

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	186% to	913,431
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	down	53.6% to	(1,005,235)
Loss for the half-year attributable to the owners of Optiscan Imaging Limited	down	53.6% to	(1,005,235)

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 \$1,005,235 (31 December 2016: \$2,164,697).

Financial performance

During the six month period to 31 December 2017, the consolidated entity generate sale revenue of \$910,441 in relation to research and development systems sold through the Carl Zeiss Meditech (CZM) collaboration and sale of ViewnVivo systems compared to the previous corresponding period which amounted to \$312,286. The revenue from ordinary activities increased by \$593,613 since the previous period.

During the period, the company undertook an assessment of the fair value of inventory previously expensed. As a result, there was a reduction in cost of goods sold by \$182,801.

The consolidated entity has also recorded research and development incentive income for the half year amounting to \$386,397 being an decrease of \$48,770 from the previous half year (2016: \$435,167).

The increase in administration expenses during the half year was a result of the consolidated entity carrying out its objectives to continue developing its collaboration with CZM and ViewnVivo development.

There was a decrease from the previous corresponding period in share based payment expenditure of \$678,117 with an incurred expense of \$60,126 in the current period. There were no further share options granted to employees in the six months to 31 December 2017.

Financial position

The net assets increased by \$2,431,702 to \$4,097,061 at 31 December 2017 (30 June 2017: \$1,665,359) primarily as a consequence of the receipt of \$3,500,000 before costs from issuance of shares following the completion of the Share Purchase Plan and Share Placement in the six month period to 31 December 2017. The consolidated entity also recorded an R&D tax incentive receivable amount of \$980,257 for the year ended 30 June 2017 and a further \$386,387 for the six month period to 31 December 2017.

As a result, the working capital position of the consolidated entity as at 31 December 2017 resulted in an excess of current assets over current liabilities of \$3,914,425 (30 June 2017 : \$1,512,755).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.96	0.44

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 were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Optiscan Imaging Limited for the half-year ended 31 December 2017 is attached.

12. Signed

Signed _____

A handwritten signature in dark ink, appearing to be 'A. Hoffman', written over a horizontal line.

Date: 28 February 2018

Alan Hoffman
Executive Chairman

Optiscan Imaging Limited

ABN 81 077 771 987

Interim Report - 31 December 2017

Directors	Mr Alan Hoffman (Executive Chairman) Mr Peter Francis (Non-executive Director) Mr Ian Mann (Non-executive Director) Dr Ian Griffiths (Non-executive Director) Dr Philip Currie (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 registry	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone No.: (03) 9415 5000
Auditor	Ernst & Young 8 Exhibition Street Melbourne, Victoria, 3000
Stock exchange listing	Optiscan Imaging Limited shares are listed on the Australian Securities Exchange (ASX code: OIL)
Website	www.optiscan.com

Optiscan Imaging Limited
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31 December 2017



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The Company has achieved a number of key milestones over the half-year period, including the first demonstration of the collaboration product with Carl Zeiss Meditec (CZM) and the first sales of the ViewnVivo preclinical research product.

During the Half-year to 31 December 2017, the Company continued with its new business model as noted below:

- Continuing the development project with Carl Zeiss Meditec (CZM);
- Sales of ViewnVivo – our second-generation pre-clinical research product; and
- Exploring new market opportunities for related Optiscan products and services.

Product demonstration of CONVIVO at major US and European neurosurgery events

In October 2017 CZM showed the new ZEISS CONVIVO – developed in collaboration with Optiscan - at two major Neurosurgery Meetings for the first time. This took place at the Congress of Neurological Surgeons in Boston in the US, and the European Association of Neurosurgical Societies meeting in Venice, Italy.

CONVIVO is a digital biopsy tool that allows the visualisation of tissue microstructure. The endomicroscopic system enables surgeons to take real-time digital images of cells and tissue from inside the human body during surgery and exchange these with pathologists.

The CONVIVO system introduces the following possibilities:

- Neurosurgeons can perform digital biopsies without the need for tissue extraction.
- Real-time visualisation of tissue microstructure and checking a virtually unlimited number of tissue samples.
- The ability to transfer and analyse digital images – anytime and anywhere.

Carl Zeiss Meditec (CZM) collaboration

Our development collaboration with CZM is the cornerstone of the Optiscan business. CZM is a major international company with global coverage. They are based in Germany, are a long-term business partner and have a significant market share in our clinical medical application areas.

Optiscan continued to deliver additional systems to CZM during the period with relevant revenue being recognised.

First sales of ViewnVivo in China

Also during the half-year period, Optiscan secured its first sales of its ViewnVivo platform in China with the purchase of two systems by Fudan University in Shanghai, underlining the growing acceptance of the technology by the preclinical research community worldwide.

ViewnVivo is Optiscan's endomicroscope system for Preclinical Research that promises to revolutionise *in vivo* imaging. It allows preclinical researchers to obtain cellular and sub-cellular images from living tissue.

Under the move, Fudan University purchased two Optiscan ViewnVivo systems and has agreed to work with Optiscan as a reference site. The University will facilitate continued exposure and reinforcement of the value of ViewnVivo's flexible high-resolution *in vivo* imaging among the preclinical research community globally. Optiscan secured the Fudan University sales through a competitive public tender process.

The two ViewnVivo systems purchased have now been delivered.

The first sales in China followed the appointment of China Gate Scientific (Shanghai) Co Ltd as Optiscan's exclusive Chinese distributor in September 2017.

The distribution agreement has an initial term of three years with the option to extend for another two years.

Solid progress with ViewnVivo in North America

In July 2017, Optiscan secured its first order into the US market for ViewnVivo, following the appointment of its exclusive North American ViewnVivo distributor, Scintica Instrumentation Inc. (Scintica) in June 2017. Under the move, Scintica agreed an indicative minimum number of ViewnVivo system sales which would deliver revenue of more than A\$1 million in the next 12 months.

In November 2017, the ViewnVivo system was installed for evaluation at Stanford University in the US - one of the world's leading research universities.

A successful evaluation by the University, being conducted under agreed success criteria, could lead to a potential sale and Scintica is progressing discussions on this matter.

The University selected the ViewnVivo system for evaluation after seeing the system in action at the World Molecular Imaging Congress (WIMC) in Philadelphia in September 2017. It is using ViewnVivo to understand the complexities of biological systems *in vivo* through the use of specific fluorescent dyes.

Exploring new market opportunities

Whilst the two pillars of CZM and ViewnVivo are pivotal to the future success of Optiscan, it is also essential that we future-proof the business. Therefore, Optiscan continues its Product Development to explore new market opportunities.

Whilst our prime focus will be on CZM and ViewnVivo in the short-term, our development team will continue to investigate opportunities for Optiscan. The key point here is that we will ensure delivery of key projects and yet keep an eye on the future. We will do this via a separate department of Optiscan which will be responsible for development. As a consequence, we will ensure that Optiscan remains at the forefront of innovation and technological advancement well into the future.

Outlook

Optiscan expects to achieve several key milestones in terms of the commercialisation of its core endomicroscope technology during 2018, which should deliver an improved financial performance for Optiscan.

Importantly, over the next year, CZM is progressing regulatory approval for Convivo, with FDA and CE Mark approvals expected during 2018. Optiscan will then move into the production phase as a company – this is a key milestone on the commercialisation pathway for the product and Optiscan as a whole.

At the same time, Optiscan remains on track with its planned Quality Assurance accreditation as well as the opening of its world-class clean room in early 2018 which will be instrumental for the Company's processes as it moves into this production phase over the next few months.

For its ViewnVivo preclinical research system, the Company expects further sales to research organisations across the globe, both directly and through its appointed distribution partners in China and North America.

Also in the Chinese market, Optiscan continues to arrange further demonstrations of the product as well as conducting additional training for the distribution partner, which is expected to lead to additional sales and stronger sales growth across the region.

In North America, demonstrations of ViewnVivo by the distribution partner are proving to be positive and this partner is also continuing to progress commercial discussions with potential customers.

Optiscan also plans to showcase the product to potential customers and partners at the European Molecular Imaging Meeting in Spain to be held from 20 to 23 March 2018.

"We have achieved a number of key milestones over the half year which put us in an extremely strong position to achieve further commercialisation success for our innovative technologies over the remainder of 2018," Optiscan Executive Chairman, Alan Hoffman said.

"This is expected to deliver a significantly improved performance and enhanced revenue generation for the Company and we look forward to updating investors on our progress in the months ahead."

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 2017.

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 Alan Hoffman (Executive Chairman) (appointed Executive Chairman on 16 February 2018)
Mr Peter Francis (Non-executive Director)
Mr Ian Mann (Non-executive Director)
Dr Ian Griffiths (Non-executive Director)
Dr Philip Currie (Non-executive Director) (appointed on 17 July 2017)

Principal activities

The principal activity of the consolidated entity during the year was the development and commercialisation of confocal microscopes. The consolidated entity carries out its principal activity through its collaboration with Carl Zeiss Meditech.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,005,235 (31 December 2016: \$2,164,697).

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Financial performance

The net assets increased by \$2,431,702 to \$4,097,061 at 31 December 2017 (30 June 2017: \$1,665,359) primarily as a consequence of the receipt of \$3,500,000 before costs from issuance of shares following the completion of the Share Purchase Plan and Share Placement in the six month period to 31 December 2017. The consolidated entity also recorded an R&D tax incentive receivable amount of \$980,257 for the year ended 30 June 2017 and a further \$386,387 for the six month period to 31 December 2017.

As a result, the working capital position of the consolidated entity as at 31 December 2017 resulted in an excess of current assets over current liabilities of \$3,914,425 (30 June 2017 : \$1,512,755).

Refer to the detailed Review of Operations preceding this Directors' Report for further information on the operations of the Company for the six months to 31 December 2017.

Significant changes in the state of affairs

During the six month period ended 31 December 2017 a total of 5,300,000 fully paid ordinary shares were issued on exercise of 5,300,000 unlisted options, exercisable at \$0.025 (2.5 cents) per option raising \$132,500. A further 850,000 fully paid ordinary shares were issued on exercise of 850,000 unlisted options, exercisable at \$0.05 (5 cents) per option raising \$42,500.

On 23 August 2017, the consolidated entity announced that a Share Purchase Plan (SPP) was to be offered to eligible shareholders for the opportunity to apply for new fully paid ordinary shares in the Company at an issue price of \$0.08 (8 cents) per share. The SPP was underwritten by Patersons Securities Limited (Patersons) up to the amount of \$2,500,000 (31,250,000 shares). The Company also advised that it had received commitments from professional and sophisticated investors to participate in a Placement of \$1 million.

On 26 September 2017, the consolidated entity announced that it had received applications for a total of \$1,188,000 (14,850,000 shares at an issue price of \$0.08 per share) from Eligible Shareholders. Pursuant to the terms of the underwriting, Patersons placed the shortfall amount of \$1,312,000 (16,400,000 shares at an issue price of \$0.08 per share).

On 4 October 2017, the consolidated entity issued 31,250,000 fully paid ordinary shares pursuant to the underwritten Share Purchase Plan (SPP), which closed on 22 September 2017. The total amount raised through the Share Purchase Plan was \$2,500,000. The consolidated entity also issued 12,500,000 pursuant to the commitments received from professional and sophisticated investors raising a total of \$1,000,000.

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

Matters subsequent to the end of the financial half-year

On 22 January 2018, Archie Fraser resigned with immediate effect as Chief Executive Officer (CEO) of the Company.

On 29 January 2018, the consolidated entity issued 3,700,000 fully paid ordinary shares upon the exercise of unlisted options at \$0.025 (2.5 cents) per option raising \$92,500. The consolidated entity also issued 1,500,000 fully paid ordinary shares upon the exercise of another class of unlisted options at \$0.05 (5 cents) per option raising \$75,000.

On 16 February 2018, the consolidated entity announced that Mr Alan Hoffman had been appointed as the Executive Chairman for an interim period whilst the Board continued to search for a new CEO.

No other matter or circumstance has arisen since 31 December 2017 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.

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



Alan Hoffman
Executive Chairman

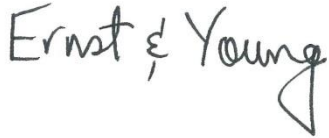
28 February 2018

Auditor's Independence Declaration to the Directors of Optiscan Imaging Limited

As lead auditor for the review of Optiscan Imaging Limited and Controlled Entities for the half-year ended 31 December 2017, I declare 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.

This declaration is in respect of Optiscan Imaging Limited and the entities it controlled during the financial period.



Ernst & Young



Paul Gower
Partner

Melbourne
28 February 2018

Optiscan Imaging Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue			
Sales revenue		910,441	312,286
Interest revenue		2,990	7,532
		<u>913,431</u>	<u>319,818</u>
Cost of sales		<u>(35,687)</u>	<u>(311,033)</u>
Gross profit		<u>877,744</u>	<u>8,785</u>
Other income	4	386,397	433,763
Expenses			
Research & development expenses		(774,319)	(824,009)
Share-based payment expenses		(60,126)	(738,243)
Depreciation and amortisation expense		(35,776)	(12,348)
Other expenses		(2,855)	(77,490)
Finance costs		(42,500)	(70,833)
Administration		<u>(1,353,800)</u>	<u>(884,322)</u>
Loss before income tax expense		(1,005,235)	(2,164,697)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the half-year attributable to the owners of Optiscan Imaging Limited		(1,005,235)	(2,164,697)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>2</u>	<u>-</u>
Other comprehensive income for the half-year, net of tax		<u>2</u>	<u>-</u>
Total comprehensive income for the half-year attributable to the owners of Optiscan Imaging Limited		<u>(1,005,233)</u>	<u>(2,164,697)</u>
		Cents	Cents
Basic earnings per share	7	(0.25)	(0.74)
Diluted earnings per share	7	(0.25)	(0.74)

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 31 December 2017



	Consolidated		
	31 December		
Note	2017	30 June 2017	
	\$	\$	
Assets			
Current assets			
Cash and cash equivalents	2,274,030	700,666	
Trade and other receivables	1,439,541	1,285,944	
Inventories	745,729	495,910	
Other	130,915	25,078	
Total current assets	<u>4,590,215</u>	<u>2,507,598</u>	
Non-current assets			
Property, plant and equipment	194,432	159,120	
Total non-current assets	<u>194,432</u>	<u>159,120</u>	
Total assets	<u>4,784,647</u>	<u>2,666,718</u>	
Liabilities			
Current liabilities			
Trade and other payables	437,756	771,679	
Provisions	238,034	223,164	
Total current liabilities	<u>675,790</u>	<u>994,843</u>	
Non-current liabilities			
Provisions	11,796	6,516	
Total non-current liabilities	<u>11,796</u>	<u>6,516</u>	
Total liabilities	<u>687,586</u>	<u>1,001,359</u>	
Net assets	<u>4,097,061</u>	<u>1,665,359</u>	
Equity			
Issued capital	5	57,247,263	53,870,454
Reserves		2,485,346	2,425,218
Accumulated losses		(55,635,548)	(54,630,313)
Total equity		<u>4,097,061</u>	<u>1,665,359</u>

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 half-year ended 31 December 2017



Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	49,362,779	4,788	1,570,171	(51,687,388)	(749,650)
Loss after income tax expense for the half-year	-	-	-	(2,164,697)	(2,164,697)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	-	(2,164,697)	(2,164,697)
<i>Transactions with owners in their capacity as owners:</i>					
Loan settled by share issue	600,000	-	-	-	600,000
Share options expense	-	-	738,243	-	738,243
Shares issued for finance facility fee	25,000	-	-	-	25,000
Shares issued for cash	4,097,623	-	-	-	4,097,623
Transaction costs of share issues	(287,104)	-	-	-	(287,104)
Balance at 31 December 2016	<u>53,798,298</u>	<u>4,788</u>	<u>2,308,414</u>	<u>(53,852,085)</u>	<u>2,259,415</u>

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	53,870,454	(4,435)	2,429,653	(54,630,313)	1,665,359
Loss after income tax expense for the half-year	-	-	-	(1,005,235)	(1,005,235)
Other comprehensive income for the half-year, net of tax	-	2	-	-	2
Total comprehensive income for the half-year	-	2	-	(1,005,235)	(1,005,233)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	60,126	-	60,126
Shares issued for cash	3,675,000	-	-	-	3,675,000
Transaction costs of share issues	(298,191)	-	-	-	(298,191)
Balance at 31 December 2017	<u>57,247,263</u>	<u>(4,433)</u>	<u>2,489,779</u>	<u>(55,635,548)</u>	<u>4,097,061</u>

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 half-year ended 31 December 2017



	Consolidated	
	31 December	31 December
Note	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	1,128,821	332,755
Payments to suppliers and employees (inclusive of GST)	(2,821,668)	(2,047,937)
Interest received	2,990	7,523
Receipt of research and development tax incentive	-	726,504
	<u>(1,689,857)</u>	<u>(981,155)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(71,088)	(95,859)
	<u>(71,088)</u>	<u>(95,859)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5 3,675,000	3,435,623
Proceeds from short term loan	300,000	-
Share issue transaction costs	(298,191)	(287,104)
Repayment of short term loan and interest	(342,500)	(535,000)
	<u>3,334,309</u>	<u>2,613,519</u>
Net increase in cash and cash equivalents	1,573,364	1,536,505
Cash and cash equivalents at the beginning of the financial half-year	700,666	954,805
Cash and cash equivalents at the end of the financial half-year	<u><u>2,274,030</u></u>	<u><u>2,491,310</u></u>

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

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 28 February 2018.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 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.

Note 2. Significant accounting policies (continued)

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments.

The working capital position as at 31 December 2017 of the consolidated entity results in an excess of current assets over current liabilities of \$3,914,425 (30 June 2017: \$1,512,755). The consolidated entity made a loss after tax of \$1,005,235 during the half year (2016: loss of \$2,164,697) and the net operating cash outflow was \$1,689,857 (2016: \$981,155 net outflow).

The cash balance as at 31 December 2017 was \$2,274,030 (30 June 2017: \$700,666). The consolidated entity has recorded for a receivable amount in relation to its R&D tax incentive grant for the 2017 financial year amounting to \$980,257 and a further receivable amount for the half year period to 31 December 2017 of \$386,397. The lodgement of the R&D tax incentive return for the 2017 financial year is in the process of being finalised and the consolidated entity expects to receive the refund prior to 30 June 2018. The consolidated entity also raised \$3,500,000 through the issue of new fully paid ordinary shares during the six month period to 31 December 2017.

The Directors are of the opinion that the existing cash reserves will provide the consolidated entity with adequate funds to ensure its continued viability and operate as a going concern for a period of at least 12 months from the date of approval of the financial statements. The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The Directors are confident that sufficient funds can be secured if required and are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Subsequent to the end of the period the consolidated entity issued a total of 5,200,000 fully paid ordinary shares upon the exercise of unlisted options raising a total of \$167,500.

Note 3. Operating segments

Identification of reportable operating segments

The Company operated predominately in the confocal microscopes industry within Australia. 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 Company as a whole in the business segment of confocal microscopes within Australia.

Note 4. Other income

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Government grants - R&D tax incentive	386,397	435,167
Foreign exchange loss	-	(1,404)
	386,397	433,763

Note 5. Equity - issued capital

	Consolidated			
	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	425,978,800	376,078,800	57,247,263	53,870,454

Note 5. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	376,078,800		53,870,454
Exercise of options	10 August 2017	1,000,000	\$0.025	25,000
Share purchase plan	4 October 2017	31,250,000	\$0.080	2,500,000
Share placement	4 October 2017	12,500,000	\$0.080	1,000,000
Exercise of options	18 October 2017	1,300,000	\$0.025	32,500
Exercise of options	24 October 2017	2,500,000	\$0.025	62,500
Exercise of options	24 October 2017	850,000	\$0.050	42,500
Exercise of options	24 November 2017	500,000	\$0.025	12,500
Capital raising costs		-	-	(298,191)
Balance	31 December 2017	<u>425,978,800</u>		<u>57,247,263</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 6. Events after the reporting period

On 22 January 2018, Archie Fraser resigned with immediate effect as Chief Executive Officer (CEO) of the Company.

On 29 January 2018, the consolidated entity issued 3,700,000 fully paid ordinary shares upon the exercise of unlisted options at \$0.025 (2.5 cents) per option raising \$92,500. The consolidated entity also issued 1,500,000 fully paid ordinary shares upon the exercise of another class of unlisted options at \$0.05 (5 cents) per option raising \$75,000.

On 16 February 2018, the consolidated entity announced that Mr Alan Hoffman had been appointed as the Executive Chairman for an interim period whilst the Board continued to search for a new CEO.

No other matter or circumstance has arisen since 31 December 2017 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.

Note 7. Earnings per share

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Loss after income tax attributable to the owners of Optiscan Imaging Limited	<u>(1,005,235)</u>	<u>(2,164,697)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>399,641,300</u>	<u>293,080,358</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>399,641,300</u>	<u>293,080,358</u>
	Cents	Cents
Basic earnings per share	(0.25)	(0.74)
Diluted earnings per share	(0.25)	(0.74)

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 2017 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



Alan Hoffman
Executive Chairman

28 February 2018

Independent Auditor's Review Report to the Member 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 subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at [period date] and of its consolidated financial 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*.

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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, anything has come to our attention that causes us to 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 consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Paul Gower' in a cursive style.

Paul Gower
Partner

Melbourne
28 February 2018