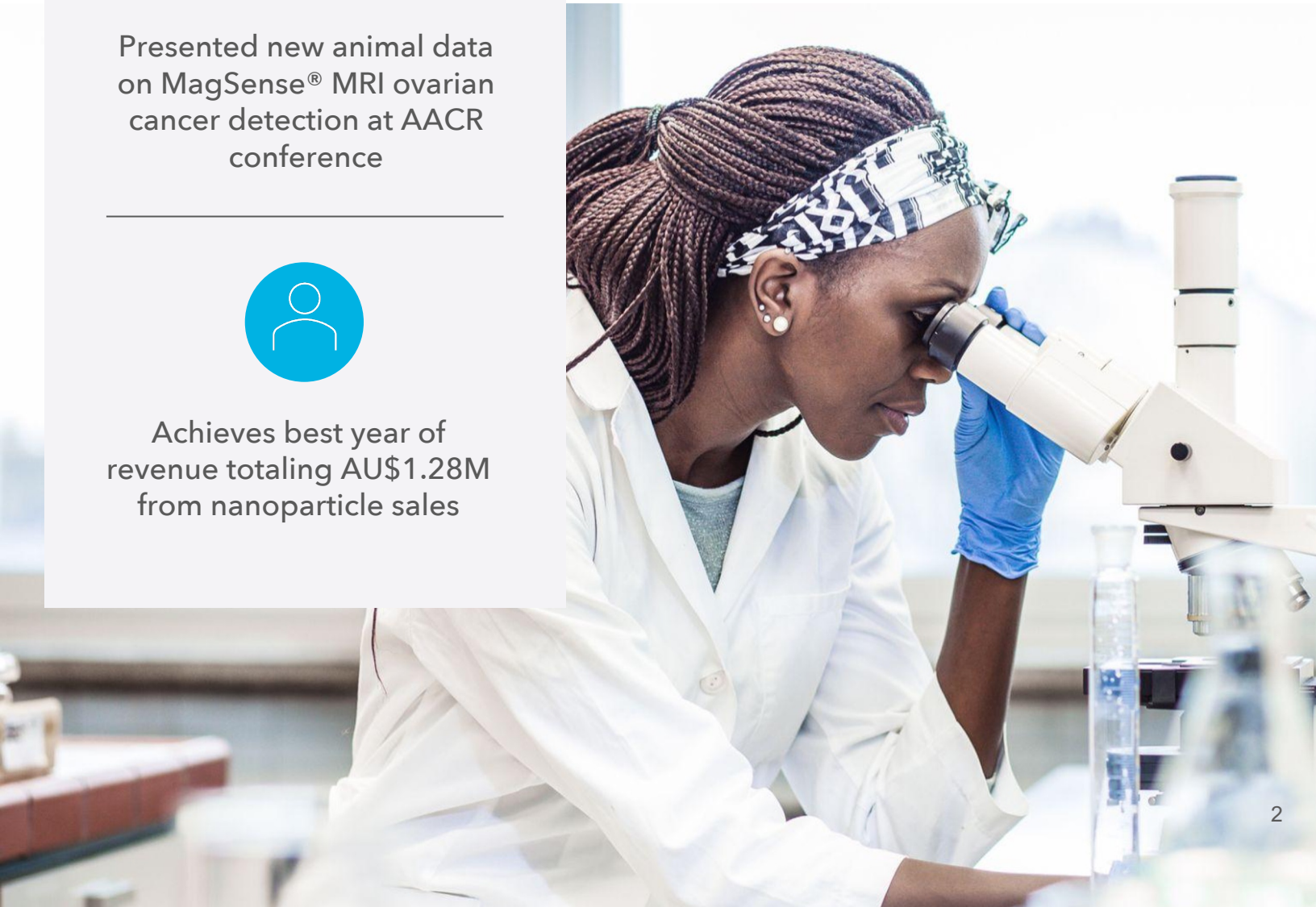
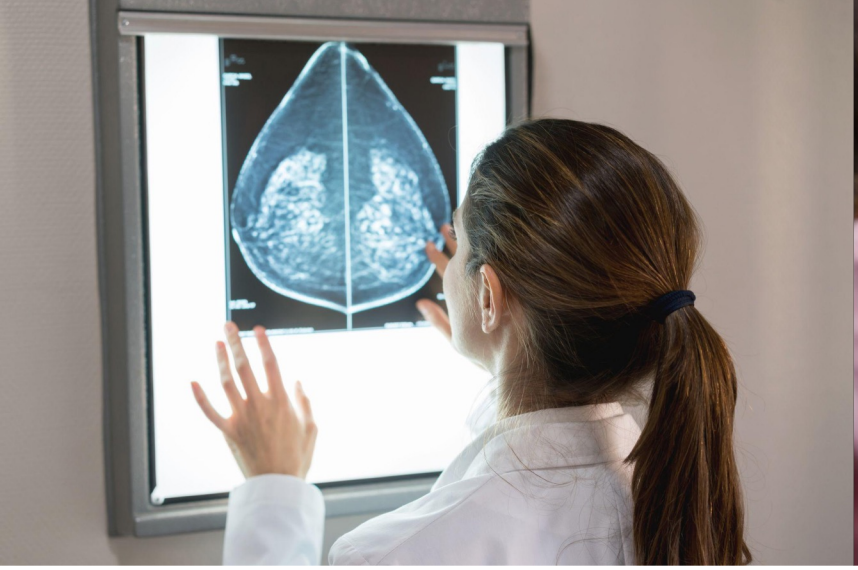
Achieves best year of revenue totaling AU$1.28M from nanoparticle sales

IMAGION BIOSYSTEMS

MELBOURNE – Imagion Biosystems (ASX:IBX), a company dedicated to improving healthcare through the early detection of cancer, today released its Appendix 4C Quarterly Cashflow report and update on company activities for the quarter ending 31 December 2023 (Q4 FY2023).





Imagion Biosystems' Executive Chairman, Mr. Bob Proulx said, *"Completing our first Phase 1 study during last quarter marks a significant milestone for the company. We are the first to undertake molecular imaging by MRI, and we take pride in knowing that our technology could impact the future of cancer detection.*

"The sudden departure of our CEO on January 15th was a surprise to us all, and as I resume management responsibility our cash position is not where we would like it to be. It's no secret that the capital markets, particularly for microcap biotech, remained challenging throughout last year and we find ourselves in a very similar situation to many of our peers in Australia and the US with regard to accessing the capital markets. As a result, we will be making some adjustments to our cost structure to better align with our financial position while we work on some initiatives with our key nanoparticles customers to increase revenue. Additionally, though capital markets are tight, we will look to raise some funds on the equity markets to help us continue to take our technology forward.

"I will remain in the position of Executive Chair whilst we try to shore up our financial position. We will provide an update regarding the role of CEO at a later date."

Summary of Activities

MagSense® HER2 Breast Cancer Study

The Company closed the Phase I study (IBI10103) for its HER2 breast cancer imaging agent in October 2023. The study was a multi-center open-label study in Australia which enrolled 13 newly diagnosed HER2 breast cancer patients to evaluate the safety and clinical feasibility of the Company's MagSense® HER2 Imaging Agent (MSH2IA).

In December, the Company presented the study results at the San Antonio Breast Cancer Symposium, reporting that there were no safety issues, toxicity or drug-related adverse events. Additionally, the Company reported that an international panel of blinded radiologists assessed pre-dose versus post-dose MRI scans of treated patients, and for those patients with interpretable scans (8 of 13) the MRI assessment of post-MSH2IA imaging achieved parity or outperformed standard-of-care axillary ultrasound imaging. Furthermore, molecular MRI with MSH2IA achieved nearly perfect patient-level concordance, as 7 of these 8 patients identified with tumor-metastasized lymph nodes post-MSH2IA MRI imaging were confirmed by post-surgical pathology analysis to have metastatic disease.

The Company's Investigational New Drug (IND) application for submission to the US FDA, which was initially planned for Q1:2024, will be delayed until adequate resources are secured to pursue further clinical development of the MagSense® imaging technology.

A link to the ASX announcement can be found **HERE**.

Presented New Animal Data on MagSense® Molecular MRI Detection of Ovarian Cancer at AACR Ovarian Cancer Conference

In October, the Company presented its preclinical ovarian cancer research data at the American Association for Cancer Research (AACR) Special Conference on Ovarian Cancer.

The poster presentation included preclinical in vivo animal studies showing that our MagSense® nanoparticles can provide folate receptor specific delivery to cancer cells expressing the folate receptor and create molecular T2 contrast in Magnetic Resonance Imaging (MRI), similar to the HER2 imaging agent. Notably, multiple types of ovarian cancer animal models were used with efficient delivery and detectability of the MagSense® folate receptor nanoparticles.

A link to the ASX announcement can be found **HERE.**

US Patent Allowed

In December the Company was notified that the U.S. Patent and Trademark Office has now allowed a patent application related to its magnetic relaxometry technology. The Company will file for issuance of the patent, further strengthening its intellectual property portfolio.

Record Revenues

In December, the Company received a large purchase order for the supply of nanoparticles from a customer the Company has been working with for two years. The order is being fulfilled across December 2023 and January 2024 and ensure receipts of US$462,000 (~AU$700,000). The Company received payment of US$138,600 (~AU$210,000) in December 2023 with the balance of US$323,400 (~AU$490,000) expected in full in early February 2024. In total, in 2023 the Company generated AU$1.283M in revenue from the supply of nanoparticles to 3rd parties, achieving its best year of non-dilutive revenue.

Subsequent to the close of the quarter, the Company has engaged its two largest customers in discussions for 2024 purchase orders which are expected to result in ~ US$592,000 (~AU$910,000) in nanoparticle sales over the next six months.

The Company will also be due its 2023 R&D tax incentive (expected on or around Q2 2024), this is expected to be less than prior years as will only include Australian based costs. It is expected this will be in the order of $AU400,000.

As noted above, the Company will also look to raise funds in the short-term (pending placement capacity availability) though capital markets to advance the clinical development of the Company's lead imaging agent as well as for other general working capital expenses. There is a risk that such funding will not materialize in the current challenging market conditions. The Company will ensure all current shareholders will be able to participate at some level in any raise and we will be sure to continue to update the markets accordingly.

Summary of Cash Flows

Imagion's cash balance as at 31 December 2023 was AU$0.23 million, a decrease of AU$2.21 million from the prior quarter. The Company reported an operating cash outflow of AU$1.84 million in the quarter. The adjusted operating outflows have decreased by AU$2.15 million from the prior quarter's adjusted operating cash outflow (when adjusted for R&D tax incentive received in Q3). Operating cash flows were less than the Company's expectations as the Company is carrying a level of creditors at the end of Q4 as it seeks further funding.

Payroll costs were reduced in Q4 2023 (by 12%). Beginning from Q1 2024 payroll and other operating costs will reduce even more as a result of additional organizational and restructuring steps taking place as well as the recent loss of the CEO.

Receipts from customers remained strong with $464k received during Q4 2023 from the sale of nanoparticles. This revenue is expected to increase in first half of 2024 based on discussions with existing customers.

The Company also paid $138k to related parties and their associates during the quarter for director fees and executive director salaries. However, it should be noted that all directors suspended their fees effective December 1, and that Mr. Proulx is receiving no compensation at this time as a director or for his executive role.

About Imagion Biosystems

Established in 2017 and headquartered in San Diego, California, US, Imagion Biosystems is an ASX-listed company dedicated to developing innovative medical imaging technologies for various cancer types. Imagion Biosystems is advancing clinical development of its MagSense® platform technology to revolutionize cancer diagnosis, introducing molecular imaging to MRI. The Company's lead program has demonstrated its innovative technology embodied in MagSense® HER2 Imaging Agent (MSH2IA) is safe and well-tolerated in patients diagnosed with HER2+ breast cancer. Imagion Biosystems' MagSense® pipeline includes prostate cancer, ovarian cancer, pancreatic cancer, and brain cancer programs.

For more information, visit https://imagionbiosystems.com/investor-hub/

Authorisation & Additional information

This announcement was authorised by the Board of Directors of Imagion Biosystems Limited

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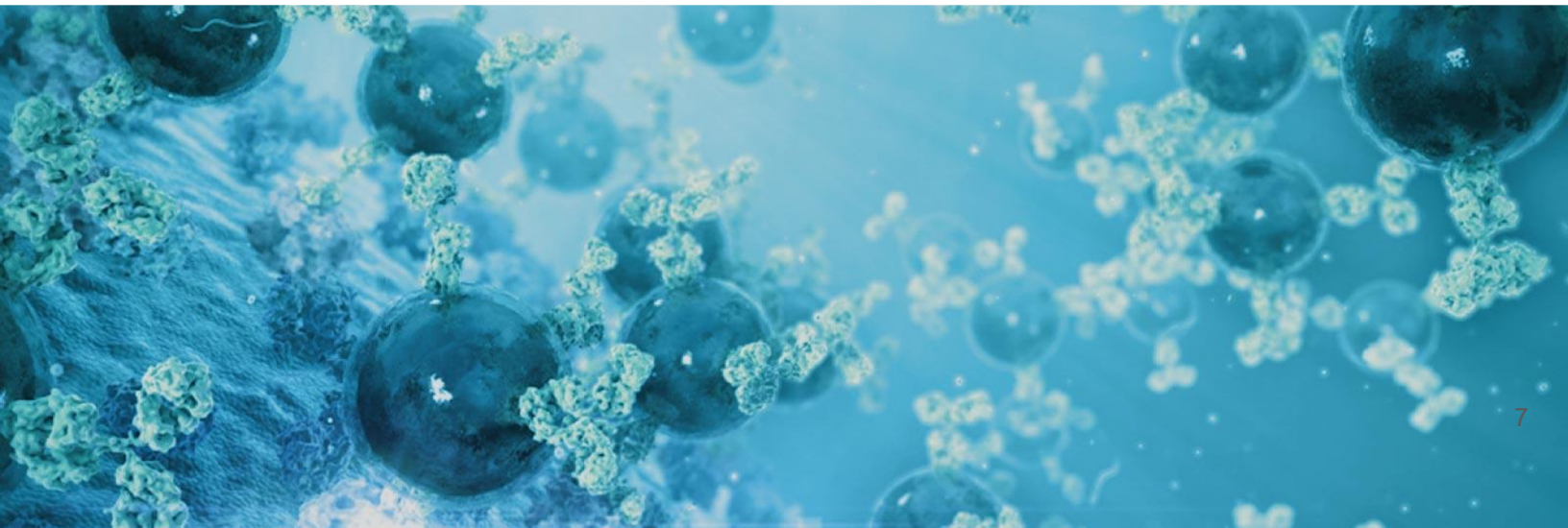

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Imagion Biosystems Limited	
ABN	**Quarter ended ("current quarter")**
42 616 305 027	31 December 2023

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	464	1,317
1.2	Payments for		
	(a) research and development	(511)	(4,476)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(20)	(177)
	(d) leased assets	-	-
	(e) staff costs	(1,325)	(5,812)
	(f) administration and corporate costs	(457)	(2,782)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	63
1.5	Interest and other costs of finance paid	(27)	(146)
1.6	Income taxes paid	-	(15)
1.7	Government grants and tax incentives	-	3,534
1.8	Other (provide details if material)	33	179
1.9	**Net cash from / (used in) operating activities**	**(1,839)**	**(8,316)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(148)	(190)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(148)**	**(190)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,383
3.2	Proceeds from issue of convertible debt securities	-	3,500
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(619)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(174)	(972)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(174)**	**4,292**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,436	4,446
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,839)	(8,316)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(148)	(190)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(174)	4,292
4.5	Effect of movement in exchange rates on cash held	(48)	(4)
4.6	**Cash and cash equivalents at end of period**	**227**	**227**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	227	2,436
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**227**	**2,436**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	15,000	3,500
7.4	**Total financing facilities**	15,000	3,500

7.5	**Unused financing facilities available at quarter end**	N/A

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

The Company has a $15 million convertible note facility with $11.5 million undrawn at quarter end. The remaining $11.5 million is subject to use of the Company's 15% placement capacity as well as mutual consent with the lender and the Company prior to drawdown. Given the lender's floor price is now above the Company's share price there is minimal likelihood of being able to draw further on this facility in the short-term. The facility is secured over the Company's assets and has no coupon payable.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,839)
8.2	Cash and cash equivalents at quarter end (item 4.6)	227
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	227
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.1

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company reduced its work force in October 2023 and again more recently in January 2024 as it continues to reduce its cost base. Current activity levels have been reduced to the minimum considered necessary to maintain the business, however the gains from these cost savings measures will be offset with required creditor payments in the short-term.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company is looking to fund the business by a combination of nanoparticle sales (including technology access fees to our key customer) as well as a small capital raise. The Company is planning for these two initiatives to raise on or around $1.8 million in the short-term with some follow on nanoparticle sales revenues. In addition to this the Company received $0.2 million in January from nanoparticle revenues with a further $0.3 million due in early February. The Company will also be due its 2023 R&D tax incentive (expected on or around Q2 2024), this is expected to be less than prior years as will only include Australian based costs.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The continuation of the Company's operations and our ability to meet our objectives will be dependent on successful execution of the initiatives outlined in the answer to 8.6.2. Refer to the accompanying announcement for further details.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

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

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

31 January 2024

Date: .....

By the Board of Imagion Biosystems Limited

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

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

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

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.