

Optiscan Imaging Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

Revenues from ordinary activities	down	19%	to	\$ 449,383
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	up	23%	to	(2,367,104)
Loss for the half-year attributable to the owners of Optiscan Imaging Limited	up	23%	to	(2,367,104)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$2,367,104 (31 December 2021: \$1,926,957).

Financial performance

During the 6 month period to 31 December 2022 (H1FY23), the consolidated entity generated ordinary revenue of \$449,383 from sales, system rentals and the provision of services, compared to \$555,789 in the previous corresponding period.

The consolidated entity also recorded research and development incentive income for H1FY23 \$451,557, a decrease of \$143,112 from the previous corresponding period (2022: \$594,669). Income of \$180,103 for H1FY23 was recorded from the BioMedTech Horizons program grant, which was a decrease of \$99,152 from the previous corresponding period (2022: \$279,255).

Total expenses for H1FY23, excluding research and development and intellectual property expenses, were \$2,398,994 an increase of \$382,651 from the corresponding period (2022: \$2,016,343). Research and development and intellectual property expenses were \$1,038,062, a decrease of \$328,994 from the previous corresponding period of \$1,367,056.

Financial position

The net assets decreased by \$1,608,269 to \$4,984,140 at 31 December 2022 (30 June 2022: \$6,592,409) primarily due to expenditure on the consolidated entity's operational activities and working capital requirements.

The working capital position of the consolidated entity as at 31 December 2022 resulted in an excess of current assets over current liabilities of \$4,040,311 (30 June 2022: \$6,322,121).

Net cash used in operating activities was \$1,191,723, a decrease of \$136,518 compared to the corresponding period (2022: operating cash outflows of \$1,328,241).

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.71</u>	<u>1.08</u>

The net tangible assets per ordinary security has been calculated excluding the Right of use asset amount and Intangibles.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

There were no dividends paid 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 were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Optiscan Imaging Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed 

Date: 27 February 2023

Robert Cooke
Non-executive Chairman

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Optiscan Imaging Limited

ABN 81 077 771 987

Interim Report – 31 December 2022

Optiscan Imaging Limited
Corporate directory
31 December 2022

Directors

Mr Robert Cooke (Non-executive Chairman)
 Prof Camile Farah (Managing Director)
 Ms Karen Borg (Non-executive Director)
 Mr Ron Song (Non-executive Director)
 Mr Sean Gardiner (Non-executive Director)

Company secretary

Mr Justin Mouchacca

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
 Australia

Stock exchange listing

Optiscan Imaging Limited securities are listed on the Australian Securities Exchange (ASX code: OIL)

Website

www.optiscan.com

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Optiscan Imaging Limited
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Optiscan Imaging Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Optiscan Imaging Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

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

Mr Robert Cooke (Non-executive Chairman)
Prof Camile Farah (Managing Director)
Ms Karen Borg (Non-executive Director)
Mr Ron Song (Non-executive Director)
Mr Sean Gardiner (Non-executive Director)

Principal activities

The principal activity of the consolidated entity during the year was the development and commercialisation of confocal endomicroscopes. The consolidated entity carries out its principal activity through the development of the "InVivage®", Optiscan's own clinical device, Optiscan's collaboration with Carl Zeiss Meditech (CZM), and developing new pre-clinical markets for Optiscan's ViewnVivo® products and services.

Coronavirus (COVID-19) Pandemic

From 14 October 2022, the Government has advised that it is no longer mandatory to isolate when testing positive for COVID-19. Employees are still encouraged to stay home if feeling unwell, to wear a mask for 5 days when returning to work after overseas travel and to undertake bi-annual COVID-19 risk assessment per guidance from Safe Work Australia. Based on the latest risk assessment undertaken in Q4 2022, COVID-19 remains low risk for Optiscan.

Overall financial impact on business

COVID-19 still impacted the consolidated entity's ability to market its products through on-site demonstrations both in Australia and overseas, particularly in China since signing of a new distribution partner there. Lifting travel restrictions increased the ability to attend face-to-face meetings with potential customers but the Company continued to use video conferencing to generate new leads and business. Most recently restrictions have been lifted, allowing more demonstrations to take place.

Business continuity

The consolidated entity has been able to progress the manufacture of products in preparation for the commencement of clinical trials, undertaking of regulatory testing and customer orders.

Well-being of employees

The Company remained committed to keeping its employees and families safe and ensuring ongoing health and well-being. The Company continued with the implemented COVID-19 safe plan at its premises and provided additional supplies of face masks, antibacterial wipes and hand sanitiser in the workplace.

Funding structure

The Board continued to regularly review the consolidated entity's funding requirements during the pandemic and actively investigate government funding and other programs to support the consolidated entity.

Optiscan Imaging Limited
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31 December 2022

Operational and financial review

Financial performance

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“INVIVAGE®” ORAL CANCER SCREENING DEVICE

Optiscan has developed the “InVivage®” clinical device as its own hand-held confocal endomicroscope. The initial intended use for the InVivage device is Oral Cancer Screening and/or Surgical Margin determination. The same device is also intended to be used as a platform for other clinical applications.

United States Food & Drug Administration (“FDA”) 510(k) Pathway for InVivage® device

Optiscan submitted its application for FDA 510(k) clearance to market the InVivage® clinical device for use in human oral cancer screening in the United States. The submission is a significant milestone for the Company as it expands into medical device manufacturing in its own right, and expands the indications for use of its technology. The Company continued to work with the FDA during the review process. Since the submission Optiscan has had regular communications with the FDA. Optiscan has provided additional information and answered all questions requested by the FDA, and awaits a determination on the outcome of this review.

Oral Cancer Studies

The Melbourne Dental School clinical imaging study to improve screening, diagnosis, and treatment of oral cancer concluded in the period; with all planned imaging for the study completed. Data analysis continued, with a significant amount of data included in the Company's FDA 510(k) submission for its InVivage® device.

Optiscan Imaging Limited
Directors' report
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Oral Cancer Studies (continued)

Data curation, annotation and correlation was ongoing with collected images as part of the Oral Lesion clinical study undertaken by Professor Farah and his team at the Australian Centre for Oral Oncology Research & Education. The team also assessed alternative contrast agents and protective sheaths with potential incorporation into future iterations of the Company's devices. In the period, the Company acquired Intellectual Property in relation to 228 patient datasets from Professor Farah which was approved by a majority of shareholders at the Company's Annual General Meeting.

Finally, imaging as part of the Adelaide Dental School study was completed with positive results for determination of oral cancer on resected tumors compared to traditional histopathology. The team are preparing manuscripts and future submissions for funding to continue their work. The data shared with Optiscan further validates the utility of the technology for ex vivo imaging applications in surgery.

BioMedTech Horizons Program grant for Oral Cancer Study at Melbourne Dental School

Optiscan continued with its BioMedTech Horizons Program grant with the University of Melbourne's Dental School to undertake a trial with approximately 150 patients, to improve screening, diagnosis, and treatment of oral cancer.

The BioMedTech Horizons Program is an initiative of the Medical Research Future Fund, operated by MTPConnect, designed to foster innovative collaborative health technology development. This study was completed in the reporting period with good correlation between imaging features using fluorescein and acriflavine, and oral lesion type. Data from this study was used in the Company's FDA 510(k) submission for its InVivage® device.

BREAST CANCER SURGICAL MARGIN ASSESSMENT STUDY

The Breast Cancer Intraoperative Assessment Study at Royal Melbourne, Frances Perry and Epworth Hospitals concluded recruitment for the first stage of image analysis and correlation with histopathology. Ethical approvals for the extension to the Breast Cancer Surgical study were received, and the Company continued with imaging additional patient samples and pathology specimens adding new insights to the utility of the technology in breast resection surgery.

The collaborative work between Optiscan, breast surgeon Professor Bruce Mann, pathologist Dr Anand Murugasu and the Breast Cancer Network Australia is supported by the Medical Device Partnering Program (MDPP). Image analysis and correlation with histopathology is ongoing.

VIEWNVIVO® LIFE SCIENCES RESEARCH DEVICE

Optiscan continues to develop its off-shore distribution model and pipeline of sales opportunities for its ViewnVivo preclinical device. Following new appointments in sales and marketing, Optiscan commenced a training program for Distributor Partners in the Asia Pacific region, which focused on improving technical abilities, preclinical applications, and sales strategies to assist distributor to market and sell the device. The focus on marketing and sales content will drive the ViewnVivo® value proposition to the pre-clinical research market.

China

The Company signed China-based Sinsi Technology Co Ltd with a focus on the greater China market, including Hong Kong and Macau but excluding the Shanghai region operated by Biotimes. Good lead generation has been observed by Sinsi, notwithstanding the limitations placed on travel and on-site demonstrations due to COVID-19.

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Optiscan Imaging Limited
Directors' report
31 December 2022

Asia Pacific

During the period the Company continued to work closely with its distributors in Taiwan (J&H Technology), Korea (Chayon) and Shanghai (Biotimes) through the new Optiscan-based Applications and Customer Support team to develop their pipeline of prospective customers, notwithstanding the limitations placed on travel and on-site demonstrations due to COVID-19.

North America

Optiscan's North America distributor arrangements with Advanced Microscopy Consultancy Services Inc ('AMCS') were terminated during the period while a new strategic approach was commenced for continued sales and marketing in the North American market led from the Melbourne office. In the period, the Company received an order from an undisclosed large American pharmaceutical company for its ViewnVivo[®] device.

PERSONNEL AND FACILITIES

The Company finalised its new management and operational structure, taking on new staff to expand its manufacturing capabilities, while implementing its Enterprise Resource Planning system (ERP) (M1).

BUSINESS DEVELOPMENT

Aligning with the Company's growth strategy and in preparation for the planned launch of InVivage[®] in the US in 2023, the Company attended multiple conferences, trade exhibitions and professional society meetings to raise its profile in this space and better understand customer needs. These included Pathology Visions (Las Vegas), the AdvaMed MedTech conference (Boston), and Medica (Dusseldorf). The Company also held discussions with Carl Zeiss Meditec in Oberkochen, Germany exploring opportunities for ongoing collaboration and plans for the Company's growth.

MARKETING & COMMUNICATIONS

The Company launched its new corporate brand, Company logo, value proposition and website at its Annual General Meeting in November 2022. Using the tagline 'Immediate Informed Decisions', the new branding will form an integral part of all communications in future. A new marketing communications system was also implemented and integrated to the Company Customer Relationship System (CRM). This was used to commence more regular investor, customer and stakeholder communications.

QUALITY MANAGEMENT SYSTEM

The Company's Quality Management System (QMS) successfully passed ISO 13485:2016 Annual Surveillance Audit which ensures its continuing suitability, adequacy, and effectiveness to meet the needs of the Company, products and customers. The QMS also underwent an audit by Carl Zeiss Meditec which it also passed.

CORPORATE

During the half year period, Optiscan received its Research and Development Tax Credit for the 2022 financial year (Tax Credit) of \$904k. This is an increase of \$134k, demonstrating the Company's continued focus on R&D even as the Company commercialize its products.

Optiscan Imaging Limited
Directors' report
31 December 2022

CORPORATE (continued)

Significant changes in the state of affairs

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

- During the half-year period, the Company issued 700,000 fully paid ordinary shares relating to conversion of unlisted options following receipt of exercise notices with different exercise prices.
- On 8 December 2022, the Company issued 6,000,000 fully paid ordinary shares to Professor Farah to acquire intellectual property that was approved by shareholders during the Annual General Meeting.

Matters subsequent to the end of the financial half-year

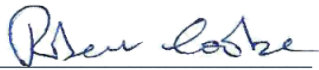
No matters or circumstances have arisen since 31 December 2022 that have significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Cooke
Non-executive Chairman

27 February 2023

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

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 review of Optiscan Imaging Limited for the half-year ended 31 December 2022, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance
Melbourne, 27 February 2023

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Optiscan Imaging Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Revenue	5	449,383	555,789
Other income	6	620,569	900,653
Expenses			
Research & development and intellectual property expenses		(1,038,062)	(1,367,056)
Share-based payment expenses		(134,746)	(201,036)
Depreciation expense	7	(119,136)	(120,898)
Operational expenses		(1,496,520)	(766,043)
Other expenses		-	(10,280)
Finance costs		(16,814)	(15,101)
Administration costs		(631,778)	(902,985)
Loss before income tax expense		(2,367,104)	(1,926,957)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Optiscan Imaging Limited		(2,367,104)	(1,926,957)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Optiscan Imaging Limited		(2,367,104)	(1,926,957)
		Cents	Cents
Basic earnings per share	11	(0.38)	(0.31)
Diluted earnings per share	11	(0.38)	(0.31)

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

Optiscan Imaging Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents		3,064,655	4,529,208
Trade and other receivables		995,965	1,412,957
Inventories		1,194,286	1,269,139
Other		382,336	111,204
Total current assets		<u>5,637,242</u>	<u>7,322,508</u>
Non-current assets			
Property, plant and equipment		201,249	139,393
Intangibles		600,000	-
Right-of-use assets		389,078	469,576
Other		52,650	52,625
Total non-current assets		<u>1,242,977</u>	<u>661,594</u>
Total assets		<u>6,880,219</u>	<u>7,984,102</u>
Liabilities			
Current liabilities			
Trade and other payables		879,292	413,748
Lease liabilities		184,461	177,036
Loans		154,357	22,193
Provisions		378,821	387,410
Total current liabilities		<u>1,596,931</u>	<u>1,000,387</u>
Non-current liabilities			
Lease liabilities	8	278,339	372,702
Provisions		20,809	18,604
Total non-current liabilities		<u>299,148</u>	<u>391,306</u>
Total liabilities		<u>1,896,079</u>	<u>1,391,693</u>
Net assets		<u>4,984,140</u>	<u>6,592,409</u>
Equity			
Issued capital	9	71,912,959	71,256,070
Reserves		2,321,695	2,229,978
Accumulated losses		<u>(69,250,514)</u>	<u>(66,893,639)</u>
Total equity		<u>4,984,140</u>	<u>6,592,409</u>

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

Optiscan Imaging Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2021	70,942,231	(4,435)	1,939,912	(62,660,602)	10,217,106
Loss after income tax expense for the half-year	-	-	-	(1,926,957)	(1,926,957)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(1,926,957)	(1,926,957)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	220,750	-	-	-	220,750
Share-based payments	-	-	201,036	-	201,036
Exercise of options	76,873	-	(76,873)	-	-
Balance at 31 December 2021	71,239,854	(4,435)	2,064,075	(64,587,559)	8,711,935

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2022	71,256,070	(4,435)	2,234,413	(66,893,639)	6,592,409
Loss after income tax expense for the half-year	-	-	-	(2,367,104)	(2,367,104)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(2,367,104)	(2,367,104)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	39,500	-	-	-	39,500
Share-based payments (note 9)	600,000	-	121,746	-	721,746
Exercise of options	17,389	-	(17,389)	-	-
Cancellation of options	-	-	(12,640)	10,229	(2,411)
Balance at 31 December 2022	71,912,959	(4,435)	2,326,130	(69,250,514)	4,984,140

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

Optiscan Imaging Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		661,301	721,562
Payments to suppliers and employees (inclusive of GST)		(2,952,068)	(3,126,071)
Interest received		14,811	11,780
Receipt of research and development tax incentive		904,130	770,283
Receipt of government grants		<u>180,103</u>	<u>294,205</u>
Net cash used in operating activities		<u>(1,191,723)</u>	<u>(1,328,241)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(122,206)</u>	<u>(4,134)</u>
Net cash used in investing activities		<u>(122,206)</u>	<u>(4,134)</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	34,500	220,750
Share issue transaction costs		-	-
Interest and other finance costs paid		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(67,926)	-
Repayment of lease liabilities		<u>(117,198)</u>	<u>(93,395)</u>
Net cash (used in) / generated from financing activities		<u>(150,624)</u>	<u>127,355</u>
Net (decrease) in cash and cash equivalents		(1,464,553)	(1,205,020)
Cash and cash equivalents at the beginning of the financial half-year		<u>4,529,208</u>	<u>8,442,327</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>3,064,655</u></u>	<u><u>7,237,307</u></u>

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

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

Note 1. General information

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 half-year. The financial statements are presented in Australian dollars, 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 27 February 2023.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue trading, realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of approval of the financial statements.

As at 31 December 2022, the Company's cash and cash equivalents totalled \$3,064,655 (30 June 2022: \$4,529,208). The working capital position of the consolidated entity as at 31 December 2022 resulted in an excess of current assets over current liabilities of \$4,040,311 (30 June 2022: \$6,322,121). Loss from ordinary activities for the half-year period was \$2,367,104 (31 December 2021: \$1,926,957). Net cash outflows from operating activities was \$1,191,723.

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

Going concern (continued)

In ensuring going concern, management prepares a rolling 12 months cashflow forecast which is reviewed by the directors periodically. In the latest cash flow forecast considered by the directors, due diligence, as always has been placed surrounding forecasting income and expenses. Like any business in the R&D and commercialisation phase, there are significant costs and financial risks involved. As such, the Company is actively mitigating these risks by taking preventive actions such as:

- committing to receiving the R&D income of estimated \$900,000 earlier in the first half of FY24;
- applications to several grants are in progress where if successful, the Company will not only receive non-dilutive funding, but also have access to industry leaders' expertise that will strengthen commercial activities;
- capital raising activities are in progress to support commercial plans for the future.

Based on current budget assumptions and the points above, the directors are of the opinion that the Company will have adequate funds to ensure its continued viability and to operate as a going concern for a period of at least 12 months from the date of approval of the financial statements.

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.

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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

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

Employee benefits provision

As discussed in note 2 of the Annual Report for the year ended 30 June 2022, 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.

Intangibles

Expenditure on intangible items is recognised as an intangible asset when it can be demonstrated that the expenditure will provide future economic benefits to the Company, either in the form of expected future cash inflows or the expenditures are necessary for the Company to obtain future economic benefits from existing assets, and those benefits will be derived over more than one reporting period.

The Company acquired Intellectual Property (IP) in the form clinical and histopathological datasets from Professor Camile Fara for the consideration of six million fully paid ordinary shares in the Company. These IP will be used, among other things, to conduct further research to test and validate the InVivage[®] system. Therefore, it is expected that the IP will provide economic benefits to the Company. The IP meets the definition of an intangible asset in AASB 138 *Intangible Assets*, which in Paragraph 8 defines an intangible asset as: ... *an identifiable non-monetary asset without physical substance.*

i. Initial recognition

Externally acquired intangible assets that are determined to have finite useful economic lives are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful economic life. With regards to measurement of the 'cost' of the IP acquired by the Company under AASB 2 *Share-based Payment*, the accounting may differ subject to, among other things, whether the entity can estimate reliably the fair value of the goods or services received. As presented in the Annual General Meeting, the IP has been valued independently and given the large range in valuation, the valuation estimate is unreliable for the purpose of fair value calculation. As such, consistent with the requirements in AASB 2, if the acquisition-date fair value of the IP cannot be estimated reliably, the requirement would be to measure the fair value of the IP by reference to the fair value of the equity instruments granted. In this case, it would be the fair value of the six million shares issued.

ii. Subsequent reporting

The IP's useful life is determined to be finite. Subsequent reporting would account for the IP at cost less any accumulated amortisation in accordance with AASB 138.

When analysing the use and purpose of the IP, the Company views it will take a two-year period to utilise the asset in projects such as telepath and artificial intelligence (AI) where the data will be continuously used. As such, a two-year useful economic life is a reasonable estimate for the intangible asset.

Note 4. Operating segments

Identification of reportable operating segments

The Company operated predominantly in the confocal endomicroscope industry within Australia. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity 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 Company as a whole in the business segment of confocal endomicroscopes within Australia.

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

Note 5. Revenue

	31 December 2022	31 December 2021
	\$	\$
Sales revenue	<u>449,383</u>	<u>555,789</u>
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Major product lines</i>		
Sale of goods (goods transferred at a point in time)	444,955	532,862
Services provided (services provided at a point in time)	<u>4,428</u>	<u>22,927</u>
	<u>449,383</u>	<u>555,789</u>
<i>Geographical regions</i>		
Australia	-	356,045
Germany	444,955	177,862
Norway	4,428	-
Sweden	-	<u>21,882</u>
	<u>449,383</u>	<u>555,789</u>

Note 6. Other income

	31 December 2022	31 December 2021
	\$	\$
Government grants - R&D tax incentive	451,557	594,669
COVID-19 government grants	-	14,950
BioMedTech Horizons program grant	180,103	279,255
Interest income	14,836	11,779
Net foreign exchange gain/(loss)	<u>(25,926)</u>	<u>-</u>
Other income	<u>620,569</u>	<u>900,653</u>

Note 7. Expenses

	31 December 2022	31 December 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	38,638	44,824
Buildings right-of-use assets	<u>80,498</u>	<u>76,074</u>
Total depreciation	<u>119,136</u>	<u>120,898</u>
<i>Employee benefits expense</i>	1,550,352	1,184,610

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

Note 8. Non-current liabilities - lease liabilities

	31 December 2022	30 June 2022
	\$	\$
Lease liability	<u>278,339</u>	<u>372,702</u>

Note 9. Equity - issued capital

	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>626,105,602</u>	<u>619,405,602</u>	<u>71,912,959</u>	<u>71,256,070</u>

Movements in issued capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2022	619,405,602		71,256,070
Exercise of options	1 July 2022	200,000	\$0.065	13,000
Exercise of options	8 December 2022	400,000	\$0.050	20,000
Exercise of options	8 December 2022	100,000	\$0.065	6,500
Shares issued to acquire intellectual property	8 December 2022	6,000,000	\$0.100	600,000
Transfer from share based payments reserve		<u>-</u>	<u>-</u>	<u>17,389</u>
Balance	31 December 2022	<u>626,105,602</u>		<u>71,912,959</u>

Ordinary shares

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

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.

Note 10. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2022 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.

Optiscan Imaging Limited
Notes to the financial statements
31 December 2022

Note 11. Earnings per share

	31 December 2022	31 December 2021
	\$	\$
Loss after income tax attributable to the owners of Optiscan Imaging Limited	<u>(2,367,104)</u>	<u>(1,926,957)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>626,105,602</u>	<u>617,649,868</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>626,105,602</u>	<u>617,649,868</u>
	Cents	Cents
Basic earnings per share	(0.38)	(0.31)
Diluted earnings per share	(0.38)	(0.31)

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Optiscan Imaging Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Cooke
Non-executive Chairman

27 February 2023

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Independent Auditor's Review Report

To the Members of Optiscan Imaging Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Optiscan Imaging Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Optiscan Imaging Limited not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of the Optiscan Imaging Limited financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$2,367,104 during the half year ended 31 December 2022, and, as at that date has operating cash outflows of \$1,191,723. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.


Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance
Melbourne, 27 February 2023

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