



**ASX Announcement**  
**31 July 2020**

## **APPENDIX 4C**

### **QUARTERLY ACTIVITIES & CASHFLOW REPORT**

### **QUARTER ENDED 30 JUNE 2020**

**Melbourne, Australia, 31 July 2020:** Australian medical technology company Optiscan Imaging Limited (ASX:OIL) (**Optiscan** or the Company), a leader in medical technology using confocal laser endomicroscopy, is pleased to release its Appendix 4C – Quarterly Cashflow report and business update for the quarter ended 30 June 2020 (**Quarter**). All financial results are in Australian dollars and are unaudited.

#### **Highlights for the Quarter**

- **Total Net Cash Increase of \$64k and Operating Cash Outflows of \$55k for the Quarter.**
- **Submitted further information package to the United States Food and Drug Administration (FDA) following feedback from January 2020 meeting re 510(k) submission in Oral Cancer Surgery and/or Oral Cancer Screening.**
- **Submitted application for funding a 150 patient trial at the Melbourne Dental School from the BioMedtech Horizons Program, an initiative of the Federal Government’s Medical Research Future Fund.**
- **Receipt of €100,000 final milestone pursuant to the Co-operation Agreement with Carl Zeiss Meditec (CZM).**
- **CZM virtual launch of its new software pathology platform for “CONVIVO®”.**
- **Receipt of \$149k from financing of its anticipated Research and Development Tax Credit.**

#### **Developments Post End of Quarter**

- **Success in two tenders in China for the sale of the FIVE2 (ViewnVivo) with revenues in excess of A\$350k to be received from the 2 sales.**
- **Receipt of a \$971k BioMedTech Horizons Program grant to support the University of Melbourne’s Melbourne Dental School to undertake a trial with approximately 150 patients over a 12-month period. Funds of \$260k to be retained by Optiscan for product development and research and development.**
- **Approval received for financing of \$185k secured against the Company’s anticipated Research and Development Tax Credit.**

#### **Oral Cancer Surgery and Screening Application – InVivage**

##### **FDA 510(k) Submission**

During the Quarter, Optiscan provided comprehensive supplementary information to the Center for Devices and Radiological Health of the FDA in relation to the proposed content to support a 510(k) submission in Oral Cancer Surgery and/or Oral Cancer Screening in humans. A 510(k) submission is a premarket submission made to the FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to an existing legally marketed device.

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### **Oral Cancer Trials and Studies**

The Oral Cancer Trials and Studies at Memorial Sloan Kettering Cancer Center (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 period.

Ethics Committee approval for the Oral Cancer Screening Trial at the Melbourne Dental School (including collaborators - Royal Melbourne Hospital, Peter MacCallum Cancer Centre, MSKCC and ACOORE) was received during the Quarter and site specific approval is being sought with the trial intended to commence in September 2020.

### **NeuroSurgery – CONVIVO - Carl Zeiss Meditec Collaboration**

Optiscan received payment of the final €100,000 milestone pursuant to its Co-operation Agreement with CZM. The meeting of this milestone reflects that the parties agree that the project has moved to the production phase of the agreement.

CZM held a well-attended international virtual launch of its new software pathology platform for “CONVIVO®” including online discussions and Q&A with leading specialists in the United States and Europe.

Discussions with CZM took place during the Quarter in relation to future orders for products and research and development services. These discussions were on-going at the end of the Quarter.

### **Breast Cancer Surgical Margin Assessment Trial (Breast Trial)**

Following the Medical Device Partnering Program (MDPP) Workshop in the previous Quarter with 6 Breast Surgeons and a Pathologist from 5 leading Melbourne Hospitals, the Company has been working closely with one of these surgeons to establish a 20 patient study at a leading Melbourne Hospital. Funding from the MDPP is being sought for this study.

### **Five2(ViewnVivo) Distribution**

During the Quarter, the Company and its distributors adapted to a customer environment impacted by COVID-19 with increased on-line engagement with prospective customers whilst restrictions exist for physical visits and demonstrations. These activities included a webinar conducted by the Company with approximately 40 participants in conjunction with both of its Chinese distributors. Optiscan’s United States distributor also conducted a webinar for prospective North American customers. Further webinars are planned.

The Company was actively engaged in 2 tenders for the supply of its FIVE2 (ViewnVivo) system in China. Following the end of the quarter, the Company was successful in both tenders with expected Revenue in excess of A\$350k from the 2 sales.

### **COVID-19**

The Company maintained its COVID-19 working arrangements during the Quarter with Optiscan staff working both remotely and from the Company premises. Due to the nature of their activities, the majority of staff were able to work remotely from the Company premises and many activities, particularly in relation to preparations for the FDA 510(k) submission were able to continue during the Quarter. The layout of the Company premises is well-suited to the continuation of production as production staff can be isolated from other staff.

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## Corporate Update and Outlook

The Company recorded a positive Net Cash Inflow of \$64k and a Net Operating Cash Outflow of \$55k for the Quarter.

Receipts from customers for the quarter amounted to \$755K, primarily comprising payments from CZM with additional funds from Federal Government COVID funding programs amounting to \$50k.

Research and Development expenditure continued during the Quarter amounting to \$534k.

All related party payments noted in Section 6 of the accompanying Appendix 4C during the Quarter relate to payment of director's fees and salaries.

During the Quarter, the Company received \$149k from financing its anticipated Research and Development tax credit for the third quarter of the financial year ending 30 June 2020 (FYE6/20) arranged by Radium Capital. Interest of 14% per annum is payable on the funds advanced and the Company has provided collateral over its Research and Development tax credit ("R&D Credit") and any claims and books and records in respect of the R&D Credit.

As announced on 20 July 2020, Optiscan was awarded a grant of almost \$1 million from the Federal Government's BioMedTech Horizons Program, an initiative of the Medical Research Future Fund, operated by MTPConnect, which will help fund a trial to improve screening, diagnosis and treatment of oral cancer.

The \$971,000 BioMedTech Horizons Program grant to OptiScan will enable the University of Melbourne's Melbourne Dental School to undertake a trial with approximately 150 patients over a 12-month period. Funds of \$260k are to be retained by Optiscan for product development and research and development.

As announced on 28 July 2020, the Company's East China distributor has been successful in two tenders for the sale of a FIVE2 (ViewnVivo) to two Chinese institutions. Formal orders are expected to be received in August with revenues in excess of A\$350k to be received from the 2 sales. There have now been 3 sales since Optiscan changed its distribution model in China late last year which is a testament to its evolving success.

Optiscan has increased its engagement with both Victorian and Federal Government trade initiatives during the Quarter and subsequent to the end of the Quarter:

- On 3 July 2020, at the invitation of Global Victoria, an agency of the Victorian State Government, Optiscan presented as part of the Zhejiang International Technology Business Matching Webinar with an estimated 60,000 online viewers.
- From 20 to 24 July 2020, 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. Approximately 100 leading Chinese and other investment companies, research and Government institutions registered for the on-line presentation to be delivered by Optiscan and other participants.

- ends -

This announcement has been authorised for release by the Board of OIL.

**For investor queries, please contact:**

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## **About OptiScan**

OptiScan is a global leader in the development of microscopic imaging and related technologies for surgery and medical research. Based in Victoria, Australia, OptiScan was established in 1994, and listed on the ASX in 1997 (ASX: OIL). OptiScan has developed and patented endomicroscopic technology which enables real-time, 3D, 'in vivo' imaging of human tissue at the cellular level – instant “virtual biopsies” for cancer screening, diagnoses and in surgery.

## **Disclaimer**

*All statements other than statements of historical fact included on this announcement including, without limitation, statements regarding future plans and objectives of OptiScan or any of the other parties referred to herein, are forward-looking statements. Forward-looking statements can be identified by words such as 'anticipate', 'believe', 'could', 'estimate', 'expect', 'future', 'intend', 'may', 'opportunity', 'plan', 'potential', 'project', 'seek', 'will' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of OptiScan that could cause actual results to differ from the results expressed or anticipated in these statements.*

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## Appendix 4C

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

**Name of entity**

OPTISCAN IMAGING LIMITED

**ABN**

81 077 771 987

**Quarter ended ("current quarter")**

30 JUNE 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	755	1,329
1.2 Payments for		
(a) research and development	(534)	(1,532)
(b) product manufacturing and operating costs	(104)	(552)
(c) advertising and marketing	(25)	(105)
(d) leased assets	-	-
(e) staff costs	(107)	(506)
(f) administration and corporate costs	(90)	(268)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	50	277
1.8 Other (GST)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(55)</b>	<b>(1,353)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(20)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(20)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(4)
3.5	Proceeds from borrowings	149	360
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Payment of lease liabilities	(26)	(166)
3.9	Other (interest costs for office lease liabilities)	(4)	(42)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>119</b>	<b>148</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	462	1,752
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(55)	(1,353)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(20)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	119	148
4.5	Effect of movement in exchange rates on cash held	-	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>526</b>	<b>526</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	526	462
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>526</b>	<b>462</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	103
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments</i>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	360	360
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>360</b>	<b>360</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The Company has received financing secured against its anticipated Research and Development tax credit for the period July 2019 – March 2020 arranged by Radium Capital for \$360K. Interest of 15% per annum is payable on \$212k and 14% on \$148k and the Company has provided collateral over its Research and Development tax credit ("R&amp;D Credit") and any claims and books and records in respect of the R&amp;D Credit. The financing is repayable on or before 30 November 2020 which is after the expected receipt of the FY20 R&amp;D Credit.</p>		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(55)
8.2 Cash and cash equivalents at quarter end (item 4.6)	526
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	526
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>9.56</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

31 July 2020

Date: .....

The Board of Directors

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

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.