



ASX Announcement
30 October 2020

APPENDIX 4C

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDED 30 SEPTEMBER 2020

Melbourne, Australia, 30 OCTOBER 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 September 2020 (**Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Arranged placement of ~\$9.8m to sophisticated and professional investors led by cornerstone investor, Orchid Capital Investments Pte. Ltd, a member of the Clermont Group.**
- **Success in two tenders in China for the sale of the FIVE2 (ViewnVivo) with revenues in excess of A\$350k.**
- **Awarded a \$971k BioMedTech Horizons Program grant to support the University of Melbourne’s Melbourne Dental School to undertake a trial with approximately 150 patients. Funds of \$260k are to be retained by Optiscan for product development and research and development.**
- **Entered into new North American and Expanded Asia Pacific Distribution activities for the FIVE2 (ViewnVivo) pre-clinical device.**
- **Receipt of the Company’s Research and Development Tax Credit for the 2019/2020 financial year (Tax Credit) of \$701k. \$579k of the Tax Credit was used to discharge the Company’s loan arranged by Radium Capital and secured against this Tax Credit, associated interest and costs.**

Developments Post End of Quarter

- **Obtained written feedback from the United States Food and Drug Administration (FDA) and held a subsequent follow-up call with the FDA indicating Optiscan’s 510(k) pathway remains on track for the use of its InVivage™ device in Oral Cancer Screening and/or Surgery.**
- **Received the first payment pursuant to the BioMedTech Horizons Program grant, including funds of \$180k to be retained by Optiscan.**
- **Completed Tranche 2 of the Capital raising announced during the September 2020 quarter with receipt of \$7,382,513 in October 2020.**

Capital Raising

Optiscan raised \$9,813,499 via a placement to sophisticated and professional investors at an issue price of \$0.0825 (8.25 cents) per share (Placement). For every four Placement Shares, one free attaching option will be issued, exercisable at \$0.15 (15 cents) per option and with an expiry date of 30 months from the date of issue (Placement Option). The issue of the Placement Options is subject to shareholder approval at the upcoming AGM on November 26.

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Funds raised from the Placement will be used for the purchase and building of inventory, third party testing for regulatory purposes, product research and development, funding of potential clinical trials, market development, recruitment, costs of the Placement and working capital.

Orchid Capital Investments Pte. Ltd, a member of the Clermont Group (Clermont Group), was the cornerstone investor in the Placement.

The Clermont Group is an international business group headquartered in Singapore. Clermont Group builds and invests in businesses in the healthcare, financial services and aerospace industries, and its operating companies employ over 6,000 people around the world. As the owner of the leading private hospital group in Vietnam, Clermont Group's expertise and track record make it the perfect partner for Optiscan as it accelerates its ambition to become a world-leading medical imaging and diagnostics company.

Oral Cancer Surgery and Screening Application – InVivage

BioMedTech Horizons Program grant for 150 patient Oral Cancer Study at Melbourne Dental School

Optiscan received a BioMedTech Horizons Program grant for \$971,000 to assist the University of Melbourne's Melbourne Dental School to undertake a trial with approximately 150 patients, to improve screening, diagnosis, and treatment of oral cancer.

Professor Michael McCullough, Professor of Oral Medicine at the Melbourne Dental School, said "What we want to ascertain through our trial is how we can use Optiscan's technology to microscopically see tumour cells in our clinic, helping us to assess the tissue, and to determine if a biopsy or surgery is required there and then."

The BioMedTech Horizons Program is an initiative of the Medical Research Future Fund, operated by MTPConnect. It is designed to foster innovative collaborative health technology development, and stimulate collaboration across disciplines and between the research, industry, and technology sectors to maximise entrepreneurship and idea potential.

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.

NeuroSurgery – CONVIVO - Carl Zeiss Meditec Collaboration

Orders from CZM for components in excess of \$150,000 were received during the Quarter.

Discussions with CZM continued during the Quarter (and are on-going) in relation to future orders for products and research and development services.

Breast Cancer Surgical Margin Assessment Trial (Breast Trial)

Optiscan continued to work with a leading breast surgeon and the Medical Device Partnering Program (MDPP) to establish a 20 patient study at one or more leading Melbourne Hospital/s. Funding from the MDPP is intended to be used for this study.

The MDPP, which is supported by LaunchVic, fosters collaborations between researchers, industry, end-users and government to develop medical technologies with global market potential.

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FIVE2(ViewnVivo) Distribution

China

During the Quarter, the Company received 2 orders (and deposits) for the sale of its FIVE2 (ViewnVivo) system in China. Delivery of these 2 systems is expected to take place in the final quarter of the 2020 calendar year. There have now been 3 sales of the FIVE2 (ViewnVivo) system since Optiscan changed its distribution model in China late last year. Optiscan continues to work closely with both of its distributors to develop their pipeline of prospective customers.

Optiscan also took part in a number of State and Federal Government initiatives to increase its profile in China during 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.

North America

Optiscan established new North America distributor arrangements including with Advanced Microscopy Consultancy Services Inc ('AMCS') to provide technical, marketing and sales services to the Company in the United States and Canada. AMCS possesses significant pre-clinical microscopy and imaging expertise as well as multiple contacts in the research community. The Company ended its previous distribution agreement with Scintica Instrumentation Inc ('Scintica') although it continues to explore potential opportunities to work with Scintica.

Asia Pacific

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

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.

Corporate Update and Outlook

The Company received funds of \$2.43m pursuant to the Placement prior to the end of the September 2020 Quarter, with the balance of the proceeds of approximately \$7.38m received following the end of the quarter.

Optiscan received its Research and Development Tax Credit for the 2019/2020 financial year (Tax Credit) of \$701k. \$579k of the refund was used to discharge the Company's loan, including associated interest and costs arranged by Radium Capital and secured against this Tax Credit. Prior to the receipt of the Tax Credit and

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repayment of the Loan, the Company received \$185k from financing the anticipated Tax Credit for the fourth quarter of the financial year ending 30 June 2020 (FYE6/20).

Receipts from customers for the quarter of \$110k comprised deposits for the 2 FIVE2(ViewnVivo) sales to China based customers with additional funds from Federal and State Government COVID funding programs of \$151k.

Research and development costs during the quarter were \$347k with \$125k in manufacturing and operating costs.

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.

- ends -

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

For investor queries, please contact:

Darren Lurie
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About Optiscan

Optiscan is a global leader in the development of microscopic imaging and related technologies for screening, surgery and medical research. Based in Melbourne, Australia, 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" with applications for cancer screening and surgical margin determination. Optiscan's technology has the capability to improve patient welfare, reduce hospital costs, improve accuracy and reduce the need for multiple procedures. The technology is approved for use in brain surgery and is involved in a number of oral cancer and breast cancer studies.

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 SEPTEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	110	110
1.2 Payments for		
(a) research and development	(347)	(347)
(b) product manufacturing and operating costs	(125)	(125)
(c) advertising and marketing	(10)	(10)
(d) leased assets	-	-
(e) staff costs	(114)	(114)
(f) administration and corporate costs	(101)	(101)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(34)	(34)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	701	701
1.8 Other (COVID-19 grants)	153	153
1.9 Net cash from / (used in) operating activities	233	233
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,431	2,431
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	-	-
3.5	Proceeds from borrowings	185	185
3.6	Repayment of borrowings	(545)	(545)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Payment of lease liabilities	(46)	(46)
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	2,025	2,025
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	526	526
4.2	Net cash from / (used in) operating activities (item 1.9 above)	233	233
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,025	2,025
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,784	2,784

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	2,784	526
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)	2,784	526

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	25
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>		

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. 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.		
<p>During the previous financial year the Company received financing secured against its anticipated Research and Development tax credit for the period July 2019 – June 2020 (FY20 R&D Credit) arranged by Radium Capital of \$573K (including interest and costs). The Company provided collateral over its FY20 R&D Credit and any claims and books and records in respect of the FY20 R&D Credit. The financing was repaid during the current quarter following receipt of the FY20R&D Credit.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	233
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,784
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,784
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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.

30 October 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.