

ASX Announcement
29 July 2022

APPENDIX 4C

QUARTERLY ACTIVITIES & CASHFLOW REPORT

QUARTER ENDED 30 JUNE 2022

Melbourne, Australia, 29 July 2022: 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 2022 (**Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Continuation of talent recruitment campaign with additional hires in engineering, quality assurance and finance.**
- **New strategic distribution partnership with China-based Sinsi Technology Co Ltd to expand global reach.**
- **Finalising preparation for submission to FDA for 510(k) approval to market InVivage® clinical device for use in human oral cancer screening.**
- **Total Cash Flows of (\$1.4m) for the Quarter with Cash Flows from Operating Activities of (\$1.3m) for the Quarter ending 30 June 2022.**

Continuation of Talent Recruitment Campaign

The appointment of new key management staff underpins the company's global preparedness to commercialise and market Optiscan's unique technology. New talent recruitment in engineering will advance competencies in electronics, software, optics, signal processing and microdevices, while new talent in quality assurance will ensure the company meets all customer and regulatory requirements for medical device manufacturing. Finally, additional resource in finance will further strengthen team capabilities in Financial Planning and Analysis including internal controls, reporting, and international business processes.

New Strategic Partnership

Optiscan announced an exciting new distributor partnership with China-based Sinsi Technology Co Ltd with a focus on the greater China market, including Hong Kong and Macau. It excludes the greater Shanghai area and Taiwan, where Optiscan already has existing relationships with local distributors. The agreement covers the innovative ViewnVivo® device, focused on the pre-clinical and research sectors. The agreement further expands Optiscan's global footprint.

Update regarding United States Food and Drug Administration (FDA) approval for the InVivage® device in the United States

During the Quarter, Optiscan made significant progress with the preparation of its submission for FDA 510(k) clearance to market the InVivage® clinical device for use in human oral cancer screening in the United States. Updates on planned further regulatory submissions in the US and/or other markets, will be made in due course.

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Distributor support and training

Following the appointments in sales and marketing, Optiscan commenced a new training program for all current Distributor Partners in the Asia Pacific, which focused on improving fundamentals and was borne out in development of three separate training modules focusing on the marketing and sales of the ViewnVivo® product. The modules roll out across July and August 2022, and are tailored to each individual market. Each module delivers distinct content to support our Distributor Partners to best represent Optiscan in their respective markets. The focus on marketing and sales content will drive the ViewnVivo® value proposition to the pre-clinical research market.

Oral Cancer Screening Application – InVivage®

Oral Cancer Trial at Melbourne Dental School

The Melbourne Dental School (MDS) trial to improve screening, diagnosis, and treatment of oral cancer continued in the June 2022 quarter; with all planned imaging for this part of the trial complete, data analysis is continuing. The final report from this study is due by end September 2022.

Australian Centre for Oral Oncology Research & Education

Significant progress has been made in oral lesion imaging by Professor Farah and his team in Perth, with new cases imaged with multiple dyes and correlated with histopathology. Advanced correlation study analysis has been undertaken for potential development of alternative molecular markers and machine learning algorithms to enhance imaging and improve diagnostic accuracy.

Adelaide Dental School

18 excisional biopsies have been imaged as part of the Adelaide trial out of a planned 20 samples. The project proved feasibility, and discussions for further collaboration opportunities are underway. The Chief Investigator is planning to present data from the work at the Australian and New Zealand Head and Neck Cancer Society conference on the Gold Coast in August 2022, where the company will be exhibiting.

Raising of International Profile through conference sponsorship, exhibition, and presentations

In preparation for the planned launch of InVivage® in the US in 2023, Optiscan was platinum sponsor and exhibitor at the American Academy of Oral Medicine in Memphis in May 2022, attended by key oral medicine physicians. The company then exhibited at the 8th World Congress of the International Academy of Oral Oncology (IAOO) in Chicago in June 2022. The IAOO is the largest independent multidisciplinary head and neck cancer academy in the world, comprising primarily of surgeons. Prof. Farah was invited to present on '*Oral Confocal Laser Endomicroscopy: A Paradigm Shift towards Real-time In Vivo Digital Pathology.*'

To more broadly raise Optiscan's national and international profile, Prof. Farah was keynote speaker at the Saudi Commission for Health Specialities Scientific Council of Oral Medicine & Pathology in May 2022 and presented on the diagnosis and management of oral cancer, precancerous pathology, and the utility of optical technologies, notably Optiscan's real time digital pathology platform. Prof. Farah also attended a number of Saudi hospital facilities. Prof. Farah then presented at the Dental Hygienists Association of Australia in Darwin in June 2022, on novel ways to integrate dental hygienists and oral health therapists into oral medicine practice, including telehealth opportunities available to them through the power of real-time digital pathology.

Interest in Optiscan's technology across all events was significant with a large number of leads generated, and the company is looking forward to continuing to build on this momentum in preparation for the planned US launch of InVivage® in 2023.

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Breast Cancer Surgical Margin Assessment Study

Ethical approvals for the extension to the Breast Cancer Surgical Margin Assessment study have been received, and Optiscan is working to finalise details for further imaging to be performed in surgery and pathology, adding new insights to the utility of our core technology in breast resection surgery. Histopathological slides from the first 40 patients are being digitized and blind analysis is ongoing.

New ERP system launched

Optiscan implemented and launched its new M1 ERP system in July 2022, which provides integration and automation capabilities in areas including procurement and manufacture through quoting and invoicing, made possible via a vast array of business analysis and productivity tools. This new system is essential to Optiscan's expansion and efficiency of manufacturing operations, overall driving further towards world-class operational excellence.

External Audit

Optiscan successfully passed ISO 13485:2016 Annual Surveillance Audit. The Quality Management System is continuously assessed as part of the ISO 13485:2016 certification. This validates Optiscan's ability to provide products that consistently meet customer and regulatory requirements, whilst demonstrating a commitment to the safety and quality of medical devices.

Corporate Update and Outlook

\$169k revenue was derived from Carl Zeiss orders shipped in the Quarter and \$7k from other parties. Orders worth EUR 460k were received in the Quarter from Carl Zeiss.

Cash receipts from customers during the quarter totalled \$176k. Research and development cash costs during the quarter amounted to \$814k. The Company incurred \$271k in cash outlay on manufacturing and operating costs.

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 and salaries.

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

For investor queries, please contact:

Prof Camile Farah
CEO and Managing Director
E: cfarah@optiscan.com

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 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 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	176	930
1.2 Payments for		
(a) research and development	(814)	(2,513)
(b) product manufacturing and operating costs	(271)	(1,199)
(c) advertising and marketing	(16)	(123)
(d) leased assets	-	-
(e) staff costs	(266)	(1,613)
(f) administration and corporate costs	(89)	(400)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(77)
1.7 Government grants and tax incentives	-	1,144
1.8 Other (provide details if material)	-	1
1.9 Net cash from / (used in) operating activities	(1,279)	(3,832)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(79)	(122)
(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)	-	-
2.6	Net cash from / (used in) investing activities	(79)	(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	24	245
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payments for lease liabilities)	(59)	(207)
3.10	Net cash from / (used in) financing activities	(35)	38
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,919	8,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,279)	(3,832)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(79)	(122)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(35)	38
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	4,529	4,529

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	4,529	5,919
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)	4,529	5,919

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	208
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.	N/A	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,279)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,529
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,529
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.54
<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.

29 July 2022

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.