



ASX Announcement
27 January 2023

APPENDIX 4C

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER 31 DECEMBER 2022

Melbourne, Australia, 27 January 2023: Optiscan Imaging Limited (ASX: OIL) (Optiscan or the Company), a leader in medical imaging using confocal laser endomicroscopy, is pleased to release its Appendix 4C – Quarterly Cashflow report and business update for the quarter ended 31 December 2022 (Quarter). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- Review by the FDA of Company's 510(k) submission for InVivage® clinical device ongoing.
- Breast cancer imaging study continues with additional recruitment and encouraging findings.
- Data analysis of acquired oral cancer imaging datasets ongoing with positive results.
- Orders worth \$525k shipped to Zeiss during the quarter; with \$289k cash received from customers.
- Grant income received totalling \$1m; \$100k higher than last year.
- Net cash outflows of (\$0.3m) was less than last quarter (\$1.1m), with cash outflows from Operating Activities of (\$0.2m) for the Quarter.

Update on Food and Drug Administration (FDA) review of the InVivage® device in the United States

Since the submission of the Company's application for a 510(k) for the InVivage® clinical device for use in human oral cancer screening in the United States, Optiscan has had regular communications throughout the Quarter with the FDA. Optiscan has and continues to provide additional information and answer all questions requested by the FDA as they arise during the initial review of its application. Optiscan expects the FDA to make a final determination on the Company's submission in the near future and will announce the outcomes when they become available.

Oral Cancer Imaging Studies

Data analysis on oral cancer and precancer imaging sets has continued at the Australian Centre for Oral Oncology Research & Education led by Professor Farah and his team. During the Quarter, the Company acquired Intellectual Property in relation to 228 patient datasets from Professor Farah which was subsequently approved by a majority of shareholders at the Company's Annual General Meeting. The Company expects to release an interim report outlining the results of a subset analysis of this data in Q2 2023. Data analysis from the Melbourne

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Dental School clinical imaging study continues, with several manuscripts planned which should be forthcoming over the next 12 months.

Breast Cancer Surgical Margin Assessment Study

Excellent progress has been made this Quarter in the Breast Cancer Surgical Margin Assessment Study with encouraging results for mapping of cancers in real time and in the laboratory. Slower than expected recruitment has delayed the conclusion of the study, now expected in Q1 2023, however detailed analysis of acquired images is ongoing with an interim report expected in Q2 2023.

Business Development

Aligning with the Company's growth strategy, CEO/MD, Dr. Camile Farah attended several key global conferences and events. These included Pathology Visions (Las Vegas) and the AdvaMed MedTech conference (Boston), both in October, and Medica (Dusseldorf) in November 2022. Importantly, Dr Farah represented Optiscan as part of an Australian delegation organised by MTPConnect to the AdvaMed meeting where he met representatives from many international companies to discuss opportunities for the Company's growth and expansion particularly into the US market, in addition to attending insightful presentations. Following the Medica meeting, Dr Farah met with the Executive team of Carl Zeiss Meditec in Oberkochen, Germany where discussions covered opportunities for ongoing collaboration and plans for the Company's growth. Aligning with the Company's commercialisation and growth strategy, Optiscan will be attending several key conferences and international meetings in 2023 in preparation for the launch of InVivage® and the expansion of its global activities.

Marketing, Communications & Public Relations

There were several marketing highlights in this Quarter. Of note, the launch of a new corporate brand, Company logo, value proposition and website at the AGM 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**) (installed in the previous quarter). This system will enable more regular investor, customer and stakeholder communications, with the first communication completed in December and a series of communications planned in 2023. In November 2022, Dr Farah joined the AusBiotech CEO Policy Forum at Parliament House in Canberra which discussed amongst other things its Biotechnology Blueprint with the Hon Ed Husic (MP), Minister for Industry and Science, in addition to presentations by departmental staff on the evolving landscape of medical research, medical device manufacturing and the National Reconstruction Fund.

Distributor Support and Sales Generation

The Company continued to refine and complete a range of internal brand and product value proposition activities which fed directly into the successful execution of the new refreshed and revised Optiscan website. Final product/marketing training sessions were also successfully delivered to our distributor partners. Positive feedback was again received on this training with enthusiastic review, with multiple leads being generated specifically in China despite COVID-19 constraints. Further local and international customer groups and potential partner meetings continued during the Quarter with a focus on the Life Sciences and Research sectors. Due to our ongoing promotional and communication activities, Optiscan also received and responded to a range of global product and partner enquiries.

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Personnel and Facilities

The Company continued its transformation during the Quarter finalising a new management and operational structure, and taking on new staff to expand its manufacturing capabilities. An additional Precision Technician was appointed bringing the Manufacturing team to five staff members under a new team manager. Ongoing production training continues while the Company fulfils customer orders. The implementation of the Company's recently implemented Enterprise Resource Planning system (**ERP**) (M1) continues to be rolled out in different functional areas with significant efficiency gains created.

Quality Management System Review

Optiscan's Quality Management System (**QMS**) is regularly reviewed in accordance to ISO 13485:2016 standard. The Company's QMS review was conducted in November 2022, to ensure its continuing suitability, adequacy, and effectiveness, assess opportunities for improvement and assess the need for changes to the quality system. The review fosters a constantly evolving QMS to improve and develop processes to meet the Company's changing direction and needs.

Corporate Update and Outlook

In the December Quarter, the Company received \$1m in grant income which was mainly from R&D tax incentive. This is \$100k higher compared to the R&D tax incentive received last year, showing our company's continued focus on R&D even as we commercialise our products.

Orders from Carl Zeiss remain strong with \$525k worth of orders shipped during the Quarter. With cash already received from customers of \$289k for the Quarter, the outlook for next quarter's cash receipts is expected to be more than \$300K. With more orders currently in production, income is expected to be steady in the coming months.

The Company also received an order for one of its ViewnVivo® research devices from an undisclosed American pharmaceutical company worth USD\$245.5k.

Research and development cash costs during the Quarter amounted to \$458k, in line with last year. The Company incurred \$267k in cash outlay on manufacturing and operating costs. Overall net cash outflows have declined significantly by \$769k compared to last quarter, due to R&D tax incentive received.

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

– ends –

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

For investor queries, please contact:

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About Optiscan

Optiscan Imaging Ltd (ASX:OIL) is a global leader in the development, manufacturing, and commercialisation of confocal endomicroscopic imaging technologies for medical, translational and pre-clinical applications. Our technology enables real-time, non-destructive, 3D, *in-vivo* imaging at the single-cell level.

We are driven by developing technology and its use to give healthcare providers and researchers the highest quality real-time microscopic imaging tools to enable the early detection and management of disease, improve patient outcomes, and reduce the high cost of curative medicine and associated procedures.

Our patent-protected proprietary technology, using specially miniaturised componentry, has created a pen-sized digital microscope, which can be used on any tissue it contacts to produce high resolution digital pathology images for cancer diagnosis and surgical margin detection in real-time. The aim of our technology development is for earlier diagnosis and subsequent treatment of cancerous tumours with expected associated improved patient outcomes.

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")

31 DECEMBER 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	289	661
1.2 Payments for		
(a) research and development	(458)	(1,038)
(b) product manufacturing and operating costs	(267)	(400)
(c) advertising and marketing	(26)	(58)
(d) leased assets	-	-
(e) staff costs	(689)	(1,211)
(f) administration and corporate costs	(103)	(245)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	15
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,001	1,084
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(245)	(1,192)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(31)	(122)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
2.6	Net cash from / (used in) investing activities	(31)	(122)

3.	Cash flows from financing activities		
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	34	34
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(50)	(68)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payments for lease liabilities)	(56)	(117)
3.10	Net cash from / (used in) financing activities	(72)	(151)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,413	4,529
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(245)	(1,192)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(31)	(122)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(72)	(151)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,065	3,065

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,065	3,413
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,065	3,413

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	170
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>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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.	<div style="border: 1px solid black; padding: 5px; min-height: 100px;"> <p>N/A</p> </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(245)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,065
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,065
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	12.51
<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?	
<p>Answer: N/A</p>	
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?	
<p>Answer: N/A</p>	
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?	
<p>Answer: N/A</p>	
<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.

27 January 2023

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.