ASX Announcement
28 July 2023

APPENDIX 4C
QUARTERLY ACTIVITIES & CASHFLOW REPORT
QUARTER 30 JUNE 2023

Optiscan Imaging Limited (ASX: OIL) (Optiscan or the Company), a leader in medical imaging using confocal laser endomicroscopy, herewith releases its Appendix 4C Quarterly Cashflow report and business update for the quarter ended 30 June 2023 (Quarter). All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter:

- A partially underwritten renounceable entitlement offer of $16.7M was successfully raised to fund strategic portfolio expansion.
- FY23 cash receipts nearly doubled to $1.8m, with cash receipts from customers of $483k this Quarter.
- Year to date net cash outflow from operating activities decreased by $700k, with total net cash outflow for the Quarter of ($1.3m).
- Significant progress made for the FDA De Novo application for the InVivage® oral imaging device.

Capital Raise

During the Quarter, the Company launched a partially underwritten renounceable entitlement offer to raise $16.7M to fund its strategic portfolio expansion. The Offer was structured to raise up to $16,698,816 by the issue of up to 208,735,201 Shares in the capital of the Company at an issue price of $0.08 per Share. The Company engaged substantial shareholders, Peters Investments Pty Ltd (Peters) and Orchid Capital Investments Pte. Ltd (Orchid) to partially underwrite the Offer. Peters agreed to partially underwrite $6,950,000 of the Offer being 86,875,000 Shares and Orchid agreed to partially underwrite $2,863,733 of the Offer being 35,796,663 Shares both at the issue price of $0.08 per Share. In addition, Peters and Orchid agreed to subscribe for their full entitlements under the Offer, being 35,791,667 Shares (to the value of $2,863,333) for Peters and 29,828,333 Shares (to the value of $2,386,266) for Orchid. The Offer included a shortfall facility under which Eligible Shareholders that have taken up their full entitlement under the Offer could apply to take up additional Shares in excess of their pro rata entitlement.

The funds raised will be used to accelerate the Company's research and development (R&D) projects for:

- Rigid and flexible surgical applications,
- Improving image capture, AI and telepathology capabilities,
- Clinical studies to support FDA applications in relation to pre-market notification applications for new addressable markets,
- Increasing the commercial exposure of the Company, particularly the US

Technology and Clinical Outreach

In May 2023, Optiscan attended the American Academy of Oral Medicine Annual Conference in Savannah, Georgia. The Company showcased a live demonstration of its technology to an array of global key opinion leaders. Dr Camile Farah, Optiscan's Managing Director, was also invited to present a keynote address at the event alongside Prof Catherine Poh from University of British Columbia, Vancouver. The plenary session entitled 'Digital Meets Molecular in the Infinite Multiverse', provided broader insights into digital pathology from a clinical perspective using Optiscan technology.

In preparation for advancements in its Artificial Intelligence (AI) and Telepathology solutions, the Company was successful in its application to the ANDHealth ACTIVATE 2023 program. ANDHealth is Australia's leading provider of accelerator, incubator and commercialisation programs for digital health technology companies, and is providing Optiscan with access to industry leading experts to help accelerate commercialisation of its SaMD solutions.

The Company attended the Digital Health Festival in Melbourne in June which brought together digital leaders, start-ups and investors in digital health technology. Coupled with the ANDHealth program, the Company's presence at the Digital Health Festival marks a significant milestone in the Company's push towards the development and commercialisation of its digital health solutions associated with its hardware offerings.

Marketing, Communications & Public Relations

The current Quarter continued the posting of regular updates to shareholders, customers and key stakeholders. Activities included:

- Attendance at the 2023 BioMelbourne Network Connecting Women Lunch, an event that fosters connections among women in Melbourne's biotech sector. This event was attended by nearly 600 delegates from the Victorian life science and healthtech community.
- Participation at the Digital Health Festival in Melbourne to connect with nearly 4,500 digital MedTech attendees as the Company builds plans for its AI and Telepathology solutions.
- Optiscan was featured as a customer story as part of the AusIndustry Entrepreneurs Programme, and successful implementation of the "bDesign" and "uPAT" frameworks.
- Following the announcement of the Entitlement Offer, the Company was featured prominently across media outlets including The West Australian, Bulls'n'Bears, Stockhound, AusBiotech, BioMelbourne Network, Mirage News, Australian Manufacturing Forum, Boardroom Herald and Market Tribune. Of particular note, Optiscan was featured in The West Australian, and the article "Optiscan on mission to revolutionise medical imaging" received broad coverage across The West Australian media platforms that reach nearly 600,000 followers.

Food and Drug Administration (FDA) submission for the InVivage® device in the United States

The Company continues to work closely with its US based Regulatory Consultants and the FDA on the planned De Novo Submission. Significant progress is being made, with the objective to complete this within the shortest commercially realistic timelines possible.

Several key components of the De Novo InVivage® probe submission have been achieved in the Quarter, notably the passing of the required disinfection procedure and changes to the user interface software aligned to the device's intended use. In response to FDA feedback, further development work is being accelerated for a suitable sterile sheath for the probe as well as undertaking studies to support the Company's choice of the most

appropriate form of fluorescein contrast agent for oral imaging, in anticipation of a meeting with the FDA in the next quarter.

Re-analysed data from the Melbourne Dental School study is also being incorporated into the Submission in a manner allied with FDA requirements. Additionally, data from the Company's recent publication of acquired datasets is being used to further demonstrate the utility and effectiveness of the InVivage® in acquiring interpretable digital images of oral tissues linked to currently accepted clinical and histological guidelines such as those of the World Health Organisation.

Product Development

Modifications to the InVivage® user interface were completed during the Quarter to ensure a more intuitive and user-friendly experience. A new probe design has been finalised for the InVivage® device and passed rigorous disinfection testing at a certified laboratory.

The Company has made significant progress in its Telepathology and Artificial Intelligence / Machine Learning platforms. A proof-of-concept telepathology solution based on cloud infrastructure was demonstrated, and suitable machine learning pipelines were identified. Optiscan will now proceed with its partner Prolucid Technologies to implement these solutions. Concurrently, technology roadmaps have being finalised to enhance the Company's core imaging capabilities and accelerate its product portfolio, awaiting the outcomes of its recent capital raise to fund these developments. These include devices to satisfy large market segments including intraoperative surgery, pathology, gastroenterology and veterinary medicine.

Data from the breast surgery ex vivo imaging of lumpectomies continues with encouraging readouts of both fresh and fixed cancerous tissue compared to normal margins.

Distributor Support and Sales Generation

During this Quarter, the Company has undertaken review of its APAC distributor network and has consolidated its partnership base to focus on Biotimes and Sinsi Technology Limited in China. This has facilitated a closer collaboration and focus towards achieving revenue for ViewnVivo® in China.

To optimise market penetration and enable a strategic geographic distribution approach, the Company exited the distributor contract in Taiwan to consolidate distribution under a Greater China model during the second half of 2023. Additionally, the Company terminated the South Korean distributorship due to lack of performance.

The Company's strategic focus is on the North American market for its life sciences product and this is being enabled by the imminent appointment of sales and marketing hires in that jurisdiction.

Manufacturing & Production

All customer orders for Q4 FY23 were completed and shipped on time, facilitated by the implementation of the Company's new Enterprise Resource Planning software (M1), which provided significant efficiency improvements in control of purchasing, inventory and production work orders.

Ongoing production continues as the Company fulfilled all committed production and service specific orders for the Quarter, rounding out the financial year on a positive. During this period, Optiscan successfully completed the ISO 13485:2016 Annual Surveillance Audit. The ongoing evaluation of the Company's Quality

Management System (QMS) is an integral part of maintaining the ISO 13485:2016 certification. This accomplishment confirms Optiscan's capability to deliver products that consistently satisfy customer and regulatory requirements, while demonstrating dedication to the safety and quality of medical devices.

People & Culture

During the last quarter, Optiscan prioritised the establishment of its US office, demonstrating the commitment to US expansion. The Company has engaged a talent acquisition company to recruit a skilled team who will contribute to business growth and support its operational requirements in sales, marketing and corporate development.

Additionally, the Company has appointed dedicated employees for its clinical trials team to conduct feasibility studies and comprehensive clinical trials in support of new product developments, ensuring the delivery of high-quality data to support regulatory and commercialisation outcomes.

To reduce the Company's carbon footprint, in this Quarter the Company successfully installed a solar panel system which will lower energy costs while enhancing overall operational efficiency. Optiscan is proud to embrace sustainable manufacturing practices that align with its corporate values 'Responsible and Accountable' aligned to its Environmental, Social and Governance (ESG) credentials.

Corporate Update and Outlook

In the June Quarter, the Company received $483k from its customers, which demonstrated continued momentum in sales as the financial year 2023 ended with cash receipts nearly doubling for the year to $1.8m.

As the Company continues to invest in R&D and accelerate commercialization, the Company has been able to leverage on external skills, expertise, and access non-dilutive funding through various grant programs. One of these was the Australian Government Entrepreneurs' Growth Program for which the Company received $20k in funding and was given the opportunity to work closely with industry professionals.

With multiple R&D projects running involving AI, Telepathology, and further product development, the R&D investment cost for the Quarter was ($899k), leading to a total net cash outflow for the Quarter of ($1.3m). Overall for the financial year 2023, cash outflow from operating activities has decreased by $700k due to management's prudent cost control despite more business activities.

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, 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.

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	30 JUNE 2023

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	483	1,815
1.2	Payments for		
	(a) research and development	(899)	(2,275)
	(b) product manufacturing and operating costs	(282)	(1,119)
	(c) advertising and marketing	(9)	(95)
	(d) leased assets	-	-
	(e) staff costs	(461)	(2,243)
	(f) administration and corporate costs	(55)	(370)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	8	30
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	20	1,104
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,195)**	**(3,153)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(127)
	(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**	**-**	**(127)**

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	7	41
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(60)	(188)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payments for lease liabilities)	(55)	(227)
3.10	**Net cash from / (used in) financing activities**	**(109)**	**(375)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,179	4,529
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,195)	(3,153)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(127)

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)	(109)	(375)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**875**	**875**

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	875	2,179
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)**	**875**	**2,179**

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	160
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)	(1,195)
8.2	Cash and cash equivalents at quarter end (item 4.6)	875
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	875
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	0.73

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: Yes.

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: $16.7m in funds have been successfully raised in July 2023, through share entitlement issue.

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: Yes, capital raised in July 2023 will be used to fund R&D projects and to further commercialise its product offerings.

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.

28 July 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.