Optiscan Imaging Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	25.3%	to	889,526
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	up	20.5%	to	(2,126,695)
Loss for the year attributable to the owners of Optiscan Imaging Limited	up	20.5%	to	(2,126,695)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the consolidated entity after providing for income tax amounted to $2,126,695 (30 June 2020: $1,765,353).

Financial performance

During the financial year ending 30 June 2021 (FY21), the consolidated entity generated ordinary revenue of $889,526 from sales, system rentals and the provision of services (2020: $1,190,712) and other income of $1,651,928 (2020: $785,714).

Other income comprised $511,979 received from the BioMedtech Horizons Program which forms part of the Federal Government's Medical Research Future Fund to support the Oral Cancer Study at the University of Melbourne, Melbourne Dental School (MDS Oral Cancer Trial). The consolidated entity also recorded research and development incentive income of $847,324, an increase of $146,082 from the previous corresponding period (2020: $701,242).

Total expenses for FY21 increased to $4,668,149, an increase of $926,370 from the corresponding period (2020: $3,741,779). These expenses include those relating to the cost of the MDS Oral Cancer Trial; preparations for the application to the United States Food & Drug Administration (FDA) to market the InVivage® device for sale in the United States (US based consultants and local and overseas contract testing agencies); and five (5) additional employees and contractors recruited and engaged during FY21 as the company increased its resources in production, quality assurance and human resources.

The net operating cash outflow for FY21 was $2,126,309 compared to $1,396,563 for the previous financial year.

Financial Position

The net assets increased by $8,668,783 to $10,217,106 at 30 June 2021 (30 June 2020: $1,548,323). The working capital position of the consolidated entity at 30 June 2021 was an excess of current assets over current liabilities of $9,995,498 (30 June 2020: $1,264,761).

The increase in the net asset position of the consolidated entity was primarily as a result of the capital raising completed by the Company during the financial year amounting to $9,813,499 before costs.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.67	0.34

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Optiscan Imaging Limited for the year ended 30 June 2021 is attached.

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12. Signed

Signed ______________________ Date: 30 August 2021

Robert Cooke
Non-executive Chairman

Optiscan Imaging Limited

ABN 81 077 771 987

Annual Report - 30 June 2021

Optiscan Imaging Limited
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Optiscan Imaging Limited
Corporate directory
30 June 2021

Directors	Mr Robert Cooke - Non-executive Chairman Mr Darren Lurie - Managing Director Dr Philip Currie - Non-executive Director Ms Karen Borg - Non-executive Director Mr Ron Song - Non-executive Director Dr Camile Farah - Non-executive Director
Company secretary	Mr Justin Mouchacca
Notice of annual general meeting	The Company is proposing to hold its Annual General Meeting on Thursday 25 November 2021.
Registered office	16 Miles Street Mulgrave, Victoria, 3170 Phone No.: (03) 9598 3333 Fax No.: (03) 9562 7742
Principal place of business	16 Miles Street Mulgrave, Victoria, 3170 Phone No.: (03) 9598 3333 Fax No.: (03) 9562 7742
Share register	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone No.: (03) 9415 5000
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street, Melbourne, VIC 3008
Stock exchange listing	Optiscan Imaging Limited shares are listed on the Australian Securities Exchange (ASX code: OIL)
Website	www.optiscan.com
Corporate Governance Statement	The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://www.optiscan.com/investors-media/corporate-governance/

Dear Shareholder

On behalf of the Board of Optiscan, I am pleased to present the Company's 2021 Annual Report.

Reflecting on the last 12 months, Optiscan has made significant progress in the development and commercialisation of its confocal endomicroscope devices, despite the challenges presented by the global COVID-19 pandemic. A key focus during the year was preparing for Optiscan's submission to the United States Food and Drug Administration (FDA) for the approval of our InVivage® device for oral cancer screening and surgery. Marketing and distribution activities were strengthened for our pre-clinical FIVE2 (ViewnVivo) (**FIVE2**) system, and sales in relation to the CONVIVO® device continued under the co-operation agreement with Carl Zeiss Meditec AG (CZM).

OPTISCAN'S UNIQUE ENDOMICROSCOPIC TECHNOLOGY

Optiscan has developed world-leading and patent protected endomicroscopic technology that can used in cancer screening and surgery, as well as in pre-clinical research. Optiscan's miniature hand held probe provides real-time, 'in vivo' imaging of human tissue at the sub-cellular level.

Clinicians and medical researchers continue to confirm the potential of Optiscan's technology to improve cancer survival rates and patient outcomes through early diagnosis, less-invasive screening and reduced surgical margins.

FDA APPROVAL PROCESS FOR INVIVAGE®

The Invivage® is Optiscan's clinical device for use in cancer screening and surgery. It is expected the InVivage® will have applications across a number of cancers, however initially we are primarily focused on seeking FDA approval for its use in oral cancer.

During FY21, we made substantial progress in preparing the 510 (k) submission for FDA approval for the use of the InVivage™ device in oral cancer and surgery. Significant work was undertaken in relation to third-party validation and verification testing, as well as other internal and external tests required for the FDA submission. I am pleased to report that many of these tests were successfully completed during the year and the Company is continuing to complete the remaining requirements in accordance with its schedule.

As Optiscan moves closer to seeking FDA approval for the InVivage® device in the United States, the Company has commenced planning and developing its market entry and distribution strategy. Optiscan intends to be ready to proceed with commercialisation, marketing and distribution of its InVivage® device as soon as it is approved for use the United States,

STRENGTHENING DISTRIBUTION AND MARKETING OF OPTISCAN's FIVE2 PRE-CLINICAL SYSTEM

Optiscan continues to strengthen its distribution network for its FIVE2 system, with the recent addition of South Korea to its existing distribution network which encompasses North America, China and Taiwan. Optiscan's laboratory device is used by medical research facilities and universities for pre-clinical and translational research.

Whilst sales and marketing activities were restricted by the COVID pandemic, Optiscan recorded two sales of the FIVE2 system in China during the 2021 financial year, and since year end, Optiscan received its first Australian order from a leading Australian University as part of a Victorian Government medical technology initiative.

PARTNERING WITH LEADING UNIVERSITIES, HOSPITALS AND MEDICAL DEVICE COMPANIES

Optiscan has partnered and collaborated with a number of universities, hospitals, medical research companies and medical device companies. These partnerships and collaborations are a strong endorsement of the potential of Optiscan's technology. These arrangements are critical for clinical trials and studies, funding for research, and increasing exposure of Optiscan's technology amongst the medical community.

Some of Optiscan's current partners and collaborators include five leading universities and research institutions in Australia (University of Melbourne / Melbourne Dental School, University of Adelaide, Swinburne University, Monash University and Walter and Eliza Hall Institute); three leading Melbourne Hospitals (Royal Melbourne Hospital, Frances Perry Hospital, Epworth Hospital), the 2nd highest ranked cancer centre in the US (Memorial Sloane Kettering Cancer Centre) and leading US neurological hospital (Barrow Neurological Institute).

In addition to these partners and collaborators, Optiscan continues to receive orders under the co-operation agreement with CZM in relation to the CONVIVO® device used in neurosurgery.

Optiscan has been successful in receiving Government grants (including a grant of $971k from the Federal Government's BioMedtech Horizons Program) to assist with funding studies and commercialising its devices, which is further validation of the potential of Optiscan's technology to improve cancer screening and surgery.

EXTENDING APPLICATIONS OF OPTISCANS TECHNOLOGY TO OTHER CANCERS AND APPLICATIONS

Whilst initially we are seeking approval for use of the InVivage® in oral cancer, we are confident its applications will be extended to use in other cancers and clinical applications. Studies are already underway in relation to the use of the technology in breast, cervical and oesophageal cancers.

Optiscan's FIVE2 pre-clinical device will be useful in determining other applications for the InVivage® device. Research findings from the FIVE2 system in the laboratory are directly transferable to use of the InVivage® device in the operating theatre, as the devices incorporate identical technology.

STRENGTHENED BALANCE SHEET TO FUND PATHWAY TO COMMERCIALISATION

The Company strengthened its balance sheet through a capital raising of $9.8m in September 2020. I would like to take this opportunity to welcome Orchid Capital Investments Pte Ltd, a member of the Clermont Group, which was the cornerstone investor in the capital raising, as a major shareholder in Optiscan.

RE-INVIGORATED BOARD OF DIRECTORS

I was appointed Non-Executive Chairman of Optiscan in April 2021 and feel privileged to be taking on this role as the Company embarks on the exciting phase of bringing its key InVivage® device to market. Three other non-executive directors (Mr Ron Song, Professor Camile Farah and Ms Karen Borg) have been appointed since the last Annual Report, and the board now comprises Directors with diverse experience across healthcare, marketing, strategy and finance. The Board also wishes to thank Mr Graeme Mutton for his work as a Director and the pivotal role he played in ensuring the financial and operational stability of the Company over the past three years. The Board is currently reviewing strategies with a view to expediate the successful commercialisation of Optiscan's unique technologies.

I would like take to this opportunity to thank our employees for their outstanding contribution during the year, especially given the challenges presented by the COVID pandemic.

Finally, on behalf of my fellow Directors, I would like to warmly thank our shareholders for their support in 2021. We believe Optiscan is positioned for an exciting year ahead as we lodge our application for FDA approval for the InVivage® for use in oral cancer, as well as continuing to explore its application to other cancers and clinical applications.

Yours sincerely

Robert Cooke

Robert Cooke
Non-executive Chairman

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the group') consisting of Optiscan Imaging Limited (referred to hereafter as 'Optiscan', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

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

Mr Robert Cooke - Non-executive Chairman (appointed 19 April 2021)
Mr Darren Lurie - appointed Managing Director 19 April 2021 (previously Executive Chairman)
Dr Philip Currie - Non-executive Director
Mr Ron Song - Non-executive Director (appointed 10 February 2021)
Dr Camile Farah - Non-executive Director (appointed 6 May 2021)
Ms Karen Borg - Non-executive Director (appointed 29 July 2021)
Mr Graeme Mutton - Non-executive Director (resigned 30 July 2021)

Principal activities
The principal activities of the consolidated entity during the year were the development and commercialisation of confocal endomicroscopes for clinical and pre-clinical applications. The consolidated entity carried out its principal activities through:
- development of its own “InVivage” device for use in the oral cancer and other cancer applications;
- seeking regulatory approval to market the “InVivage” device in the United State for use in oral cancer screening and surgery;
- continuation of its co-operation agreement with CZM;
- marketing of the FIVE2 (ViewnVivo) (**FIVE2**) system in pre-clinical and translational research markets;
- progressing clinical studies with researchers and medical institutions; and
- continued development of new pre-clinical applications for Optiscan's products and services.

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

Operating and Financial Review
The loss for the consolidated entity after providing for income tax amounted to $2,126,695 (30 June 2020: $1,765,353).

Financial performance

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Operational Review

Oral Cancer Surgery and Screening Application – InVivage™

The Company has continued to refine and develop its InVivage® clinical device, a hand-held endomicroscope to be used in Oral Cancer screening and surgical margin determination. A number of clinical trials are underway and the process for preparing the application for United States Food and Drug Administration (FDA) 510(k) clearance to market the InVivage® device in the United States for use in oral cancer screening and surgery is well progressed.

Oral cancer trials and studies

Oral Cancer Trial at Melbourne Dental School

In July 2020, Optiscan was awarded a BioMedTech Horizons Program grant for $971,000 to assist the University of Melbourne's Melbourne Dental School (MDS) to undertake a trial with approximately 150 patients, to improve screening, diagnosis, and treatment of oral cancer (MDS Oral Cancer Trial).

The BioMedTech Horizons Program is an initiative of the Medical Research Future Fund, designed to foster innovative health technology development across research, industry and technology sectors.

The trial commenced in the final quarter of 2020 and by the end of FY21, 58 imaging sets had been completed. A further 33 imaging sets have been completed in July and August 2021. A number of software and hardware improvements were identified by MDS and implemented by Optiscan enhancing useability and reducing the time to image each patient.

Concurrently with the MDS Oral Cancer Trial, Optiscan and the MDS conducted the dosing study for the topical use of fluorescein which is required by the FDA for Optiscan's 510(k) submission. This fluorescein dosing study was successfully completed in May 2021.

As the MDS Oral Cancer Trial l trial progresses and Optiscan moves closer to seeking FDA approval, Optiscan is increasing its presence at conferences and other events. In December 2020, the MDS and Optiscan presented a collaborative oral cancer in vivo imaging clinical study to leading dental hospitals in Shanghai at The 2nd China Smart Health and Medical Conference 2020. In July 2021, Dr Tami Yap from the MDS presented a webinar lecture to the European Association of Oral Medicine titled "In vivo microscopy of OPMDs (Oral Potentially Malignant Disorders) in clinical practice" describing the work being undertaken as part of this trial.

Other oral cancer trials

The oral cancer trials and studies at Memorial Sloan Kettering Cancer Centre (MSKCC), one of the leading cancer centres in the United States, and at the Australian Centre for Oral Oncology Research and Education (ACOORE), continued during the year.

In July 2021, the University of Adelaide Dental School received ethics approval for its "Proof of Concept Study: A diagnostic tool to detect Oral Squamous Cell Carcinoma" which will utilise Optiscan's FIVE2 system for a 30 patient ex vivo study. The University of Adelaide, is Australia's 2nd highest ranked dental school, ranked #25 in the world. Optiscan is now working with Australia's two highest ranked dental schools with the Melbourne Dental School ranked #14 in the world.

Preparations for seeking United States Food and Drug Administration (FDA) approval for the InVivage™ device in the United States

During FY21, significant progress has been made in preparing for the submission of Optiscan's application for 510(k) clearance in order to market the InVivage® clinical device for use in human oral cancer screening and surgery in the United States. Significant work was undertaken in relation to third-party validation and verification testing, as well as other internal and external tests required for the 510(k) submission.

Optiscan is working with a leading United States based independent contract testing laboratory for medical devices and pharmaceuticals to conduct various cleaning, disinfection and sterilisation tests. Optiscan also undertook preparations for a number of tests for storage, transportation, aging, life, electromagnetic compatibility (EMC) and electrical safety tests. Many of these tests were successfully completed during the year, either internally or by independent contract testing providers.

As Optiscan moves closer to seeking FDA approval for the Invivage® in the United States, the Company has also been planning and developing the market entry and distribution strategy for InVivage®. Optiscan is working with a former leading medical executive and oral surgeon to assist in the development of this strategy. Marketing agencies are being interviewed in both Australia and the United States as part of this process. Funding from 'Federal Government Entrepreneurs' Programme - Growth Grant' is being used to support the development of Optiscan's market entry strategy.

Breast Cancer Surgery Application

Optiscan is also actively exploring the application of its confocal technology to other cancers. One application which has progressed significantly during FY21 is the use the of Optiscan's technology in breast cancer surgery, to minimise surgical margins and reduce the need for follow up surgery.

Surgical Margin Assessment Trial (Breast Trial)

Optiscan, in conjunction with a leading breast cancer surgeon, Professor Bruce Mann, established stage three of its Breast Cancer Surgical Margin Assessment Trial. Professor Mann is Director of Breast Cancer Services for the Royal Melbourne Hospital and Royal Women's Hospital, and a Professor of Surgery at The University of Melbourne. Other collaborators involved in the study include pathologists, Optiscan representatives and the Breast Cancer Network Australia. Ethics approval for the study was received from the Melbourne Health Human Research Ethics Committee.

The study is being carried out at the Royal Melbourne Hospital, Frances Perry House and Epworth Hospital. Initially a 20 patient study, the study has since been increased to 40 patients due to the success of patient recruitment. 20 patients were imaged during FY21, with a further 13 patients imaged in July and August 2021.

Approximately 50% of the funding for this study is being provided by the Medical Device Partnering Program (MDPP). The MDPP, which is supported by LaunchVic, fosters collaborations between researchers, industry, end-users and government to develop medical technologies with global market potential. The MDPP's support for the study originated at a successful workshop last year with breast surgeons from five leading Melbourne hospitals.

Pre-Clinical System - FIVE2

The FIVE2 system is Optiscan's hand-held, confocal microscope designed for translation and pre-clinical research. This device is targeted for use by universities and medical research facilities to explore potential applications of the technology through laboratory testing of tissue samples.

The Company continued to develop its sales pipeline and distribution arrangements for the FIVE2 in Australia and overseas. Optiscan continues to work closely with its distributors to develop a pipeline of prospective customers, with multiple current prospects Australia, China and North America.

Whilst Optiscan's ability to conduct live demonstrations was impacted by COVID restrictions globally, the Company continued to engage in other marketing initiatives to increase the market's understanding of Optiscan's unique technology and how it can be used in research and pre-clinical environments.

As well as the FIVE2 having multiple uses in its own right, findings from research using the FIVE2 system can also be useful in determining other clinical applications for the InVivage® device. As the FIVE2 system uses identical technology to the InVivage® device, research findings in the laboratory are transferrable to the use of InVivage® in the operating theatre and other clinical settings.

First Australian sale recorded

During FY21, Optiscan increased its marketing of the FIVE2 system in Australia through engaging with leading universities and medical research institutions. In July 2021, the first Australian order for a FIVE2 system was received from a leading Australian University as part of a Victorian Government medical technology initiative. A number of other encouraging demonstrations have also been made to highly regarded Melbourne based medical research institutions.

Offshore distribution arrangements

North America

In August 2020, Optiscan established new North American distributor arrangements including with Advanced Microscopy Consultancy Services Inc ('AMCS') to provide technical, marketing and sales services to the Company in the United States and Canada. AMCS possesses significant pre-clinical microscopy and imaging expertise as well as multiple contacts in the research community.

Asia

During FY21, the Company recorded two sales of the FIVE2 system in China. Delivery of these 2 systems took place in the final quarter of the 2020 calendar year. There have now been 3 sales of the FIVE2 system since Optiscan changed its distribution model in China late in 2019.

Optiscan engaged Dr Joseph Jiafu as a consultant to assist the Company to establish distribution arrangements in Japan, South Korea, Singapore and other APAC countries (excluding China). Dr Jiafu is a microscopy expert and the former Asia Pacific In Vivo product leader for PerkinElmer Inc.

In December 2020, the Company appointed J&H Technology as its exclusive distributor in Taiwan for the FIVE2 system in the pre-clinical research market. Taiwan represents an attractive market for the FIVE2 system, being consistently ranked as the top knowledge economy in Asia, with its biomedical sector identified as one of the five pillar industries for national development.

In July 2021, South Korea was added to Optiscan's growing distribution network for the FIVE2 system.

Marketing activities

Whilst the COVID pandemic restricted live demonstrations of Optiscan's FIVE2 system to potential customers, there was significant activity in promoting the system in publications, conferences and other virtual events.

- Preparation of a two-part publication in Microscopy Today, published by the Microscopy Society of America, highlighting the technological advancements and applications of fluorescence in vivo endomicroscopy;
- Optiscan presented as part of the Zhejiang International Technology Business Matching Webinar with an estimated 60,000 online viewers, via invitation of Global Victoria (an agency of the Victorian State Government);
- Optiscan participated in a virtual conference delivered by Austrade in partnership with biopharmaceutical giant AstraZeneca, Wuxi iCampus and CSIRO, designed to equip founders with the knowledge and networks to scale their business into China;
- Optiscan management, in conjunction with its distributors in Taiwan, Eastern and Southern China, conducted a Chinese language webinar with over 50 participants;
- Optiscan also took part in a number of other State and Federal Government initiatives to increase its profile in China.

NeuroSurgery – CONVIVO - Carl Zeiss Meditec AG (CZM) Co-operation

The CONVIVO®. device was developed as part of a co-operation agreement between Optiscan and CZM, for application in neurosurgery. The CONVIVO agreement is now in the production phase, and CZM continues the full commercialization of the CONVIVO®.

During FY21, Optiscan was informed by CZM that the CONVIVO® and the Sterile Sheath (which acts as a sterile barrier between the probe of the CONVIVO® and the tissue in the brain) were both registered on the Australian Register of Therapeutic Goods enabling those devices to be lawfully supplied for use in Neurosurgery in Australia. These registrations are in addition to approvals previously received by CZM to market the CONVIVO® in the United States and Europe.

Whilst some of CZM's marketing activities were impacted by COVID restrictions, Optiscan received sales orders from CZM for approximately $500k during FY21. Discussions with CZM are on-going in relation to future orders for products and research and development services.

COVID-19 Update

Optiscan has maintained its COVID safe working arrangements during the financial year with company staff working both remotely and from the Company premises. Due to the nature of their activities and layout of the premises, the Company's activities were able to continue throughout the year despite the COVID pandemic, including those in relation to preparations for the submission to the FDA. The layout of the premises is well-suited to the continuation of production during periods of restrictions as production staff can be isolated from other staff.

Overall financial impact on the business
The travel restrictions across the globe in response to the COVID-19 pandemic impacted Optiscan's ability to market its products through on-site demonstrations both in Australia and offshore. The ability to meet potential customers face to face was also limited, but the company has adjusted well to conducting presentations and demonstrations remotely. In some countries restrictions have started to ease and Optiscan would be hoping to return to more traditional marketing strategies over the next 12 months.

Business continuity
Optiscan has been able to continue its operating activities, despite the ongoing impact of the COVID pandemic. The Company has continued to develop and manufacture its technology, receive orders, conduct trials and studies, and undertake regulatory testing and other preparations required for the FDA submission.

Given the impact COVID-19 may be having on Optiscan's customers and suppliers, the Company has been closely managing these relationships throughout the pandemic, with some suppliers increasing their delivery times

Well-being of employees
The Company continues to maintain a COVID-19 safe working environment. We remain committed to keeping our employees and families safe and ensuring ongoing health and well-being during the trying time. We have implemented a COVID-safe plan at our premises and provided additional supplies of face masks, antibacterial wipes and hand sanitiser in our workplace.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the consolidated entity during the financial year other than the items noted below:

- On 20 July 2020, the Company was awarded a $971k BioMedTech Horizons Program grant to support the University of Melbourne's Melbourne Dental School to undertake a trial with approximately 150 patients.
- On 29 September 2020, the Company issued 29,466,500 fully paid ordinary shares, with an issue price of $0.0825 (8.25cents) per share, to professional and sophisticated investors in accordance with the capital raising as announced to ASX on 22 September 2020 and 25 September 2020.
- On 1 October 2020, the Company issued 89,485,000 fully paid ordinary shares, with an issue price of $0.0825 (8.25 cents) per share, to professional and sophisticated investors in accordance with the capital raising as announced to ASX on 22 September 2020 and 25 September 2020.
- On 9 December 2020, the Company issued 29,737,875 unlisted options to professional and sophisticated investors in accordance with the capital raising as announced to ASX on 22 September 2020 and 25 September 2020 and following shareholder approval sought at the Company's 2020 Annual General Meeting of shareholders.
- On 8 February 2021, the Company announced the commencement of the next stage of its Breast Cancer Surgical Margin Assessment trial at Royal Melbourne Hospital, Frances Perry House and Epworth Hospital
- During the financial year the Company issued 19,005,302 fully paid ordinary shares in relation to the conversion of 19,005,302 unlisted options previously issued.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2021 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, other than:

- Expansion of Optiscan's Breast Cancer Surgical Margin Assessment Trial from twenty (20) to forty (40) patients;
- Optiscan receiving its first Australian order for the FIVE2 system from a leading Australian University as part of a Victorian Government medical technology initiative;
- The University of Adelaide Dental School receiving ethics approval for its "Proof of Concept Study: A diagnostic tool to detect Oral Squamous Cell Carcinoma" which will utilise Optiscan's FIVE2 system.

Likely developments and expected results of operations
The Directors have outlined in the Operating and Financial Review above that they expect to continue to derive income from the CZM co-operation over the next year, as well as achieving sales of FIVE2 systems, the second-generation pre-clinical and translational research product. The consolidated entity expects to develop a system suitable for marketing for clinical use and to seek regulatory approval for the clinical use of this system in oral cancer screening and/or surgical margin determination. The consolidated entity also expects to continue Stage 3 of its Breast Cancer Surgical Margin Assessment Trial.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Darren Lurie
Title:	Managing Director
Qualifications:	B.Comm (Hons), B.LLB (Hons)
Experience and expertise:	Darren Lurie is an experienced leader of boards and management teams as Chair, CEO and CFO. He has experience working across a range of industries operating both domestically and internationally. Prior to joining Optiscan, Darren was the Group CFO and Head of Corporate Development for EduCo International Group, an investee company of Baring Private Equity Asia and a leading provider of education and related services with campuses in the USA, Australia, Canada and Ireland, across the Higher Education, Career and English sectors. Darren is a former chair and non-executive director of ASX listed Farm Pride Foods Ltd (ASX:FRM), one of Australia's leading agribusinesses. He has fifteen years' experience as a corporate advisor leading finance, strategy and merger and acquisition assignments across a range of industries.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	8,725,000 fully paid ordinary shares
Interests in options:	1,000,000 unlisted options

Name:	Dr Philip Currie
Title:	Non-executive Director
Qualifications:	MBBS (Hons), FRACP, MBA
Experience and expertise:	Dr Currie is a cardiologist with more than 36 years in cardiology both in the United States and in Australia with extensive experience in medical research, clinical cardiology and business. He has a medical degree, MBBS (Hons) from Monash University and an MBA from the University of Michigan.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	23,057,500 fully paid ordinary shares,
Interests in options:	None

Name:	Mr Graeme Mutton
Title:	Non-executive Director (resigned 30 July 2021)
Qualifications:	Certified Practicing Accountant (retired)
Experience and expertise:	After graduating in Accounting in 1968, Graeme managed a public accounting practice for CP Bird and Associates at Bruce Rock in Western Australia for approximately five years. During this time, he purchased City Plating Company, an electroplating business which he successfully managed for 30 years until it was sold in 2000. This background exposed him to many businesses and provided a practical knowledge of all aspects required to successfully operate a small to medium enterprise. Graeme is a long standing shareholder of Optiscan and has a deep understanding of Optiscan`s technology and applications.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	11,409,404 fully paid ordinary shares

Name:	Mr Robert Cooke
Title:	Non-executive Chairman (appointed 19 April 2021)
Qualifications:	B. Health Administration, Grad. Dip. Acc and Fin
Experience and expertise:	Robert is the former Managing Director & CEO of Healthscope, one of Australia's leading private hospital, medical centre and pathology operators between 2010 and 2017. He is currently a non-executive director of Icon Group and Evercare Group. Icon Group is an operator of cancer centres, specialist services, pharmacy management, compounding, remote care, research and health screening services in Australia, Singapore, Hong Kong and Mainland China, Vietnam and New Zealand. The Evercare Group is a leading impact driven healthcare group in emerging markets. With a 40+ year career in the health industry, his experience spans to executive leadership of publicity listed and privately owned healthcare companies, and a management of private and public hospitals in Australia, Asian and the UK.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	2,000,000 unlisted options

Name:	Mr Ron Song
Title:	Non-executive Director (appointed 10 February 2021)
Experience and expertise:	Ron has had a 25 year business career in Australia before being headhunted in 1999 to assist in expanding a European motor vehicle franchise in Singapore. In a short time, Ron assisted in developing the franchise into a highly profitable business. He subsequently expanded and developed a second company in the motor vehicle industry, Premium Automobiles Pty Ltd, where he was the Managing Director for seven years before advising and developing a premier Singaporean wellness company, Fabulous Image Lifestyle, which was successfully sold to a pan-Asian operator. Ron was appointed Managing Director and Partner of V-TEC Asia Pte Ltd between February 2011 and 2013, a private company involved in introducing to representatives of a southeast Asian country the biometric security film for passports. He was also appointed Executive Director of the Pine Millennium Capital Pte Ltd during May 2014 – December 2017, a private company where he was overseeing investments in companies from various industries, providing advice on mergers and acquisitions on a number of different companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	3,000,000 fully paid ordinary shares
Interests in options:	None

Name:	Dr Camile Farah
Title:	Non-executive Director (appointed 6 May 2021)
Qualifications:	BDSc MDSc (OralMed OralPath) PhD GCEd (HE) GCExLead FRACDS (OralMed) MAICD AFCHSM CHM FOMAA FIAOO FICD FPFA FAIM
Experience and expertise:	Professor Farah is a highly accomplished executive, academic, researcher and author with 25 years' experience in the healthcare, biotech and medical research sectors. He is dual trained physician and pathologist, with public and private appointments at Fiona Stanley Hospital, Hollywood Private Hospital, Qscan Radiology Clinics, Australian Clinical Labs, and Genomics for Life. Professor Farah is a leading Australian expert in oral cancer and precancerous pathology based on his clinical and research expertise having published 250 clinical and scientific articles and a bestselling textbook. He is a former Dean at the University of Western Australia, and currently an Adjunct Professor at CQ University and an Honorary Professorial Research Fellow at the Peter MacCallum Cancer Centre. In addition to managing his own consulting business, he is Executive Director of the Australian Centre for Oral Oncology Research & Education which undertakes cutting edge research in head and neck cancer. He currently serves as a non-executive director of the Australian and New Zealand Head and Neck Cancer Society.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	520,224 fully paid ordinary shares
Interests in options:	None

Name:	Ms Karen Borg
Title:	Non-executive Director (appointed 29 July 2021)
Qualifications:	B. Arts
Experience and expertise:	Karen is a highly experienced senior executive, who has held global leadership positions in multiple sectors, including medical devices and technology, consumer products and government. Karen's background is in commercial management, global marketing and government policy. Karen is the former President (Asia Pacific and Middle East) of ResMed Inc (ASX: RMD) and prior to this held several senior roles with Johnson & Johnson Medical Devices, including Global Vice President (based in USA). Karen's most recent executive roles include CEO of Healthdirect and the inaugural Chief Executive of Jobs for NSW, with both roles fostering relationships across private and public sectors. Karen is currently the Chief Executive Officer of Catholic Healthcare Ltd. Karen holds a Bachelor of Arts from the University of Sydney and was a NSW finalist for Telstra Businesswoman of the Year 2017.
Other current directorships:	Somnomed Ltd (ASX: SOM)
Former directorships (last 3 years):	ResMed Inc (ASX: RMD)
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	1,000,000 unlisted options
Interests in rights:	Nil

'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
Mr Justin Mouchacca, CA

Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and from July 2013 to June 2019 was a Director of chartered accounting firm, Leydin Freyer Corp Pty Ltd. Since July 2019, Mr Mouchacca has been principal of JM Corporate Services Pty Ltd, a firm specialising in outsourced company secretarial services and financial duties. Justin has over 13 years' experience in the accounting profession including 8 years in the corporate secretarial services and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Robert Cooke	3	3
Darren Lurie	12	12
Philip Currie	12	12
Graeme Mutton	12	12
Ron Song*	5	5
Camile Farah**	3	3

Held: represents the number of meetings held during the time the director held office.

* Appointed 10 February 2021.
** Appointed 6 May 2021.

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 is 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 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 directors remuneration
The Constitution of the company and the ASX Listing Rules establish an aggregate or maximum level of remuneration available to non-executive directors, to be divided amongst the directors as agreed. The aggregate amount approved by shareholders to be available for remuneration of non-executive directors is $400,000 per annum.

The Board has determined that non-executive directors shall receive only fixed remuneration by way of payment of fees. There is no variable, short term incentive remuneration for non-executive directors, nor is there any entitlement to retiring allowances or payments other than the statutory superannuation required by law.

Non-executive directors receive an annual fee for all services provided to the company, including being a director of the company and any of its subsidiaries, and for serving on board sub committees in accordance with the requirements of the Corporate Governance Policy.

Non-executive directors are encouraged to hold shares in the company which have been purchased on market or through placements where participation by the directors has been approved by shareholders in general meeting. It is considered good governance for the directors to have a personal financial stake in the company.

Executive remuneration
The Remuneration Committee (currently comprising the board) is responsible for establishing the structure and amount of remuneration.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

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

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed as required by the Remuneration Committee, and the process consists of a review of company and individual performance, and comparative remuneration in the market. All employees are provided with the opportunity to receive their fixed remuneration in both cash and benefits, subject to there being no change in overall cost to the company. Compulsory superannuation contributions are included in the determination of fixed remuneration.

Variable Remuneration
The objectives and structure of the Optiscan’s policy on Variable Remuneration is set out below.

Variable Remuneration - Short Term Incentive (STI)

The objective of the STI program is to link the achievement of the group's operational targets with the remuneration received by key management personnel with prime responsibility for meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the key management personnel to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Actual STI payments granted to key management personnel depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are such measures as achievement of budgeted financial outcomes and key milestones, for example, demonstrating clinical efficacy, achieving quality accreditation, obtaining regulatory clearance or measures such as control of expenditure or achievement of sales targets. The Board or Remuneration Committee establishes clear performance benchmarks, which must be met in order to trigger payments under the short term incentive scheme.

The aggregate amount of annual STI payments available for key management personnel and other executives is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus.

Variable Remuneration - Long Term Incentive (LTI)

Long term incentives are delivered to executives and employees by way of grant of options either at the Board's discretion or through an Employee Share Option Plan (whichever is relevant or has been adopted at the time).

The objective of the long term incentive plan is to reward executives and employees in a manner which aligns this element of remuneration with the creation of shareholder wealth.

The Board is responsible for the allocation of options and determines the quantum of grants by reference to group and individual performance against targets.
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Incentives and Company Performance

The link between incentive structure and company performance is an important aspect of remuneration philosophy. The purpose of the remuneration policies of the Group is to create an effective and transparent link between the incentives provided and the performance of the Group.

The Group is in the process of transition from a business predominantly engaged in research and development ("R&D") to one increasingly focussed on commercialisation of its technology. Whilst substantial progress has been made, the transition from loss making R&D activities to profit making trading has not yet been completed. As a consequence, performance to date cannot appropriately be determined with conventional financial measurement tools. As the group has expensed all R&D expenditure incurred to date, losses have been reported so conventional earnings measures such as profit growth, EPS or dividend yield and payout are not applicable.

In view of the limited relevance of financial measurement tools, the Board of Directors has determined that the performance of the group is best reviewed in the context of achievement of key milestones.

Employment Contracts

All staff including executives are engaged under rolling employment agreements. The contracts continue indefinitely subject to satisfactory performance, and provide notice periods. Under the terms of the agreements:

- The company may terminate the employment agreement by providing the requisite period of written notice or by providing payment in lieu of notice, based on the fixed component of remuneration. Any unvested options at the expiry of the notice period will be forfeited.

- On resignation any unvested options are forfeited after 30 days.

- The company may terminate the agreement at any time without notice if serious misconduct has occurred, in which case the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Voting and comments made at the company's 26 November 2020 Annual General Meeting ('AGM')
At the 2020 AGM, 97.78% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2020. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

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 Optiscan Imaging Limited:
- Mr Robert Cooke - Non-executive Chairman (appointed 19 April 2021)
- Mr Darren Lurie - Managing Director
- Dr Philip Currie - Non-executive Director
- Mr Graeme Mutton - Non-executive Director
- Mr Ron Song - Non-executive Director (appointed 10 February 2021)
- Dr Camile Farah - Non-executive Director (appointed 6 May 2021)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2021	Cash salary and fees $	STI Incentives $	Annual leave expense $	Super-annuation $	Long service leave $	Equity-settled performance rights $	Equity-settled Options $	Total $
Non-Executive Directors:								
Robert Cooke*	18,740	-	-	1,780	-	-	116,571	137,091
Philip Currie	40,000	-	-	3,800	-	-	-	43,800
Graeme Mutton	29,333	-	-	2,787	-	-	-	32,120
Ron Song**	15,337	-	-	1,457	-	-	-	16,794
Camile Farah***	6,108	-	-	580	-	-	-	6,688
Executive Directors:								
Darren Lurie****	372,544	150,000	-	23,432	-	-	-	545,976
	482,062	150,000	-	33,836	-	-	116,571	782,469

* Appointed 19 April 2021
** Appointed 10 February 2021
*** Appointed 6 May 2021
**** On 25 September 2020, the Company announced that it had entered into an Executive Services Agreement with Mr Darren Lurie which consisted of a sign-on bonus of $150,000. The sign-on bonus was proposed to be paid for the work completed in multiple roles and over the previous years along with his commitment to signing on with the Company to be Chief Executive Officer.

2020	Short-term benefits Cash salary and fees $	STI Incentives $	Annual leave expense $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled performance rights $	Equity-settled Options $	Total $
Non-Executive Directors:								
Philip Currie	40,000	-	-	3,800	-	-	63,552	107,352
Graeme Mutton	26,000	-	-	2,280	-	-	-	28,280
Executive Directors:								
Darren Lurie	287,826	-	-	27,343	-	-	105,921	421,090
	353,826	-	-	33,423	-	-	169,473	556,722

The proportion of remuneration linked to performance in STI or LTI and the fixed remuneration proportion are as follows:

Name	Fixed remuneration 2021	Fixed remuneration 2020	At risk - STI 2021	At risk - STI 2020	At risk - LTI 2021	At risk - LTI 2020
Non-Executive Directors:						
Robert Cooke	15%	-	-	-	85%	-
Philip Currie	100%	41%	-	-	-	59%
Graeme Mutton	100%	100%	-	-	-	-
Ron Song	100%	-	-	-	-	-
Camile Farah	100%	-	-	-	-	-
Executive Directors:						
Darren Lurie	73%	75%	27%	-	-	25%

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:	Darren Lurie
Title:	Managing Director
Agreement commenced:	19 April 2021
Term of agreement:	No fixed term.
Details:	Fixed remuneration of $375,000 per annum plus superannuation of the greater of 9.5% or the statutory minimum; termination by either party by providing 6 months' notice in writing; and Mr Lurie may participate in a long-term incentive plan as approved and reviewed by the Board from time to time in their absolute discretion.

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 30 June 2021 (2020: Nil).

During the financial year, a total of 15,500,000 fully paid ordinary shares were issued for the conversion of unlisted options held by Directors and Management.

Options
During the 2018 financial year, the company granted 12,800,000 unlisted options to key management personnel, with various vesting and exercise dates and, to directors following receipt of shareholder approval at the company's 2018 Annual General Meeting of shareholders. Each of the options issued have market based performance conditions, as noted below, and the relevant share price hurdles need to be achieved before the options can be exercised before the expiry date.

On 19 April 2021 upon Robert Cooke's appointment as Non-executive Director, Robert has been issued 2,000,000 unlisted options.

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
19 April 2021	19 July 2021	19 April 2023	$0.275	$0.25
19 April 2021	19 October 2021	19 April 2023	$0.275	$0.25
19 April 2021	19 January 2022	19 April 2023	$0.275	$0.25
19 April 2021	19 April 2022	19 April 2023	$0.275	$0.25

Name	Number of options granted	Grant date	Vesting date, Vesting Price and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Robert Cooke	500,000	19-Apr-21	19-Jul-21 - $0.275	19-Apr-23	$0.275	$0.111
Robert Cooke	500,000	19-Apr-21	19-Oct-21 - $0.275	19-Apr-23	$0.275	$0.111
Robert Cooke	500,000	19-Apr-21	19-Jan-22 - $0.275	19-Apr-23	$0.275	$0.111
Robert Cooke	500,000	19-Apr-21	19-Apr-22 - $0.275	19-Apr-23	$0.275	$0.111

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

Name	Number of options granted during the year 2021	Number of options granted during the year 2020	Number of options vested during the year 2021	Number of options vested during the year 2020
Robert Cooke	2,000,000	-	-	-

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the years ended 30 June 2021 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
Robert Cooke	19-Apr-21	19-Jul-21	500,000	46,571	-	-	-
Robert Cooke	19-Apr-21	19-Oct-21	500,000	23,285	-	-	-
Robert Cooke	19-Apr-21	19-Jan-22	500,000	15,524	-	-	-
Robert Cooke	19-Apr-21	19-Apr-22	500,000	11,643	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2021 are summarised below:

	2021 $	2020 $	2019 $	2018 $	2017 $
Revenue	889,526	1,190,712	1,041,679	2,185,579	1,348,964
Net profit/(loss) before tax	(2,126,695)	(1,765,353)	(2,344,119)	(2,035,328)	(2,942,925)
Net profit/(loss) after tax	(2,126,695)	(1,765,353)	(2,344,119)	(2,035,328)	(2,942,925)

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

	2021	2020	2019	2018	2017
Share price at financial year start ($)	0.03	0.06	0.06	0.10	0.02
Share price at financial year end ($)	0.23	0.03	0.06	0.06	0.10
Basic earnings per share (cents per share)	(0.38)	(0.37)	(0.54)	(0.61)	(0.88)

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:

	Balance at the start of the year	Holdings at date of appointment as KMP	Additions	Disposals/ Holdings at date of cessation as KMP	Balance at the end of the year
Ordinary shares					
Robert Cooke*	-	-	-	-	-
Darren Lurie****	1,725,000	-	7,000,000	-	8,725,000
Philip Currie****	18,257,500	-	4,800,000	-	23,057,500
Graeme Mutton	11,409,404	-	-	-	11,409,404
Ron Song**	-	3,000,000	-	-	3,000,000
Camile Farah***	-	520,224	-	-	520,224
	31,391,904	3,520,224	11,800,000	-	46,712,128

* Appointed 19 April 2021
** Appointed 10 February 2021
*** Appointed 6 May 2021
**** Movements relate to conversion of options during the financial year.

Option holding

The number of options over ordinary 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:

	Balance at the start of the year	Granted	Exercised	Holdings at date of cessation/ of KMP*	Balance at the end of the year
Options over ordinary shares					
Darren Lurie	8,000,000	-	(7,000,000)	-	1,000,000
Philip Currie	4,800,000	-	(4,800,000)	-	-
Robert Cooke	-	2,000,000	-	-	2,000,000
	12,800,000	2,000,000	(11,800,000)	-	3,000,000

Other transactions with key management personnel and their related parties
Information about transactions with key management personnel and their related parties is disclosed in Note 31 Related party transactions. There were no transactions with non-director key management personnel and their related entities during the years ended 30 June 2021 and 30 June 2020, with the exception of remuneration-related transactions disclosed in this remuneration report.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Optiscan Imaging Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30-Nov-18	31-May-22	$0.05	600,000
30-Nov-18	30-Nov-22	$0.05	1,075,000
30-Nov-18	31-May-23	$0.065	1,700,000
30-Nov-18	30-Nov-23	$0.08	2,400,000
9-Dec-20	9-Jun-23	$0.15	29,182,573
6-May-21	19-Apr-23	$0.275	2,000,000
19-Jul-21	19-Jul-23	$0.209	1,000,000
			37,957,573

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Optiscan Imaging Limited were issued during the year ended 30 June 2021 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
30 November 2018	$0.05	3,200,000
30 November 2018	$0.065	3,200,000
30 November 2018	$0.08	2,200,000
20 December 2018	$0.05	4,225,000
20 December 2018	$0.065	1,500,000
20 December 2018	$0.08	1,800,000
9 December 2020	$0.05	200,000
9 December 2020	$0.15	305,302
		16,630,302

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 26 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 26 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 Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

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

Grant Thornton Audit Pty Ltd 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 Cooke
Non-executive Chairman

30 August 2021

Grant Thornton

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Auditor's Independence Declaration

To the Directors of Optiscan Imaging Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Optiscan Imaging Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 30 August 2021

Optiscan Imaging Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue	5	889,526	1,190,712
Other income	6	1,651,928	785,714
Expenses			
Research & development and intellectual property expenses		(1,666,265)	(1,273,143)
Share-based payment expenses	7	(173,801)	(293,898)
Depreciation expense	7	(238,286)	(237,207)
Operational expenses		(1,037,122)	(889,627)
Finance costs		(56,268)	(63,892)
Administration costs		(1,496,407)	(984,012)
Loss before income tax expense		(2,126,695)	(1,765,353)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Optiscan Imaging Limited		(2,126,695)	(1,765,353)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Optiscan Imaging Limited		(2,126,695)	(1,765,353)
		Cents	**Cents**
Basic earnings per share	34	(0.37)	(0.37)
Diluted earnings per share	34	(0.37)	(0.37)

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

Optiscan Imaging Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	9	8,442,327	526,361
Trade and other receivables	10	1,244,039	758,434
Inventories	11	1,160,791	1,154,240
Other	12	121,723	70,639
Total current assets		10,968,880	2,509,674
Non-current assets			
Property, plant and equipment	13	102,930	158,202
Right-of-use assets	14	572,238	724,386
Other	15	52,625	52,625
Total non-current assets		727,793	935,213
Total assets		11,696,673	3,444,887
Liabilities			
Current liabilities			
Trade and other payables	16	493,710	481,286
Borrowings	17	-	375,797
Lease liabilities	19	172,094	133,516
Provisions	18	307,578	254,314
Total current liabilities		973,382	1,244,913
Non-current liabilities			
Lease liabilities	19	495,927	646,767
Provisions	20	10,258	4,884
Total non-current liabilities		506,185	651,651
Total liabilities		1,479,567	1,896,564
Net assets		10,217,106	1,548,323
Equity			
Issued capital	21	70,942,231	59,730,577
Reserves	22	1,935,477	2,361,359
Accumulated losses		(62,660,602)	(60,543,613)
Total equity		10,217,106	1,548,323

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

Optiscan Imaging Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2019	59,392,382	(4,435)	2,214,116	(58,778,260)	2,823,803
Loss after income tax expense for the year	-	-	-	(1,765,353)	(1,765,353)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(1,765,353)	(1,765,353)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	195,975	-	-	-	195,975
Share-based payments (note 35)	-	-	293,898	-	293,898
Exercise of performance rights	142,220	-	(142,220)	-	-
Balance at 30 June 2020	59,730,577	(4,435)	2,365,794	(60,543,613)	1,548,323

Consolidated	Issued capital $	Foreign currency translation reserve $	Share based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2020	59,730,577	(4,435)	2,365,794	(60,543,609)	1,548,327
Loss after income tax expense for the year	-	-	-	(2,126,695)	(2,126,695)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(2,126,695)	(2,126,695)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	10,621,673	-	-	-	10,621,673
Share-based payments (note 35)	-	-	173,801	-	173,801
Exercise of options (Note 21)	589,981	-	(589,981)	-	-
Cancellation of options	-	-	(9,702)	9,702	-
Balance at 30 June 2021	70,942,231	(4,435)	1,939,912	(62,660,602)	10,217,106

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

Optiscan Imaging Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		657,925	1,328,629
Payments to suppliers and employees (inclusive of GST)		(4,015,518)	(3,006,171)
Interest received		17,111	4,473
Receipt of research and development tax incentive		701,242	226,506
Receipt of government grants		512,931	50,000
Net cash used in operating activities	33	(2,126,309)	(1,396,563)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(30,866)	(20,186)
Net cash used in investing activities		(30,866)	(20,186)
Cash flows from financing activities			
Proceeds from issue of shares	21	11,044,967	-
Share issue transaction costs		(423,295)	(4,025)
Repayment of lease liabilities		(172,734)	(164,851)
Proceeds from borrowings		203,065	359,546
Repayment of borrowings		(578,862)	-
Net cash from financing activities		10,073,141	190,670
Net increase/(decrease) in cash and cash equivalents		7,915,966	(1,226,079)
Cash and cash equivalents at the beginning of the financial year		526,361	1,752,440
Cash and cash equivalents at the end of the financial year	9	8,442,327	526,361

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

Note 1. General information

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Optiscan Imaging Limited is a for-profit entity statements prepared on accruals basis under the historical cost convention except for the revaluation of properties, investments and derivatives.

The financial statements cover Optiscan Imaging Limited as a consolidated entity consisting of Optiscan Imaging Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, rounded to the nearest dollar, which is Optiscan Imaging Limited's functional and presentation currency.

Optiscan Imaging Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

16 Miles Street
Mulgrave, Victoria, 3170

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021. The directors have the power to amend and reissue the financial statements.

Note 2. 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.

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.

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 3.

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 30.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Optiscan Imaging Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Optiscan Imaging Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'.

Note 2. Significant accounting policies (continued)

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.

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.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
The financial statements are presented in Australian dollars, which is the consolidated entity'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.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
The consolidated entity predominantly derives revenue from the sale of goods and services to customers on normal credit terms. The performance obligations of these contracts are the delivery of the product or service, as the case may be, at which point revenue from the sale of goods or services is recognised. Provision of services is carried on an individual contract basis and relevant revenue is recognised at the point in time as and when the completed service is delivered.

The Group's future obligations to transfer goods or services to a customer for which the Group has received consideration from the customer is recognised as a contract liability, and reports these amounts as such in its statement of financial position, until such time as the performance obligations are satisfied. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Note 2. Significant accounting policies (continued)

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.

Government grants
When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where expenditure has been incurred that gives rise to an entitlement under a grant agreement, the grant income is accrued. Revenue is recognised only to the extent that there is reasonable assurance that the grant will be received and conditions attached will be complied with.

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.

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.

Note 2. Significant accounting policies (continued)

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.

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity makes use of a simplified approach in accounting for trade and other receivables and records any required loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 over the estimated useful life of the assets. The depreciation rates applied to the main classes of plant and equipment are:

Office furniture & equipment	20% - 40%
Production equipment	20%
R&D equipment	30% - 40%

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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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, annual leave and long service 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.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Note 2. Significant accounting policies (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Barrier Pricing or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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.

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.

Performance Shares are booked in the reserve and reallocated to issued capital upon vesting.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Optiscan Imaging 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 2. Significant accounting policies (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 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 3. 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.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Barrier Pricing or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer Note 37.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Capitalisation of labour costs into inventory
The carrying value of inventories includes an allocation of capitalised labour costs relevant to the production of those inventories. In determining the amount of labour to be capitalised, management makes assumptions regarding the nature and quantum of the activities undertaken by personnel involved in the production and assembly of inventory.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

R&D tax incentive
Research and development tax incentive income is recognised at fair value when there is reasonable assurance that the income will be received. The expected future R&D tax incentive, for qualifying R&D expenditure for the current financial year, has been accrued and is also recognised on the statement of financial position. It has been established that the conditions of this future R&D incentive have been met and that the expected amount of the incentive can be reliably measured.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

Identification of reportable operating segments
The Group operated predominantly in the confocal microscope industry. The Group's sales comprise sales of goods within that segment. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the Group as a whole in the business segment of confocal microscopes within Australia. The majority of sales revenues are attributed to Germany, being 56.20% (2020: 78.7%), and other overseas markets 43.70% (2020: 21.3%). There were two customers that contributed revenues greater than 10%, which amounted to $865,683 during the financial year (2020: $1,112,033). In the year ended 30 June 2020 there were 2 customers that contributed revenues greater than 10%.

All non-current assets are located in Australia.

Note 5. Revenue

	Consolidated	
	2021	2020
	$	$
Revenue	889,526	1,190,712

Note 5. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021	**2020**
	$	**$**
Major product lines		
Sale of goods (goods transferred at a point in time)	865,259	942,541
Services provided (services transferred at a point in time)	24,267	78,679
Gateway payment	-	169,492
	889,526	1,190,712
Geographical regions		
Germany	498,507	937,849
China	366,752	174,184
Other (Australia and United States)	24,267	78,679
	889,526	1,190,712

Note 6. Other income

	Consolidated	
	2021	**2020**
	$	**$**
Government grants - R&D tax incentive	847,324	701,242
COVID-19 grants and subsidies	275,850	81,141
BioMedTech Horizons program grant	511,979	-
Interest revenue	16,775	3,331
Other income	1,651,928	785,714

Note 7. Expenses

	Consolidated	
	2021	**2020**
	$	**$**
Loss before income tax includes the following specific expenses:		
Cost of sales		
Cost of sales	220,766	225,428
Depreciation		
Plant and equipment	86,138	89,874
Buildings right-of-use assets	152,148	147,333
Total depreciation	238,286	237,207
Superannuation expense		
Defined contribution superannuation expense	134,963	120,000
Share-based payments expense		
Share-based payments expense (Note 37)	173,801	293,898
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,700,127	1,393,901

Note 8. Income tax expense

	Consolidated	
	2021	**2020**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(2,126,695)	(1,765,349)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(552,941)	(485,471)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	45,188	80,823
R&D Grant Clawback	20,031	-
Non assessable gains	(233,304)	(206,592)
R&D Tax Incentive deductions foregone for tax offset	506,446	443,314
Expenditure not allowable for income tax purposes	362	586
Deferred tax assets recognised/(not recognised)	214,218	167,340
Income tax expense	-	-

	Consolidated	
	2021	**2020**
	$	**$**
Deferred tax assets not recognised		
Estimated unused tax losses for which no deferred tax asset has been recognised	47,049,405	46,225,491
Potential tax benefit @ 25% (2020: 26%)	11,762,351	12,018,628

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 continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2021 $	Consolidated 2020 $
Cash on hand	8,442,327	526,361

Note 10. Current assets - trade and other receivables

	Consolidated 2021 $	Consolidated 2020 $
Trade receivables	257,325	12,430
R&D Tax incentive grant receivable	847,324	701,242
GST refund receivable	139,390	44,762
	986,714	746,004
	1,244,039	758,434

Note 11. Current assets - inventories

As stated at the lower of cost or net realisable value:

	Consolidated 2021 $	Consolidated 2020 $
Raw materials and work in progress	760,166	618,242
Finished goods	400,625	535,998
	1,160,791	1,154,240

Cost of sales reflects the value of inventory sold in the period.

No inventory items were impaired at 30 June 2021 (2020: Nil).

Note 12. Current assets - other

	Consolidated 2021 $	Consolidated 2020 $
Prepayments	121,723	70,639

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Plant and equipment - at cost	512,872	1,178,228
Less: Accumulated depreciation	(411,618)	(1,022,081)
	101,254	156,147
Production equipment - at cost	2,055	260,537
Less: Accumulated depreciation	(379)	(258,482)
	1,676	2,055
R&D Equipment - at cost	10,000	364,905
Less: Accumulated depreciation	(10,000)	(364,905)
	-	-
	102,930	158,202

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

Consolidated	Plant and equipment $	Production equipment $	Total $
Balance at 1 July 2019	225,835	2,055	227,890
Additions	20,186	-	20,186
Depreciation expense	(89,874)	-	(89,874)
Balance at 30 June 2020	156,147	2,055	158,202
Additions	30,866	-	30,866
Depreciation expense	(85,759)	(379)	(86,138)
Balance at 30 June 2021	101,254	1,676	102,930

Note 14. Non-current assets - right-of-use assets

	Consolidated 2021 $	Consolidated 2020 $
Land and buildings - right-of-use	572,238	724,386

Additions to the right-of-use assets during the previous financial year were $871,719.

The consolidated entity leases land and buildings for its offices and manufacturing under agreements of between 1 to 5 years with, an option to extend. The lease has various escalation clauses. On renewal, the terms of the lease will be renegotiated.

Note 14. Non-current assets - right-of-use assets (continued)

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

Consolidated	Land and buildings $	Total $
Balance at 1 July 2019	-	-
Additions	871,719	871,719
Depreciation expense	(147,333)	(147,333)
Balance at 30 June 2020	724,386	724,386
Depreciation expense	(152,148)	(152,148)
Balance at 30 June 2021	572,238	572,238

Note 15. Non-current assets - other

	Consolidated	
	2021 $	**2020 $**
Security deposits	52,625	52,625

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2021 $	**2020 $**
Trade payables	396,611	336,811
Accrued expenses	79,599	66,266
Other creditors	17,500	78,209
	493,710	481,286

Refer to note 24 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated	
	2021 $	**2020 $**
R&D financing loan	-	375,797

Refer to note 24 for further information on financial instruments.

During the previous financial year, the consolidated entity entered into loan agreements with Radium Capital in relation to financing its Research and Development tax credit for FY20. The consolidated entity repaid the amount outstanding during the financial year following receipt of the R&D credit for the financial year ended 30 June 2020.

Note 18. Current liabilities - provisions

	Consolidated 2021 $	Consolidated 2020 $
Annual leave	113,911	70,252
Long service leave	193,667	184,062
	307,578	254,314

Note 19. Non-current liabilities - lease liabilities

	Consolidated 2021 $	Consolidated 2020 $
Lease liability	495,927	646,767

Refer to note 24 for further information on financial instruments.

Note 20. Non-current liabilities - provisions

	Consolidated 2021 $	Consolidated 2020 $
Long service leave	10,258	4,884

Note 21. Equity - issued capital

	Consolidated 2021 Shares	Consolidated 2020 Shares	Consolidated 2021 $	Consolidated 2020 $
Ordinary shares - fully paid	616,260,602	477,778,800	70,942,231	59,730,577

Note 21. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	470,178,800		59,392,382
Issue of shares to settle loans provided	12 December 2019	5,000,000	$0.04	200,000
Transfer from share based payments reserve following issue of shares for conversion of performance rights	12 December 2019	2,600,000	-	142,220
Transaction costs of share issue		-	-	(4,025)
Balance	30 June 2020	477,778,800		59,730,577
Issue of placement shares	29 September 2020	29,466,500	$0.0825	2,430,986
Issue of placement shares	1 October 2020	89,485,000	$0.0825	7,382,513
Shares issued on exercise of options	1 February 2021	40,000	$0.05	2,000
Shares issued on exercise of options	11 March 2021	800,000	$0.05	40,000
Shares issued on exercise of options	11 March 2021	200,000	$0.065	13,000
Shares issued on exercise of options	11 March 2021	1,400,000	$0.08	112,000
Shares issued on exercise of options	24 March 2021	560,000	$0.05	28,000
Shares issued on exercise of options	24 March 2021	200,000	$0.08	16,000
Shares issued on exercise of options	1 April 2021	8,800,000	$0.05	440,000
Shares issued on exercise of options	1 April 2021	4,400,000	$0.065	286,000
Shares issued on exercise of options	1 April 2021	2,300,000	$0.08	184,000
Shares issued on exercise of options	6 May 2021	305,302	$0.15	45,795
Shares issued on exercise of options	1 June 2021	425,000	$0.05	21,250
Shares issued on exercise of options	30 June 2021	100,000	$0.05	5,000
Transfer from share based payments reserve		-	-	589,981
Capital raising costs		-	-	(384,871)
Balance	30 June 2021	616,260,602		70,942,231

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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

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 company'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 operations in order to maximise synergies.

Note 21. Equity - issued capital (continued)

The capital risk management policy remains unchanged from the 30 June 2020 Annual Report.

Note 22. Equity - reserves

	Consolidated	
	2021	**2020**
	$	**$**
Foreign currency reserve	(4,435)	(4,435)
Share-based payments reserve	1,939,912	2,365,794
	1,935,477	2,361,359

Foreign currency 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.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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

Consolidated	Foreign currency transaction reserve $	Share based payments reserve $	Total $
Balance at 1 July 2019	(4,435)	2,214,116	2,209,681
Share based payments expense	-	293,898	293,898
Transfer from share based payments reserve on exercise of options	-	(142,220)	(142,220)
Balance at 30 June 2020	(4,435)	2,365,794	2,361,359
Share based payments expense	-	173,801	173,801
Transfer from share based payments reserve on exercise of options	-	(589,981)	(589,981)
Cancellation of options	-	(9,702)	(9,702)
Balance at 30 June 2021	(4,435)	1,939,912	1,935,477

Note 23. Equity - dividends

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

Note 24. Financial instruments

Financial risk management objectives
The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits, loans and, from time to time, convertible notes and derivatives.

Note 24. Financial instruments (continued)

In the context of the Group's overall risk profile, financial instruments do not represent the most significant exposure. Commercial risk associated with our business partnerships, technology risk around future development and market risk relating to adoption of the technology will have considerably more impact on our risk profile than the risks relating to financial instruments.

The Group monitors its exposure to key financial risks, principally currency and liquidity risk, with the objective of achieving the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions from time to time, mainly forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by the Board. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest and foreign exchange rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. There is a lesser degree of risk management in relation to interest rate risk and credit risk, as these are considered to have less capacity to materially impact the Group's financial position at the present time.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of foreign currency, credit allowances, and future cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Market risk

Foreign currency risk
As nearly all of the Group's sales revenue and accounts receivable, as well as some expenses and inventory purchases, are denominated in United States Dollars and Euro, the Group's statement of financial position can be affected by significant movements in these exchange rates. At 30 June 2021, there were no economic hedges in place in respect of net foreign currency exposures, as there were no bank facilities in place.

At 30 June 2021, had the Australian Dollar moved by the same amount illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	AUD strengthened			AUD weakened		
Consolidated - 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Trade debtors	10%	25,732	25,732	10%	(25,732)	(25,732)

	AUD strengthened			AUD weakened		
Consolidated - 2020	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Trade debtors	10%	1,243	1,243	10%	(1,243)	(1,243)

Price risk
The consolidated entity is not exposed to any significant price risk.

Note 24. Financial instruments (continued)

Interest rate risk
The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. The impact of movements in interest rates is not material in the context of the Group's operations or trading results.

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer, and are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the possibility of default of the counter party. This is considered unlikely as the Group places cash and cash equivalents only with recognised Australian trading banks.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
The Group's objective is to maintain adequate funding of its activities. Capital management is a process of monitoring cash reserves and forecast cash requirements, and there are no externally imposed capital requirements.

The contractual maturities of the Group's and parent entity's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation. The amounts disclosed in the financial statements reflect the expected maturity of assets and liabilities.

Trade payables and other financial liabilities mainly originate from investments in working capital, principally inventories. These liabilities and relevant assets are considered in the Group's overall liquidity risk, which is monitored through review of forecasts of liquidity reserves on the basis of expected cash flow.

The Group's activities are funded from its cash reserves.

Fair value of financial assets and liabilities

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation transaction. Management has assessed that the fair value of cash and short term deposits, trade receivables, and trade payables approximate their carrying amount due to the short term nature of the instruments.

Note 24. Financial instruments (continued)

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.

Consolidated - 2021	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives					
Trade payables*	387,315	-	-	-	387,315
Accruals*	88,052	-	-	-	88,052
Other payables*	18,343	-	-	-	18,343
Lease liabilities	668,021	-	-	-	668,021
Total non-derivatives	1,161,731	-	-	-	1,161,731

* These balance are non interest bearing.

Consolidated - 2020	%	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Trade payables*	-	336,811	-	-	-	336,811
Accruals*	-	66,266	-	-	-	66,266
Other payables*	-	78,209	-	-	-	78,209
Lease liabilities	-	780,283	-	-	-	780,283
Other loans	15.00%	394,587	-	-	-	394,587
Total non-derivatives		1,656,156	-	-	-	1,656,156

* These balance are non interest bearing.

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

Note 25. Key management personnel disclosures

Directors

The following persons were directors of Optiscan Imaging Limited during the financial year:

Mr Darren Lurie	Managing Director
M Robert Cooke	Non-executive Chairman (appointed 19 April 2021)
Dr Philip Currie	Non-executive Director
Mr Graeme Mutton	Non-executive Director
Mr Ron Song	Non-executive Director (appointed 10 February 2021)
Mr Camile Farah	Non-executive Director (appointed 6 May 2021)

Note 25. Key management personnel disclosures (continued)

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

	Consolidated 2021 $	Consolidated 2020 $
Short-term employee benefits	632,062	353,826
Post-employment benefits	33,836	33,423
Share-based payments	116,571	169,473
	782,469	556,722

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated 2021 $	Consolidated 2020 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	74,816	51,923
Other services - Grant Thornton Audit Pty Ltd		
R&D tax services	4,500	19,386
Other professional services	7,850	-
	12,350	19,386
	87,166	71,309

Note 27. Contingent liabilities

The group has contingent liabilities in relation to bank guarantees on issue at balance date amounting to $52,625 (2020: $52,625).

Note 28. Commitments

At 30 June 2021 there were no material capital commitments outstanding (2020: Nil).

Note 29. Related party transactions

Parent entity
Optiscan Imaging Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Note 29. Related party transactions (continued)

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with Subsidiaries

Inter-company transactions during the financial year between the parent entity, Optiscan Imaging Limited and subsidiary, Optiscan Pty Ltd amounted to $4,825,227 (2020: $1,353,975). Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. The balances are classified current by the parent entity.

Transactions with Directors

There were no transactions with related parties of Directors during the financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related entities at the current and previous reporting period.

Loans to/from related parties
There were no loans provided during the current and previous financial years.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at commercial rates.

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	2021 $	2020 $
Loss after income tax	(158,185)	(291,389)
Total comprehensive income	(158,185)	(291,389)

Statement of financial position

	2021 $	2020 $
Total current assets	8,342,118	305,058
Total assets	8,342,118	305,058
Total current liabilities	(5,000)	-
Total liabilities	(5,000)	-
Equity		
Issued capital	70,942,231	59,687,157
Share-based payments reserve	1,955,225	2,434,231
Accumulated losses	(64,560,338)	(59,059,588)
Total equity	8,337,118	3,061,800

Note 30. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Optiscan Pty Ltd	Australia	100.00%	100.00%

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 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, other than:

- Expansion of Optiscan’s Breast Cancer Surgical Margin Assessment Trial from twenty (20) to forty (40) patients;
- Optiscan receiving its first Australian order for the FIVE2 system from a leading Australian University as part of a Victorian Government medical technology initiative;
- The University of Adelaide Dental School receiving ethics approval for its "Proof of Concept Study: A diagnostic tool to detect Oral Squamous Cell Carcinoma" which will utilise Optiscan's FIVE2 system.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2021	**2020**
	$	**$**
Loss after income tax expense for the year	(2,126,695)	(1,765,353)
Adjustments for:		
Share-based payments	173,801	293,898
Finance costs	35,301	16,251
Depreciation	238,286	237,207
Change in operating assets and liabilities:		
Increase in trade and other receivables	(485,600)	(260,646)
Decrease/(increase) in inventories	(6,552)	968
Increase in prepayments	(51,084)	(38,730)
Increase in trade and other payables	37,596	87,991
Increase in other provisions	58,638	31,851
Net cash used in operating activities	(2,126,309)	(1,396,563)

Note 34. Earnings per share

	Consolidated	
	2021	**2020**
	$	**$**
Loss after income tax attributable to the owners of Optiscan Imaging Limited	(2,126,695)	(1,765,353)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	571,435,506	474,352,570
Weighted average number of ordinary shares used in calculating diluted earnings per share	571,435,506	474,352,570
	Cents	**Cents**
Basic earnings per share	(0.37)	(0.37)
Diluted earnings per share	(0.37)	(0.37)

Note 35. Share-based payments

Employee Share-Based Payment Plans

The Company provides benefits to nominated employees and non-executive directors in the form of share-based payment transactions, whereby employees and non-executive directors render services in exchange for shares or rights over shares.

At the company's Annual General Meeting held on 30 November 2018, shareholders approved grants of options to directors Mr Darren Lurie and Dr Philip Currie. Mr Lurie was issued 8,000,000 options in 4 tranches with exercise prices ranging from $0.05 (5 cents) to $0.08 (8 cents) and with varying expiry dates through to 30 November 2023. Each tranche will vest upon the Company's share price reaching specified levels after a specified date, provided that Mr Lurie remains continuously employed by the Company until vesting date. Dr Currie was issued 4,800,000 options in 4 tranches, with each tranche having the same respective share price and service conditions as the options issued to Mr Lurie. These options were issued during December 2018.

Note 35. Share-based payments (continued)

A further 12,800,000 options were issued to other employees and consultants (Staff) of the Company during December 2018. These options were issued in 4 tranches, with the same respective share price and service conditions as the options issued to directors, as described above.

During the financial year, the Company issued 2,000,000 unlisted options to the Non-executive Chairman who was appointed during the year. The unlisted options were exercisable at $0.275 (27.5 cents) per option on or before 19 April 2023.

During the financial year the Company issued 200,000 unlisted options to consultants which were exercisable at $0.05 (5 cents) per option on or before 9 April 2021. The options were also converted during the financial year.

Set out below are summaries of options granted under the plan:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2018	30/11/2022	$0.05	3,200,000	-	(3,200,000)	-	-
30/11/2018	31/05/2022	$0.05	3,200,000	-	(3,200,000)	-	-
30/11/2018	30/11/2023	$0.065	3,200,000	-	(3,200,000)	-	-
30/11/2018	31/05/2023	$0.08	3,200,000	-	(2,200,000)	-	1,000,000
20/12/2018	31/05/2022	$0.05	3,200,000	-	(2,400,000)	-	800,000
20/12/2018	30/11/2022	$0.05	3,200,000	-	(1,925,000)	-	1,275,000
20/12/2018	31/05/2023	$0.065	3,200,000	-	(1,500,000)	-	1,700,000
20/12/2018	30/11/2023	$0.08	3,200,000	-	(1,800,000)	-	1,400,000
09/12/2020	09/04/2021	$0.05	-	200,000	(200,000)	-	-
19/04/2021	19/04/2023	$0.275	-	2,000,000	-	-	2,000,000
			25,600,000	2,200,000	(19,625,000)	-	8,175,000

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.36 years (2020: 3.67 years).

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2018	30/11/2022	$0.05	3,200,000	-	-	-	3,200,000
30/11/2018	31/05/2022	$0.05	3,200,000	-	-	-	3,200,000
30/11/2018	30/11/2023	$0.08	3,200,000	-	-	-	3,200,000
30/11/2018	31/05/2023	$0.065	3,200,000	-	-	-	3,200,000
20/12/2018	31/05/2022	$0.05	3,200,000	-	-	-	3,200,000
20/12/2018	30/11/2022	$0.05	3,200,000	-	-	-	3,200,000
20/12/2018	31/05/2023	$0.065	3,200,000	-	-	-	3,200,000
20/12/2018	30/11/2023	$0.08	3,200,000	-	-	-	3,200,000
			25,600,000	-	-	-	25,600,000

Note 35. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2021 Number	2020 Number
30/11/2018	31/05/2022	-	3,200,000
30/11/2018	30/11/2023	-	3,200,000
30/11/2018	31/05/2023	-	3,200,000
30/11/2018	30/11/2013	1,000,000	3,200,000
20/12/2018	31/05/2022	800,000	3,200,000
20/12/2018	30/11/2023	1,275,000	3,200,000
20/12/2018	31/05/2023	1,700,000	3,200,000
20/12/2018	30/11/2023	1,400,000	3,200,000
		6,175,000	25,600,000

The weighted average share price during the financial year was $0.1170.

The options granted during the current financial year were valued using the Black and Scholes Model. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/12/2020	09/04/2021	$0.14	$0.05	90.00%	-	0.43%	$0.094
19/04/2021	19/04/2023	$0.250	$0.275	109.67%	-	0.43%	$0.134

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 2 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 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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 Cooke
Non-executive Chairman

30 August 2021

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Independent Auditor's Report

To the Members of Optiscan Imaging Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Optiscan Imaging Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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:

a giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

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

Grant Thornton

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.

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 the key audit matter
R&D Tax Incentive – Note 6 & 10	
The Group receives a 43.5% refundable tax offset of eligible expenditure under the Research and Development (R&D) Tax Incentive scheme if its turnover is less than $20 million per annum, provided it is not controlled by income tax exempt entities. An R&D plan is filed with AusIndustry in the following financial year, and based on this filing, the Group receives the incentive in cash. Management performed a detailed review of the Company's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. For the year end 30 June 2021 the R&D amount being claimed is $847,324. This area is a key audit matter due to the degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.	Our procedures included, amongst others: • Obtaining the FY21 R&D rebate calculations prepared by management and performed the following audit procedures: - Assessing the qualifications of management and ability to perform the calculation; - Developing an understanding of the model, identifying and assessing the key assumptions in the calculation; - Testing included expenses for reasonableness; and - Testing the mathematical accuracy of the accrual. • Comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax claim; • Comparing the nature of the R&D expenditure included in the current year estimate to the prior year estimate; • Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • Assessing the eligible expenditure used to calculate the estimate to the expenditure recorded in the general ledger; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; • Engaging with our internal R&D specialist to review the reasonableness of the calculation; and • Assessing the adequacy of financial statement disclosures.

Information other than the financial report and auditor's report thereon

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 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 Group's ability 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: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.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 30 June 2021.

In our opinion, the Remuneration Report of Optiscan Imaging Limited, for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company 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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M A Cunningham
Partner – Audit & Assurance

Melbourne, 30 August 2021

The shareholder information set out below was applicable as at 9 August 2021.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: www.optiscan.com/investors/corporate-governance/.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	748	0.08	-	-
1,001 to 5,000	1,105	0.51	-	-
5,001 to 10,000	438	0.58	-	-
10,001 to 100,000	1,010	5.91	9	1.50
100,001 and over	451	92.92	21	98.50
	3,752	100.00	30	100.00
Holding less than a marketable parcel	1,238	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
HSBC Custody Nominees (Australia) Limited	90,406,295	14.67
Peters Investment Pty Ltd	71,000,000	11.52
Ibsen Pty Ltd (Narula Family Set No.3 A/C)	37,100,000	6.02
Citicorp Nominees Pty Limited	26,730,263	4.34
BNP Paribas Noms Pty Ltd (DRP)	21,716,371	3.52
Lightstorm Pty Ltd (Hotspice A/C)	15,460,000	2.51
Harech Pty Ltd (Porter Super Fund A/C)	14,200,868	2.30
Mr Chris Graham + Mrs Diane Graham (C & D Graham S/F A/C)	11,003,506	1.79
LDL Nominees Pty Ltd (LL & DL Family A/C)	8,725,000	1.42
Mr Alfred J Winklemeier + Mrs Christine E Winklemier	7,850,000	1.27
Dr Philip J Currie + Mrs Anne J Currie (Currie Family Superfund A/C)	7,597,500	1.23
Sash Pty Ltd (Knezevic Super Fund A/C)	6,837,964	1.11
Dixson Trust Pty Limited	6,335,702	1.03
Semblance Pty Ltd (Graeme Mutton Retire S/Fund)	6,300,000	1.02
D &K Corps Retirement Pty Ltd (D & K Corps Family A/C)	6,161,112	1.00
Kebin Nominees Pty Ltd	5,110,479	0.83
Hensman Nominees Pty Ltd (Swedcan A/C)	4,850,000	0.79
Ibsen Pty Ltd (Ibsen Superfund A/C)	4,300,000	0.70
Mr Christopher J Martin	4,209,448	0.68
Mr Wally Knezevic	4,134,260	0.67
	360,028,768	58.42

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	37,187,573	30

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Orchid Capital Investments Pte Ltd	89,485,000	14.52
Peters Investments Pty Ltd	71,000,000	11.52
Ibsen Pty Ltd	41,955,945	6.81

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

On-market buy-back

There is no current on-market buy-back.