OptiScan Imaging Limited
ABN 81 077 771 987

ASX Announcement
31 January 2022

APPENDIX 4C
QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER ENDED 31 DECEMBER 2021

Melbourne, Australia, 31 January 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 31 December 2021 (**Quarter**). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Change in CEO/Managing Director with appointment of Prof Camile Farah to lead the clinical growth phase of the Company.**
- **Second Australian sale of a FIVE2 system to Walter and Eliza Hall Institute of Medical Research.**
- **University of Melbourne's Dental School (MDS) clinical study to improve screening, diagnosis and treatment of oral cancer progressed with 40 imaging sets completed using topical fluorescein by the end of the Quarter as part of FDA submission.**
- **Progress continues in preparing for the application for FDA approval for the InVivage™ device for use in oral cancer screening and surgery in the United States.**
- **Completed imaging 38 patients in the Breast Cancer Surgical Margin Assessment Study with analysis of images ongoing.**
- **Increased sales pipeline for FIVE2 system with funding applications for purchases made and demonstrations conducted in Australia and North America.**
- **Customer receipts from sale of FIVE2 devices and additional orders from Carl Zeiss Meditec AG (CZM) of $362k.**
- **Receipt of Optiscan's R&D Tax Incentive rebate for the 2020/21 financial year amounting to $770k.**
- **Total Cash Flows of ($362k) for the Quarter with Cash Flows from Operating Activities of ($387k) for the Quarter ending 31 December 2021.**

Developments Post End of Quarter

- **The Company held its Annual General Meeting on 20 January 2022, which was extremely well attended. There was overwhelming support for recent Company changes, with all resolutions passing with 97%. The conclusion of the AGM saw the retirement of non-executive director Dr Phil Currie.**

Oral Cancer Surgery and 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 December 2021 quarter with 18 new patients imaged with fluorescein resulting in 48 unique patients imaged and 40 with corresponding histopathology currently being analysed.

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Patient recruitment was impacted by COVID-19 restrictions in hospitals which has slowed the rate of imaging. Increased vaccination rates and the removal of various travel and other restrictions are expected to significantly increase the rate of imaging and analysis.

Other Oral Cancer Studies
With the appointment of Prof Farah as the new CEO/Managing Director, recruitment of patients for stage 1 of the Oral Lesions Screening study at the Australian Centre for Oral Oncology Research & Education in Perth has been undertaken, with results currently being analysed. The study incorporates imaging of a variety of oral pathologies with correlating histopathology for the determination of clinical accuracy utilising the Optiscan technology.

During the Quarter, the University of Adelaide Dental School received Optiscan's FIVE2 (ViewnVivo) system for the ex vivo study to assess Optiscan's FIVE2 (ViewnVivo) technology as a diagnostic tool to detect Oral Squamous Cell Carcinoma. The system has received hospital and ethics clearance for operation, with the first patient assessment due in late February. Use of Optiscan's technology by another leading Australian university will be an important validation of its utility as Optiscan moves closer to FDA approval and commercialisation of its clinical device.

Discussions are progressing with leading Australian hospitals to undertake an oral cancer surgical clinical trial for assessment of surgical margins, opening another application for Optiscan's clinical device InVivage™.

Preparations for seeking United States Food and Drug Administration (FDA) approval for the InVivage™ device in the United States

During the Quarter, Optiscan continued to progress preparing for its application for 510(k) clearance to market the InVivage™ clinical device for use in human oral cancer screening and surgery in the United States.

Optiscan has been working closely with United States based independent contract testing laboratories for medical devices and pharmaceuticals to progress various cleaning, disinfection, electrical and laser safety tests. The nature of these tests means they involve various stages and iterations. During the Quarter, internal validation and verification procedures continued, including life testing the new build of the probe and of the system.

Development of the strategy for InVivage's market entry into the United States continues, with the objective of having a clear pathway to commercialisation when FDA approval is received. Optiscan continues to work with branding specialists and medical device consultants to develop the InVivage branding strategy and market entry strategy. The United States market entry strategy for InVivage is supported by funding from Federal Government Entrepreneurs' Programme Growth Grant.

Breast Cancer Surgical Margin Assessment Study

The Breast Cancer Intraoperative Assessment Study at Royal Melbourne, Frances Perry and Epworth Hospitals concluded recruitment for the first stage of image analysis and correlation with histopathology. A total of 38 patients with 44 lumpectomies were imaged by the end of the Quarter, with 3 patients and 4 lumps completed during the Quarter. Image analysis of corresponding confocal images with histopathology has commenced and is ongoing. Optiscan will be putting additional pathology resources to accelerate the interpretation of images. Planning has commenced for the next phase of breast imaging studies in anticipation of the results from the margin assessment study.

Neurosurgery – CONVIVO - Carl Zeiss Meditec Collaboration

The collaboration with Carl Zeiss Meditec AG (CZM) in neurosurgery continues with further orders for our technology for the CONVIVO device totalling $50k in the Quarter and ongoing collaboration on new proposals.

FIVE2 (ViewnVivo) Distribution

The Company continued to develop its sales pipeline and distribution arrangements for the FIVE2 system both in Australia and offshore. Universities, cancer centres and other research institutions have expressed strong interest in the FIVE2 device for a range of applications including basic research, veterinary science and for the exploration of new clinical applications.

The second Australian sale was recorded in the Quarter to Walter and Eliza Hall Institute of Medical Research. The system was trialled by a research team at the WEHI who subsequently purchased the device for their ongoing research aims.

During the Quarter, a number of discussions and demonstrations were held with highly regarded Australian medical research institutions and hospitals including Monash University, University of Melbourne, Peter MacCallum Cancer Centre and the Children's Medical Research Institute in Sydney.

In Europe, the system previously delivered to the University of Bergen in Norway has generated high quality images used for monitoring fish health in aquaculture. Discussions are ongoing for developing this application further.

Activity in North America continues to gain momentum with several discussions and virtual demonstrations with leading universities and hospitals including Johns Hopkins University, Memorial Sloan Kettering Cancer Centre (separate to the existing oral application), McMaster University, University of Guelph, and a leading US-based pharmaceutical company.

COVID-19 update

The Company continues to maintain a COVID-19 safe working environment. Optiscan has modified conducting presentations and demonstrations remotely and is closely managing its customers and suppliers throughout the COVID-19 pandemic. As Australia's internal and international borders re-open, Optiscan has already planned attending multiple national and international exhibitions and conferences and is confident of the resumption of live demonstrations.

Corporate Update and Outlook

Receipts from customers during the quarter totalled $362k and the Company received funds amounting to $80k pursuant to the exercise of options during the Quarter.

Research and development costs during the quarter amounted to $525k. The Company incurred $492k in manufacturing and operating costs.

The Company received $770k in respect of the R&D Tax Incentive rebate for the 2020/21 financial year and received the balance of the sale proceeds from the Swinburne and WEHI sales.

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
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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 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.

Appendix 4C

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

Name of entity

OPTISCAN IMAGING LIMITED

ABN	**Quarter ended ("current quarter")**
81 077 771 987	31 DECEMBER 2021

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	362	691
1.2	Payments for		
	(a) research and development	(525)	(1,102)
	(b) product manufacturing and operating costs	(492)	(753)
	(c) advertising and marketing	(35)	(76)
	(d) leased assets	-	-
	(e) staff costs	(383)	(772)
	(f) administration and corporate costs	(103)	(238)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(77)	(77)
1.7	Government grants and tax incentives	860	991
1.8	Other (provide details if material)	-	2
1.9	**Net cash from / (used in) operating activities**	**(387)**	**(1,322)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(4)	(4)
	(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**	**(4)**	**(4)**

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	80	221
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)	(50)	(100)
3.10	**Net cash from / (used in) financing activities**	**30**	**121**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	7,598	8,442
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(387)	(1,322)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)

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)	30	121
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**7,237**	**7,237**

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	7,237	7,598
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)**	**7,237**	**7,598**

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	183
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
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)	(387)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,237
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,237
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	18.70

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.

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

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.

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 January 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.