

IMAGION BIOSYSTEMS LIMITED

(ASX: IBX)

26 May 2023

Section 708A(12C)(e) Cleansing Notice - Mercer Second Tranche Convertible Notes

This notice is given by Imagination Biosystems Limited (**IBX** or the **Company**) under section 708A(12C)(e) of the Corporations Act 2001 (Cth) (**Corporations Act**) as amended by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82.

The Company hereby confirms that:

- (a) the convertible notes described below will be issued without disclosure to an investor under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible notes issued by the Company on the terms described below (**Convertible Notes**), to be on-sold to retail investors without further disclosure.

1. BACKGROUND

As announced on 7 March 2023, the Company entered into a Convertible Securities Agreement with Mercer Street Global Opportunity Fund, LLC (**Mercer** or **Investor**) on 7 March 2023 to provide funding to the Company of up to \$15,000,000 (**CSA**). Under the terms of the CSA, Mercer initially invested \$1,500,000 in consideration for convertible notes with an aggregate face value of \$1,650,000, (**First Tranche Convertible Notes**), and agreed to invest a further \$1,000,000 in consideration for convertible notes with an aggregate face value of \$1,100,000, subject to completion of certain conditions (**Second Tranche Convertible Notes** or **Convertible Notes**). Further material terms of the CSA are set out in the Company's ASX announcement dated 7 March 2023.

On 25 May 2023, the Shareholders approved the issue of the Second Tranche Convertible Notes, among other things.

The material terms of the Second Tranche Convertible Notes are as follows:

Item	Matter	Particulars
1.	Type of instrument	Secured convertible notes convertible into fully paid ordinary shares (Shares) at the Conversion Price.
2.	Denomination	AUD.
3.	Face Value	The face value of each Convertible Note is \$1.00.

4.	Maturity Date	18 months from date of issue
5.	Interest payable on Convertible Notes	No interest is payable on the unconverted drawn funds. In the event of a default by the Company, the Company must pay interest at a rate of 15% per annum on the Face Value of all outstanding Convertible Notes.
6.	Conversion	The Investor may (at its absolute discretion) convert any Convertible Notes at any time prior to the Maturity Date, by giving the Company a conversion notice, provided such conversion is for a Face Value in an amount equal to or greater than \$25,000 (unless the remaining Face Value of the Convertible Notes on issue is less than \$25,000, in which case for the full remaining value).
7.	Conversion Price	The higher of: (i) 90% of the lowest daily VWAP (volume weighted average price) of the Shares for the 15 trading days on which Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant conversion notice; and (ii) a floor price of \$0.0125.
8.	Repayment	The Face Value of any unconverted Convertible Notes and any accrued by unpaid interest are repayable by the Company: (i) within 20 business days of the Maturity Date; and (ii) if an event of default is subsisting after 10 business days of the Company receiving a notice of default from the Investor, within 10 business days after the end of such notice period. The Investor may also require repayment by the Company of the Convertible Notes upon occurrence of a change of control, a delisting or a qualifying capital raising which in aggregate raises \$10,000,000 or more.
9.	Events of Default	Standard events of default apply, including but not limited to an insolvency event or material adverse effect occurring, or the Company being in breach of any obligation, covenant or undertaking to the Investor and the breach not being rectified within 5 business days.
10.	Voting	The Convertible Notes do not entitle the holder to any voting rights.
11.	Governing Law	Queensland, Australia

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Second Tranche Convertible Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Convertible Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Convertible Notes; and
- (b) any information that:

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- (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
- (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
- (iii) other information relating to the Company's status as a disclosing entity.

3. THE EFFECT OF THE ISSUE ON THE COMPANY

3.1 Effect of the issue on the Company

The principal effect of the issue of the Second Tranche Convertible Notes on the Company will be:

- (a) the satisfaction of the Company's obligations under the CSA;
- (b) an increase in the number of unquoted Convertible Notes on issue from 1,650,000 to 2,750,000;
- (c) the Company having an increase in liability for the aggregate amount of the Face Value (and any accrued but unpaid interest) of the Convertible Notes issued under the CSA; and
- (d) if the Convertible Notes are converted at the lowest possible conversion price (being \$0.0125), a maximum increase in the number of Shares by 88,000,000 Shares.

3.2 Pro Forma Consolidated Statement of Financial Position taking into Account the Issue of the Convertible Notes

- (a) Set out in Annexure A is a pro forma consolidated Statement of Financial Position for the Company and its controlled entities ("consolidated entity") based on the audited financial statements of the consolidated entity as at 31 December 2022 adjusted to reflect the proposed Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Convertible Notes may change in the future.

3.3 Potential Effect on Capital Structure

- (a) As at the date of this Cleansing Notice:
 - (i) the total number of issued Shares is 1,167,665,778;
 - (ii) the total number of unlisted options and rights is 96,572,500 (which includes the recent issue of the First Tranche Options - B).
- (b) The capital structure of the Company will be affected by the conversion of Convertible Notes by the Investor.

- (c) The effect on the issued share capital of the Company upon the issue and conversion of the Convertible Notes:

Shares	Number
Shares issued on the date of this Cleansing Notice	1,167,665,778
Shares issued upon conversion of the Convertible Notes ¹	88,000,000
Total Shares on issue following conversion of all Convertible Notes²	1,255,665,778

NOTE:

- This assumes that the Convertible Notes are converted at the lowest possible Conversion Price (being \$0.0125).*
- This table does not include the potential effect of the First Tranche Convertible Notes, or any Shares which may be issued after the date of this Cleaning Notice, including any Shares or options to be issued to Mercer under the CSA.*

4. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE CONVERTIBLE NOTES

The Shares issued to the Investor on the conversion of the Convertible Notes under the CSA will rank equally in all respects with all of the Company's existing Shares. The rights attaching to the Shares, including new Shares to be issued to the Investor on the conversion of the Convertible Notes, are set out in the Company's constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The Company intends to apply to ASX for quotation of the Shares issued on conversion of any Convertible Notes.

Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which can be inspected free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

(A) GENERAL MEETINGS

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Company's constitution.

(B) VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every person present who is a Shareholder or a proxy,

attorney or representative of a Shareholder has one vote; and

- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, and a fraction of a vote for each partly paid Share, equivalent to the proportion which the amount paid (not credited) is of total amounts paid and payable (excluding amounts credited), ignoring any amounts payable in advance of a call.

(C) **DIVIDEND RIGHTS**

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

(D) **WINDING-UP**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(E) **SHAREHOLDER LIABILITY**

As the Shares to be issued on the conversion of the Convertible Notes will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(F) **TRANSFER OF SHARES**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(G) **FUTURE INCREASE IN CAPITAL**

The allotment and issue of any new Shares is under the control of the Directors.

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the Company's constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue securities as they shall, in their absolute discretion, determine.

(H) VARIATION OF RIGHTS

Subject to the Corporations Act and the ASX Listing Rules, if at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied with the consent in writing of the holders of three-quarters of the issued shares of that class, if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class or as otherwise permitted by the Corporations Act.

(I) ALTERATION OF CONSTITUTION

The Company's constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting.

5. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a "disclosing entity" under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 31 December 2022;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
28 Feb 2023	Appendix 4G and Corporate Governance Statement
1 Mar 2023	Imagion receives 2nd CSIRO grant for prostate cancer project
7 Mar 2023	Imagion Funding Update
7 Mar 2023	Imagion Secures Growth Funding
7 Mar 2023	Non-renounceable Entitlement Offer
7 Mar 2023	Entitlement Offer Booklet
7 Mar 2023	Cleansing Notice - Entitlement Offer
7 Mar 2023	Proposed issue of securities - IBX
7 Mar 2023	Investor Presentation
7 Mar 2023	Proposed issue of securities - IBX
7 Mar 2023	Proposed issue of securities - IBX
7 Mar 2023	Proposed issue of securities - IBX
7 Mar 2023	Correction to Announcement and Offer Booklet
14 Mar 2023	Cleansing Notice - Entitlement Offer
15 Mar 2023	Dispatch of Entitlement Offer Documents
15 Mar 2023	Letter to Shareholders - Entitlement Offer
15 Mar 2023	Entitlement Offer Booklet
17 Mar 2023	Cleansing Notice under Section 708A(12C)(e)
21 Mar 2023	Convertible Securities Investment
21 Mar 2023	Cleansing Notice - Mercer Commencement Shares
21 Mar 2023	Notification regarding unquoted securities - IBX
21 Mar 2023	Notification regarding unquoted securities - IBX
21 Mar 2023	Application for quotation of securities - IBX
27 Mar 2023	Imagion to proceed to file an IND following FDA feedback
27 Mar 2023	Entitlement Offer - Extension of Closing Date
28 Mar 2023	Notice to IBXOA Option Holders
11 Apr 2023	Notification regarding unquoted securities - IBX
11 Apr 2023	Notification of cessation of securities - IBX
13 Apr 2023	Imagion Biosystems April 2023 Investor Newsletter
19 Apr 2023	Results of Non-renounceable Entitlement Offer
21 Apr 2023	Application for quotation of securities - IBX
24 Apr 2023	Notice of Annual General Meeting/Proxy Form
26 Apr 2023	Notification regarding unquoted securities - IBX
26 Apr 2023	Change of Director's Interest Notice
28 Apr 2023	Quarterly Activities/Appendix 4C Cash Flow Report
28 Apr 2023	Imagion initiates leadership restructuring plan
2 May 2023	Notification of cessation of securities - IBX
4 May 2023	Change of Director's Interest Notices
25 May 2023	Chairman's Address to Shareholders
25 May 2023	AGM Investor Presentation

25 May 2023	Results of Meeting
26 May 2023	Notification regarding unquoted securities – IBX
26 May 2023	Issue of First Tranche Options - B

6. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Convertible Notes and the Shares.

-ENDS

About Imagion Biosystems

Imagion Biosystems is developing a new non-radioactive and precision diagnostic molecular imaging technology. Combining biotechnology and nanotechnology, the Company aims to detect cancer and other diseases earlier and with higher specificity than is currently possible.

For further information please visit www.imagionbiosystems.com

Authorisation & Additional information

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

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Annexure A

Pro Forma Consolidated Statement of Financial Position

This pro forma consolidated Statement of Financial Position for the Company and its controlled entities ("consolidated entity") is based on the audited financial statements of the consolidated entity as at 31 December 2022 adjusted to reflect the proposed Convertible Notes issue and has been prepared on the basis of the accounting policies normally adopted by the Company.

	Statutory Historical Consolidated Statement of Financial Position 31-Dec-22	Impact of first convertible securities	Impact of second convertible securities	Pro-Forma 31-Dec-22
	\$	\$	\$	\$
Current Assets				
Cash and cash equivalents	4,446,102	1,500,000	1,000,000	6,946,102
Trade and other receivables	92,463	-	-	92,463
Other current assets	449,985	-	-	449,985
Total Current Assets	4,988,550	1,500,000	1,000,000	7,488,550
Non-Current Assets				
Property, plant and equipment	703,276	-	-	703,276
Right-of-use assets	4,283,796	-	-	4,283,796
Total Non-Current Assets	4,987,072	-	-	4,987,072
Total Assets	9,975,622	1,500,000	1,000,000	12,475,622
Current Liabilities				
Trade and other payables	436,788	-	-	436,788
Lease liabilities	1,041,051	-	-	1,041,051
Employee benefits	175,032	-	-	175,032
Other liabilities	80,033	-	-	80,033
Convertible securities	-	1,650,000	1,100,000	2,750,000
Total Current Liabilities	1,732,904	1,650,000	1,100,000	4,482,904
Non-Current Liabilities				
Lease liabilities	3,563,318	-	-	3,563,318
Employee benefits	1,904	-	-	1,904
Total Non-Current Liabilities	3,565,222	-	-	3,565,222
Total Liabilities	5,298,126	1,650,000	1,100,000	8,048,126
Net Assets	4,677,496	(150,000)	(100,000)	4,427,496
Equity				
Issued capital	56,830,408	-	-	56,830,408
Reserves	3,688,550	-	-	3,688,550
Accumulated losses	(55,841,462)	(150,000)	(100,000)	(56,091,462)
Total Equity	4,677,496	(150,000)	(100,000)	4,427,496