

# OPTISCAN IMAGING LIMITED

[ABN 81 077 771 987]

("the Company")

## PROSPECTUS

A non-renounceable pro rata Rights Issue of 2 new shares (**New Shares**) for every 9 Shares held on the Record Date at an issue price of 2.5 cents (\$0.025) per New Share issued to raise up to approximately \$1,415,000 before costs of the issue.

The Rights Issue is underwritten by Life Sciences Pty Ltd [ACN 606 378 410].

The Rights Issue closes at 5pm (Melbourne time) on 12 August 2016 (which date may change without notice).

**THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay.

**The New Shares offered under this Prospectus are considered speculative.**

## **CORPORATE DIRECTORY**

Optiscan Imaging Limited  
[ABN 81 077 771 987]

### **Directors**

Mr Alan Hoffman – Non-executive Chairman  
Mr Peter Francis – Non-executive Director  
Dr Ian Griffiths – Non-executive Director  
Mr Ian Mann – Non-executive Director

### **Chief Executive Officer**

Mr Archie Fraser

### **Company Secretary**

Mr Michael Corry

### **Registered Office**

15-17 Normanby Road, Notting Hill, Victoria, 3168

Telephone: +61 3 9538 3333

Facsimile: +61 3 9562 7742

### **Share Registry and Address for Return of Acceptances**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067

### **ASX Code**

OIL

### **Web Site**

[www.optiscan.com](http://www.optiscan.com)

## **IMPORTANT NOTE**

This Prospectus is dated 22 July 2016. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission (**ASIC**) on the same date. Neither the ASIC nor ASX Limited (**ASX**) nor their respective officers take any responsibility as to the contents of this Prospectus.

This Prospectus contains and applies to the offer of New Shares under the Rights Issue including the offer (if any) of New Shares from the shortfall during the 3 months after the Closing Date.

You should read this document carefully before you make a decision to apply for New Shares. An investment in the Company has risks, which you should consider before making a decision to invest.

The New Shares offered under this Prospectus should be considered speculative.

## TIMETABLE

Lodgement of Prospectus	22 July 2016
“Ex” date	27 July 2016
Record date to identify shareholders entitled to participate in the Rights Issue ( <b>Record Date</b> ) at 7pm (Melbourne time)	28 July 2016
Prospectus dispatched to shareholders entitled to participate in Rights Issue	3 August 2016
Closing Date at 5pm (Melbourne time)	12 August 2016
Notice of under-subscriptions given to ASX	18 August 2016
Issue Date	22 August 2016

*The above dates should be regarded as **indicative only**. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company reserves the right to change the above dates, to close the Rights Issue before the date stated above, to extend the Closing Date and subsequent dates, or not to proceed with the Rights Issue. It is a condition of the Rights Issue that ASX approves the reinstatement of the Company’s securities including the New Shares to quotation (see Section 1.6). This may result in delays to the indicative timetable.*

*No securities will be issued on the basis of this Prospectus after 21 August 2017, being the expiry date of this Prospectus.*

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## KEY INVESTMENT RISKS – SUMMARY

Please read and consider this Prospectus in full in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding applying for New Shares, exercising any existing convertible notes or making an investment in the Company. In particular, the risks described in Section 5 include risk areas considered specific to the Company which are summarised below.

- The speculative nature of research and development in the biotechnology, scientific research and medical product development fields and the commercialisation of the results of that research and development.
- The competitive nature of the field that the Company its business and the potential ability of any competitor to the Company produce any product/s similar to those produced by the Company in a timelier and/or more cost-effective manner.
- The ability of the Company to protect its intellectual property.
- Reliance on key personnel.
- Contractual risks such as third parties not complying with their contractual obligations, acting fraudulently, or terminating agreements early.
- The Company having sufficient funds to conduct its business.
- Regulatory risk and the potential for changes in government policy that adversely effects the Company's business.
- Potential for insurance coverage to be beyond commercial terms acceptable to the Company.
- Uncertainty of future profitability.
- Operational risks and the potential for costs to the Company to conduct its business becoming unsustainable.
- Risks inherent in doing business which could adversely impact on the success of the Company's operations and the market price of its securities.
- The shareholding in the Company of shareholders who do not take up their entitlements pursuant to the Rights Issue will be diluted.
- The speculative nature of investment in the Company.
- Economic risks including that economic conditions may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

In addition to the above, there are other risks of a more general nature, such as general economic and market conditions.

### ABOUT THE OFFER – SUMMARY

The following summary provides only a limited overview. Further detail is set out in this Prospectus. Please read and consider this Prospectus in full before making any decision regarding applying for New Shares, exercising convertible notes or investment in the Company.

Topic	Summary	For more information see:
What is the offer?	The offer (called the <b>Rights Issue</b> ) is a pro rata, non-renounceable offer of shares made to eligible shareholders to acquire up to a specified number of New Shares.	Section 1.1
What is my entitlement to New Shares?	<p>If you are an Eligible Shareholder, you are entitled to acquire 2 New Shares for every 9 Shares you hold at 7.00 pm (Melbourne time) on the Record Date, 28 July 2016, on and subject to the terms of this Prospectus.</p> <p>If you are an Eligible Shareholder, your entitlement to New Shares is set out in a personalised Entitlement and Acceptance Form accompanying this Prospectus.</p>	Section 1.1 and the personalised Entitlement and Acceptance Form accompanying this Prospectus
What is the offer price?	2.5 cents (\$0.025) per New Share.	Section 1.1
Am I an eligible shareholder?	Eligible Shareholders are shareholders of the Company registered as holders of Shares as at 7.00 pm (Melbourne time) on the Record Date whose address in the Company's register of members is in Australia or New Zealand.	Section 1.1 and 1.3
What if I am not an eligible shareholder?	<p>The Company has decided that it is unreasonable to make the Rights Issue offer outside Australia and New Zealand having regard for:</p> <ul style="list-style-type: none"> <li>• the number of holders in places where the Rights Issue would be made;</li> <li>• the number and value of securities those holders would be offered; and</li> <li>• the cost of complying with the legal and regulatory requirements in those jurisdictions.</li> </ul> <p>Accordingly, if you are not an Eligible Shareholder, no offer is made to you.</p>	Section 1.3
What is the purpose of the offer and how will the funds raised be used?	The Company is undertaking the Rights Issue to raise funds for proposed expenditure and working capital for its activities, general administrative costs and to pay the costs of the Rights Issue as described in Section 2.	Section 2
How much will be raised by the offer?	The Rights Issue will raise approximately \$1,415,000 before costs of the issue.	Section 1.1
Is the offer underwritten?	Yes, the Rights Issue is fully underwritten by Life Sciences Pty Ltd.	Sections 1.4 and 10

Topic	Summary	For more information see:
Are there any risks associated with an investment in the Company?	<p>There are risks associated with an investment in the Company. These include risks relating to the Company, risks relating to the offer and risks associated with financial investment generally.</p> <p>Please carefully consider the risks and the information contained in this Prospectus in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding your entitlement to New Shares or otherwise making an investment in the Company.</p>	Page 3 and Section 5
What can I do with my entitlement?	<p>You can do any of the following:</p> <ul style="list-style-type: none"> <li>• take up all of your entitlement (by accepting the offer in full);</li> <li>• take up part of your entitlement (by accepting part of the offer) and allow the balance to lapse (and the balance will form part of the underwritten shortfall);</li> <li>• do nothing, in which case all your entitlement will lapse and form part of the underwritten shortfall.</li> </ul>	Section 6.1
Can I trade my entitlement?	No, the offer is non-renounceable.	Section 1.2
What happens if I do not take my entitlement, or take up only part of my entitlement?	Not taking up your entitlement will result in your interest in the Company being diluted. If you do not take up all of your entitlement by the Closing Date the New Shares to which you were entitled will form part of the underwritten shortfall.	Sections 1.5, 4.1 and 5.1(L)
How do I take my entitlement (accept the offer)?	<p>If you wish to take up (accept the offer for) all or part of your entitlement you must either:</p> <p>(a) pay by BPAY using the BPAY details in the personalised Entitlement and Acceptance Form, so payment is received by no later than 5.00 pm (Melbourne, Victoria time) on the Closing Date 12 August 2016; or</p> <p>(b) complete and return the personalised Entitlement and Acceptance Form to Computershare Investor Services Pty Limited together with payment by cheque, bank draft or money order so the form and payment are received by the Share Registry by no later than 5.00 pm (Melbourne, Victoria time) on the Closing Date (12 August 2016).</p> <p>The amount payable if you are taking up your full entitlement is set out in the personalised Entitlement and Acceptance Form.</p> <p>If taking up less than your full entitlement, the amount payable is calculated by multiplying the number of New Shares you wish to take up by 2.5 cents (\$0.025).</p>	Section 6.2
Is there a minimum subscription amount?	<p>There is no minimum subscription amount. New Shares will be issued in response to all valid acceptances of entitlements received.</p> <p>Entitlements not accepted will form part of the underwritten shortfall to be taken up by the Underwriter, Life Sciences Pty Ltd, or as allocated by its sub-underwriters.</p>	Section 1.5

Topic	Summary	For more information see:
What are the tax implications of participating in the offer?	Taxation implications will vary depending upon the specific circumstances of shareholders. You should obtain your own professional advice as to the particular taxation treatment that will apply to you.	Section 12
How and when will I know if my acceptance was successful?	A holding statement confirming the issue of your New Shares is anticipated to be sent to you on or about 22 August 2016.	Section 6.3
Where can I find more information about the Company?	For more information on the Company please see the Company's website ( <a href="http://www.optiscan.com">www.optiscan.com</a> ) or refer to the Company's ASX announcements (available on the ASX's website <a href="http://www.asx.com.au">www.asx.com.au</a> ).	Section 8
What if I have any questions about the offer or how to accept or deal with my entitlement?	<p>You should consult your stockbroker, accountant, solicitor or other professional adviser before making any decision regarding applying for New Shares.</p> <p>If you have any questions regarding how to complete and return the acceptance form, contact details will be included in the Company's Entitlement and Acceptance Form.</p> <p>Questions concerning the Rights Issue can also be directed to the Company Secretary, Mr Michael Corry, on +61 (3) 9538 3398.</p>	Section 19

## 1. Details of the offer

### 1.1 The Offer

Optiscan Imaging Limited (“**the Company**” or “**Optiscan**”) offers to its shareholders, as recorded on the share registry records on the Record Date and who are otherwise eligible to accept the Rights Issue offer made under this Prospectus (each an “**Eligible Shareholder**”), the right to participate in a non-renounceable rights issue of 2 new fully paid ordinary shares (“**New Shares**”) for every 9 existing shares (“**Shares**”) held at the Record Date at an issue price of 2.5 cents (\$0.025) (“**the Rights Issue**”) per New Share. The Rights Issue will raise up to approximately \$1,415,000 (before costs).

Fractional entitlements to Shares will be rounded up.

### 1.2 No Rights Trading

Entitlements to New Shares pursuant to the Rights Issue are not renounceable and accordingly, there is no ability to trade rights on ASX or elsewhere.

### 1.3 Non-qualifying Foreign Shareholders

Only shareholders with addresses in the Company’s register of members in Australia and New Zealand are eligible to participate in the Rights Issue.

The Company has decided that it is unreasonable to make the Rights Issue offer outside Australia and New Zealand having regard for:

- the number of holders in places where the Rights Issue would be made;
- the number and value of securities those holders would be offered; and
- the cost of complying with the legal and regulatory requirements of regulatory authorities in those jurisdictions.

A total of 4,004,347 Shares (1.57% of existing issued Shares) are held by thirty-one (31) non-qualifying foreign shareholders in eleven (11) different countries. These Shares of the non-qualifying foreign shareholders are equivalent to entitlements to 889,855 New Shares (approximately \$22,247 at the 2.5 cent issue price). The entitlements of non-qualifying foreign shareholders will form part of the shortfall.

### 1.4 Underwriting

The Offer is underwritten by Life Sciences Pty Ltd [ACN 606 378 410] (“**the Underwriter**”).

The Company has agreed to pay the Underwriter, on completion of the Rights Issue, a fee of \$84,911 (being 6% of the amount underwritten) plus GST amount (“**Underwriting Fee**”). The Underwriter reserves the right to pass on some, or all, of the Underwriting Fee to nominees.

The Company has also agreed to issue the Underwriter 5 million options with an exercise price of 2.5 cents and an expiry date of 30 June 2018, subject to obtaining shareholder approval for the issue (if required). The Company proposes seeking the shareholder approval at or before the Company’s 2016 annual general meeting.

For further details of the underwriting agreement refer to Section 10.

### 1.5 Shortfall

Any part of your entitlement to New Shares under this Prospectus not taken up will form part of the shortfall.

Subject to the underwriting agreement, the Company reserves the right to offer and issue any remaining shortfall in New Shares at its discretion within 3 months after the Closing Date. The offer of New Shares from the shortfall is an offer of the New Shares offered under the Rights Issue not otherwise taken up by Eligible Shareholders.

## 1.6 ASX Listing

The Company will apply to ASX for admission of the New Shares to official quotation within 7 days of lodgement of this Prospectus. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or those securities.

If ASX does not grant permission for the Official Quotation of the New Shares within three months after the date of issue of this Prospectus (or such period as is permitted by the Corporations Act), the Company, in its absolute discretion, will either repay the acceptance monies to applicants without interest or (subject to any necessary ASIC or ASX waivers or consents being obtained) issue a supplementary or replacement prospectus and allow applicants one month to withdraw their acceptances and be repaid their acceptance monies without interest.

As at the date of this Prospectus the Company's securities are suspended from quotation (trading) on ASX. It is a condition of the Rights Issue that ASX approves the reinstatement of the Company's securities including the New Shares to quotation. This may result in delays to the indicative timetable. The New Shares offered under this Prospectus will not be issued until and unless that approval is received. If approval is not received, acceptance monies will be refunded in accordance with the Corporations Act without interest.

## 2. Purpose of the Offer

Funds raised by the Rights Issue are intended to be applied by the Company as set out below:

<b><i>Proposed use of funds</i></b>	<b>\$</b>	<b>%</b>
CellLIVE commercialisation	150,000	10.6%
2.4mm probe, including digital imaging and virtual biopsy	147,500	10.4%
2 <sup>nd</sup> generation rigid system	100,000	7.1%
Carl Zeiss collaboration	123,000	8.7%
General working capital and administrative costs	770,277	54.4%
Costs of the issue	125,000	8.8%
<b>TOTAL</b>	<b><u>1,415,777</u></b>	<b>100.0%</b>

The Company's Carl Zeiss collaboration demonstrates that Optiscan can deliver to market a leading technology. The image quality produced by Optiscan is globally recognised and the next phase requires this to be validated and executed in existing and new markets. The funds raised by the Rights Issue will be applied to the following uses, as set out in the above table and explained further below:

### **CellLIVE commercialisation**

The take-to-market strategy for non-clinical research markets includes:

- Appointment of a dedicated Product Manager.
- Working with existing customers of the first generation system to upgrade to CellLIVE.
- Setting up new distribution markets and secure partners - vertical and geographical.

### **2.4mm probe, including digital imaging and virtual biopsy**

Optiscan's 2.4 mm probe opens up new market possibilities across the clinical spectrum, including:

- Further research and development to finalise this probe as a stand-alone product
- Global commercialisation through the identification of new customers and specific partners who will take this to market
- Identifying commercial licensing opportunities
- Recruitment of additional staff to execute this strategy

Validating how Optiscan technology can produce cellular level, real time images which drive e-medicine applications including "virtual biopsy" and remote diagnosis.

## 2<sup>nd</sup> generation rigid system

Develop activities in women's health and robotic surgery applications.

- o Leverage the second generation rigid system.
- o Secure customers utilising the unique sterile sheath which has emerged from the collaboration with Carl Zeiss.

## Carl Zeiss collaboration

Further development of the Carl Zeiss collaboration. This includes the recruitment of additional staff to ensure that this major project is delivered to maximise returns.

## General working capital and administrative costs

This includes:

- Premises rent and other costs, administration staff costs, directors' fees, and audit and legal costs.
- Costs of the issue including legal costs, ASIC and ASX fees, printing and postage, and the 6% fee (plus GST) payable to the Underwriter.

The Company may also seek other opportunities in connection with or ancillary to its existing projects and activities, however there is no certainty that any other or further opportunity will be identified or, if identified, would be secured by the Company on satisfactory terms, at any particular time or at all. The Company may consider the allocation of part of the funds raised under this Prospectus to such opportunities depending on its assessment of those opportunities, alternative sources of funding those opportunities (if any) that might be available, and its other working capital and expenditure requirements at the time.

## 3. Effect of the Offer on the Company

The effect of the Rights Issue on the Company will be to:

- provide the funds to undertake the activities described in Section 2; and
- alter the capital structure of the Company as described in Section 4.

## 4. Effect on the Capital Structure of the Company

### 4.1 Shares and Convertible Notes

#### Capital Structure

The tables below set out the existing capital structure of the Company and the effect on the Company's capital structure of issuing the New Shares offered under this Prospectus.

#### SHARES

Existing issued ordinary shares	254,803,882
Shares offered under this Prospectus*	56,623,085
<b>Total*</b>	<b>311,426,967</b>

*\*Subject to rounding.*

The Company also proposes issuing 24 million Shares to an entity associated with Mr Ian Mann, a Director of the Company at an issue price of 2.5 cents each (the same issue price as the Rights Issue) to repay a loan of \$600,000. The issue of those Shares is subject to shareholder approval the Company proposes seeking at or before the 2016 annual general meeting. Those Shares would be in addition to the above Shares.

#### OPTIONS

Number	Expiry Date	Exercise Price
3,000,000	12 June 2017	\$0.10 (10 cents)

The Company also proposes issuing:

- A total of 7.5 million options to the CEO, Mr Archie Fraser, as announced on 13 May 2016. The options will have an exercise price which is \$0.025 (2.5 cents) above the 10 day volume average weighted price (VWAP) of the Company's Shares on ASX commencing on the day of reinstatement of the Company's Shares to quotation (trading) on ASX. The options will be issued after the price determination period. The options will vest in tranches as set out in the announcement of 13 May 2016, and will expire 3 years from vesting. The options will expire if Mr Fraser leaves the employment of the Company for any reason.
- 5 million options with an exercise price of 2.5 cents and an expiry date of 30 June 2018 to the Underwriter as set out in Section 1.4, subject to obtaining shareholder approval for the issue (if required). The Company proposes seeking the shareholder approval at or before the 2016 annual general meeting.

These options would be in addition to the above options.

#### Dilution

Shareholders who take up their rights pursuant to the Rights Issue will not be diluted, and will maintain their existing proportional (percentage) interest in the Company.

The percentage shareholding in the Company of shareholders who do not take up their rights pursuant to the Rights Issue will be diluted. Examples of the impact of dilution on existing holders where a shareholder does not take up its entitlement are set out below:

Shareholder (example)	Holding at the Record Date	% at the Record Date	2 for 9 entitlement under the Rights Issue	Holding if entitlement not taken up	As % of total Shares on issue after the Rights Issue
A	500,000	0.20%	111,112	500,000	0.16%
B	1,000,000	0.39%	222,223	1,000,000	0.32%
C	2,000,000	0.78%	444,445	2,000,000	0.64%
D	5,000,000	1.96%	1,111,112	5,000,000	1.61%
E	10,000,000	3.92%	2,222,223	10,000,000	3.21%

**Note:** The table above assumes that any shortfall is taken up in full pursuant to the underwriting arrangements (summarised in section 10) and that the total number of issued shares of the Company following completion of the Rights Issue is 311,426,967 shares. It is further assumed that the notional Shareholders in the examples above do not acquire or dispose of shares and that no convertible notes are converted into ordinary shares.

#### Substantial Shareholders

As at the date of this Prospectus, the following shareholders, which are associated with each other and with a current Director of the Company, Mr Ian Mann, have advised the Company that they (alone or with their associates) hold relevant interests in 5% or more of the voting shares of the Company.

The number of shares the substantial shareholders (and their associates, if applicable) will hold if they were to take up New Shares pursuant to the Rights Issue would be as follows:

Shareholders	Current total direct and indirect relevant interests (Shares)	% (of currently issued shares)	New Shares (2 for 9)	Post Rights Issue Holding if New Shares taken up	% (of total shares on issue after Rights Issue)
Ibsen Pty Ltd, Ibsen Superfund & Ezahc Pty Ltd	15,000,000	5.9%	3,333,334	18,333,334	5.9%

## The Underwriter

As at the date of this Prospectus, an associate of the Underwriter has a relevant interest in 921,335 (0.36%) of the existing issued shares of the Company. If no shareholder were to take up its entitlement to New Shares and all the New Shares offered were required to be taken up by the Underwriter, the Underwriter would hold direct or indirect interests in a total of 57,544,420 Shares (18.48% of the post-Rights Issue then issued Shares of the Company). This number and percentage would be reduced where New Shares are taken up by sub-underwriters arranged by the Underwriter.

The Underwriter has informed the Company that neither the Underwriter nor any sub-underwriters (or their respective associates) will receive or increase a relevant interest in 20% or more of the total issued Shares of the Company.

## **4.2 Pro-Forma Consolidated Statement of Financial Position of the Company**

Set out below is the pro-forma consolidated Statement of Financial Position of the Company and its controlled entities as at 31 May 2016.

The financial information provided in the pro-forma Statement of Financial Position has been extracted from the reviewed Interim Financial Report of the Company for the half-year ended 31 December 2015 lodged with ASX on 30 May 2016 and the unaudited management accounts the Company as at 31 May 2016.

The pro-forma Statement of Financial Position assumes the Rights Issue is fully subscribed (refer further below for Pro Forma adjustments) and raises \$1,415,000 less the estimated costs of the Rights Issue (being \$125,000 including the 6% fee plus GST payable to the Underwriter).

### **Optiscan Imaging Limited Pro-forma Consolidated Statement of Financial Position**

	31 Dec 2015 Reviewed \$ 000's	31 May 2016 Unaudited Management \$ 000's	Adjustments \$ 000's	31 May 2016 Unaudited pro-forma \$ 000's
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	916	583	1,611	2,194
Trade and other receivables	456	445	0	445
Inventory	28	25	0	25
Prepayments	<u>1</u>	<u>7</u>	<u>0</u>	<u>7</u>
<b>Total current assets</b>	<b><u>1,401</u></b>	<b><u>1,060</u></b>	<b><u>1,611</u></b>	<b><u>2,671</u></b>
<b>Non-current assets</b>				
Plant and equipment	<u>23</u>	<u>17</u>	<u>0</u>	<u>17</u>
<b>Total non-current assets</b>	<b><u>23</u></b>	<b><u>17</u></b>	<b><u>0</u></b>	<b><u>17</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,424</u></b>	<b><u>1,077</u></b>	<b><u>1,611</u></b>	<b><u>2,688</u></b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	517	577	0	577
Interest bearing loans and borrowings	847	1,101	0	1,101
Provisions	<u>229</u>	<u>208</u>	<u>0</u>	<u>208</u>
<b>Total current liabilities</b>	<b><u>1,593</u></b>	<b><u>1,886</u></b>	<b><u>0</u></b>	<b><u>1,886</u></b>
<b>Non-current liabilities</b>				
Provisions	<u>17</u>	<u>20</u>	<u>0</u>	<u>20</u>

	31 Dec 2015 Reviewed \$ 000's	31 May 2016 Unaudited Management \$ 000's	Adjustments \$ 000's	31 May 2016 Unaudited pro-forma \$ 000's
<b>Total non-current liabilities</b>	<b><u>17</u></b>	<b><u>20</u></b>	<b><u>0</u></b>	<b><u>20</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,610</u></b>	<b><u>1,906</u></b>	<b><u>0</u></b>	<b><u>1,906</u></b>
 <b>NET ASSETS / (LIABILITIES)</b>	 <b><u>-186</u></b>	 <b><u>-829</u></b>	 <b><u>1,611</u></b>	 <b><u>782</u></b>
 <b>EQUITY</b>				
Contributed equity	49,338	49,338	2,031	51,369
Retained earnings	-51,099	-51,742	-420	-52,162
Reserves	<u>1,575</u>	<u>1,575</u>	<u>0</u>	<u>1,575</u>
<b>TOTAL EQUITY</b>	<b><u>-186</u></b>	<b><u>-829</u></b>	<b><u>1,611</u></b>	<b><u>782</u></b>

Notes:

1. The financial information provided in the pro-forma consolidated Statement of Financial Position as at 31 May 2016 has been extracted from the unaudited management accounts as at that date.
2. The unaudited statement of financial position has been adjusted to reflect the following pro-forma adjustments:
  - a) Estimated trading losses for the months of June and July totalling \$450,000, reflected in a corresponding reduction in cash;
  - b) The share placement completed on 6 July 2016, when 29,980,000 shares were issued at \$0.025 per share, raising \$749,500 cash;
  - c) 1,000,000 shares being issued on 6 July 2016, with a deemed value of \$0.025 per share;
  - d) The rights issue raising \$1,415,577, less costs of the offer.

The Company's total number of ordinary shares on issue would be 311,426,967 (subject to rounding).

Basis of Preparation

The above pro forma Statement of Financial Position has been prepared in accordance with ASIC Regulatory Guide 230 *Disclosing non-IRRS Financial Information* issued December 2011.

The Pro-Forma Statement of Financial Position is based on actual, unaudited management accounts financial figures at 31 May 2016 and has been prepared to provide shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company following the Rights Issue. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Most recent reviewed financial statements

The reviewed Interim Financial Report for the half year ended 31 December 2015 was prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The reviewed Interim Financial Report for the six months ended 31 December 2015 contains historical financial information including the directors' report and financial statements of the type issued by Australian public companies, and the auditor's review report. The auditor's report on the reviewed Interim Financial Report for the six months ended 31 December 2015 contains an emphasis of matter that there is material uncertainty whether the consolidated entity will be able to continue as a going concern. Further details are set out in the Interim Financial Report and accompanying auditor's report as released to ASX on 30 May 2016. The reviewed 31 December 2015 half year financial report is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the reviewed 31 December 2015 half year Interim Financial Report during the application period of this Prospectus, which the Company will provide free of charge. In addition, a copy may be downloaded from company announcements which are published on the ASX web site.

### 4.3 Costs of the offer

The estimated anticipated costs of the Rights Issue are as follows:

Particulars	Amount (\$) (plus GST)
Legal, printing, postage and administrative	\$32,089
Underwriting Fee*	\$84,911
ASIC and ASX Fees	\$8,000
<b>TOTAL</b>	<b>\$125,000</b>

*\*Refer to sections 1.4 and 10.*

## 5. Risks

The Company's business activities are subject to a range of risks that may in the future affect the performance of the Company and the value of New Shares.

The summary below represents some of the major risk factors to be aware of in evaluating the Company's business and the risks of an investment in the Company before making any decision regarding applying for New Shares or investing in the Company. The summary is not exhaustive.

A review of operations is included as part of the 31 December 2015 half-yearly report of the Company which was released to ASX on 30 May 2016. The Company also will continue to make announcements regarding its activities, proposals and projects in accordance with its obligations as a continuously disclosing entity. Shareholders should therefore refer to and consider announcements made by the Company to ASX after the date of this Prospectus.

All information contained in this Prospectus should be considered, in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements, and professional advisors consulted before making any decision regarding applying for New Shares under this Prospectus.

The New Shares offered under this Prospectus should be considered speculative.

### 5.1 Company Specific Risks

#### (A) Research and Development Risks

Biotechnology, scientific research, medical product development and the commercialisation of the results of that work can be considered high-risk undertakings.

Investment in research and development ("R & D") companies cannot be assessed on the same fundamentals as trading and manufacturing companies. The Company is reliant on the success of its R & D projects and the effective and successful commercialization of the results of the Company's R & D. The Company is developing medical imaging systems which must undergo vigorous testing to satisfy regulatory authorities.

The development of new medical devices is an inherently high-risk process with a traditionally high rate of failure. There is no guarantee that the Company's R & D projects will be successful or prove themselves to be commercially effective and successful. The failure to achieve the objectives of the Company's R & D projects may prevent the Company from being able to commercialise a technology. This, in turn, may cause the Company to cease being able to operate as a going concern and have a serious adverse effect on the value of its securities.

#### (B) Competition

There is no assurance that other parties will not develop or achieve commercialisation of any products, technologies or intellectual property that compete directly with, are more effective or economic than, or that render obsolete the products, technologies or intellectual property that the Company is currently developing or may develop in the future.

In addition, even if the Company develops a product to a marketable stage and achieves commercialisation, competitors may have greater financial capacity to implement aggressive pricing or marketing policies that the Company is unable to compete with. Any such competition could materially and adversely affect the Company's financial position, performance and prospects (including reduced gross margins and loss of market share) and accordingly the value of any investment in the Company.

(C) Intellectual Property

The future commercial value of any of the Company's technology will depend, to a very large extent, on the ability of the Company to protect its assets and intellectual property through patents. Whilst the Company believes that appropriate and sufficient steps have been taken to protect the Company's proprietary technology, the law in any jurisdiction in which the Company operates may not adequately protect it or enable the Company's rights to be enforced with adequate force or effect. There can be no assurance that the measures already taken by the Company have been, or will be, adequate to protect the Company's proprietary technology.

(D) Key personnel

The responsibility of overseeing the day to day operations of the Company depends on its management and its key personnel. On 12 April 2016 the Company announced that the former Chairman had resigned and on 3 May 2016 the Company announced that former Executive Director Peter Delaney had resigned from the Board effective 2 May 2016. Mr Delaney remains as an employee and executive of the Company. Alan Hoffman has assumed the role of non-executive Chairman. Archie Fraser was appointed as Chief Executive Officer effective 16 May 2016.

During the past 12 months, the Company has seen a significant changeover in members of its Board, adding new directors with strong expertise in technology, improving business performance and commercialisation work. Board appointments include Ian Mann, appointed to the Board as a non-executive director on 9 December 2015, and Peter Francis and Ian Griffiths, both appointed to the Board as non-executive directors on 2 May 2016.

The financial performance of the Company and the value of an investment in the Company depend partly on the ability of the Company to retain key personnel and consultants who have expertise in, and who can perform, R & D and commercialisation work.

There is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all its planned R & D initiatives. Furthermore, no assurance can be given that there will be no adverse effect on the Company if one or more of the existing Directors or management personnel cease their employment or engagement with the Company.

(E) Contractual risk

The Company's ability to efficiently conduct its operations relies on the terms of its existing contractual arrangements. As in any contractual relationship, the ability for the Company to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations. To the extent that any such third party defaults in its obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

Certain material contracts of the Company (including contracts with major customers) contain provisions allowing for early termination or termination for convenience. If a third party exercises its rights in relation to early termination, there is no guarantee a suitable replacement arrangement will be entered into by the Company. Accordingly, early termination of certain contracts could have an impact on earnings or cause disruption to the Company's business.

(F) Availability of funding

The Company's ability to effectively implement its business strategy over is dependent on its ability to secure sufficient funding. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. Further, if existing funding relationships cease, and replacement funding is not available on the same or similar terms, earnings are likely to be negatively impacted.

(G) Regulatory risk and government policy

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes and Government policies in Australia and in other markets in which the businesses of the Company do and will operate, may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities.

Traditionally, Government policies in Australia set high standards in granting marketing approvals for new medical devices. There is no guarantee that any of the Company's devices/systems will achieve the required regulatory approval/s for commercialisation of the device or system. Any delay of failure in obtaining the required regulatory approval for any potential product would likely have a serious adverse effect on the Company's value and financial performance, and consequently the value of the Company's securities.

(H) Insurance arrangements

The Company maintains insurance within ranges of coverage that the Company believes to be consistent with industry practice, including for potential product liability risks that are inherent to R & D, marketing and the sale of its imaging systems. However, no assurance can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

(I) Uncertainty of future profitability

As set out in annual and half year financial reports, the Company has historically operated at a loss. It is not possible to anticipate if or when the Company may be profitable. The Company's ability to operate profitably in the future will depend on its ability to commercialise its products. This will depend on the ultimate demand for its products by consumers, which cannot be guaranteed. There is no certainty that the Company can successfully commercialise its projects and as a result, generate any income or profit. Accordingly, the extent of future profits of the Company, if any, and the time required to achieve a sustainable profitability, is uncertain.

(J) Operational risks and costs

The Company's current business is exposed to operational risks present in the current business including risks arising from system failure, failure of security and physical protection systems, customer services, staff skills and performance, premises presently being occupied without a long term lease, property maintenance, and potential end-of-lease property make good costs. Operational risk has the potential to have a material adverse effect on the Company's financial performance and position and reputation as well as the price of its securities. The Company will endeavour to take appropriate action or obtain appropriate insurance to mitigate these risks, however, certain residual risk will remain with the Company.

(K) Business risks

There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any and all of which could adversely impact on the success of the Company's operations and the market price of its securities.

(L) Dilution

The percentage shareholding in the Company of existing shareholders who do not take up their rights pursuant to the Rights Issue will be diluted. Further details of the potential dilutive impact of the Rights Issue are set out in Section 4.1.

(M) Speculative nature of investment

Acquiring or dealing with shares involves risks. An investment in the Company involves risks that may be higher than the risks associated with an investment in other companies.

No guarantee can be given about the market value or price of the New Shares (which may be less than the issue price).

The New Shares carry no guarantee with respect to the payment of dividends, return of capital or their market value or price.

(N) Economic risks

General economic conditions (see further below) may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

## 5.2 Other Risks

(A) General Economic Climate

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on the Company's operating costs. The Company's future income, asset values and share price can be affected by these factors and, in particular, by the market price for any services or products that the Company may sell.

(B) Market Conditions

The value of the Company's quoted securities may be affected by share market conditions regardless of the Company's prospects or performance.

The market price of the Company's securities may be subject to a variety of unpredictable influences on the market for equities. These market conditions may affect the value of the Company's securities regardless of the Company's performance. Lack of liquidity may also affect the value of the Company's securities. The trading price of the New Shares may fall as well as rise.

## 5.3 Above risk factors not exhaustive

The above risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of New Shares offered under this Prospectus.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisors before making any decision regarding applying for New Shares or investment in the Company.

## 6. Acceptance Instructions

### 6.1 Choices available under the Rights Issue

Eligible Shareholders may:

- exercise their rights to participate in the Rights Issue (and take up their Rights Issue entitlement) in full; or
- exercise their rights to participate in the Rights Issue (and take up their Rights Issue entitlement) in part; or
- take no action under this offer, and allow their Rights Issue entitlement to lapse.

Shares represented by Rights Issue entitlements not taken up will become part of the shortfall.

### 6.2 Completing an Entitlement and Acceptance Form

Unless paying by BPAY®\* (see below), all acceptances of entitlements to New Shares must be made on the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out in on the form.

\* ® Registered to Bpay Pty Ltd ABN 69 079 137 518

For payments by cheque, money order or BPAY:

Your acceptance of entitlements to New Shares or payment may not be effective if received after 5:00pm (Melbourne time) on the Closing Date or such later date as the Company may specify, in which case no New Shares would be issued to you in respect of your acceptance or payment, and any payment received will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

The amount payable on acceptance will be deemed not to have been received until the Company is in receipt of cleared funds. Payments in cash will not be accepted.

If the amount of payment received is insufficient to pay in full for the number of New Shares you have accepted or is more than required for the number of New Shares you have accepted, you will be taken to have accepted the lesser of your entitlement or such whole number of New Shares which is covered in full by your payment.

If paying by BPAY:

To accept your entitlement and pay via BPAY, you should:

- read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- make your payment via BPAY for the number of New Shares you wish to subscribe for (being the Rights Issue offer price of 2.5 cents (\$0.025) per New Share multiplied by the number of New Shares for which you are accepting your entitlement so that it is received no later than 5:00pm (Melbourne time) on the Closing Date, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

**If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.**

If your BPAY payment is received by 5:00pm (Melbourne time) on the Closing Date or such later date as the Company may specify, New Shares accepted are anticipated to be issued to you on or before the date set out in the timetable on page 2 of this Prospectus (which date may change without notice).

You should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit. The Company and the Share Registrar accept no responsibility for unsuccessful, delayed, or incomplete BPAY payments.

If you have multiple holdings you will have multiple BPAY reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to accept your entitlement for in respect of that holding. Payments in excess of the amount payable for one holding will not be treated as payment for another holding, and the excess will be refunded to the applicant without interest.

If paying by cheque or money order:

To accept your entitlement and pay by cheque or money order, you should:

- read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- complete the personalised Entitlement and Acceptance Form which accompanies this Prospectus (instructions for completing and returning the Entitlement and Acceptance Form are set out on the form); and
- return the completed Entitlement and Acceptance Form together with a cheque or money order for the applicable amount (being the Rights Issue offer price of 2.5 cents (\$0.025) per New Share multiplied by the number of New Shares for which you are accepting your entitlement) to:

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
ABBOTSFORD VIC 3067

so that it is received by no later than 5:00pm (Melbourne time) on the Closing Date (which is set out in the timetable on page 2 of this Prospectus), or such later date as the Company may specify. The Company and the Share Register accept no responsibility for delayed or misdelivered Entitlement and Acceptance Forms or payments.

**If you choose to pay by cheque or money order you must submit the completed Entitlement and Acceptance Form.**

Cheques should be made payable to "Optiscan Imaging Limited" and crossed "Not Negotiable". Cheques must be payable in Australian dollars, drawn on an Australian branch of an Australian bank.

### 6.3 Further Information

**If you have any questions about your entitlement, please contact the Company Secretary, Mr Michael Corry, on +61 (3) 9538 3398. Alternatively, contact your stockbroker or other professional adviser.**

The issue of New Shares is expected to occur after the Rights Issue has closed on or before the date set out in the timetable on page 2 of this Prospectus (which date may change without notice). Thereafter statements of holdings will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in New Shares. Recipients trading New Shares before they receive their statements will do so at their own risk.

The Company in consultation with the Underwriter may reject an acceptance where payment of the acceptance amount is not received or a cheque is not honoured, or without prejudice to its rights, issue New Shares in response to the acceptance and recover outstanding acceptance amount from the recipient. If your Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision in consultation with the Underwriter whether to treat a form as valid and how to construe, amend or complete the form is final. The Company accepts no responsibility for failure by your stockbroker or other third parties to carry out your instructions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consent is required or whether formalities need to be observed to enable them to acquire New Shares. Return of an Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, recipients of this Prospectus should have regard to their own objectives, financial situation and needs.

Recipients of this Prospectus should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Rights Issue offer, or to acquire New Shares or other securities of the Company.

## 7. Continuous Disclosure Obligations

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 3 months before the date of this Prospectus and that other requirements relating to the Company not being subject to various exemptions and orders under the Corporations Act within the last 12 months are met.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

For the purpose of satisfying section 713(5) of the Corporations Act a prospectus must incorporate information if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
  - the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus.

From time to time the Company seeks and engages in discussions on an ongoing basis in respect of potential new investment opportunities both in Australia and overseas. Funds may be used to fund the costs associated with identifying, investigating and pursuing new opportunities. From time to time the Company also investigates opportunities for the divestment of non-core assets and businesses. While the Company may seek and negotiate potential investment or divestment opportunities in this respect, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

As a disclosing entity under the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASX and ASIC in relation to the Company may be obtained from or inspected by accessing the respective web sites.

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the acceptance period of this Prospectus:

- (a) the Interim Financial Report of the Company for the half year ended 31 December 2015 (lodged with ASX on 30 May 2016).
- (b) the Annual Financial Report of the Company for the financial year ended 30 June 2015 (lodged with ASX on 30 September 2015), being the most recent annual financial report of the Company before the lodgement of this Prospectus with ASIC; and
- (c) any continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report referred to in (b) above before lodgement of this Prospectus. Continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus are listed in Section 8 of this Prospectus.

Such documents are also available on-line from the ASX web site.

## 8. ASX Announcements

The following announcements (continuous disclosure notices) have been made to ASX since the Company lodged its audited financial statements (Annual Report) for the year ended 30 June 2015:

Date	Headline
22/07/2016	Conversion of Director Loan to Equity
08/07/2016	2 for 9 rights issue – notification of revised timing
06/07/2016	New issue announcement
28/06/2016	Announcement- capital raising
28/06/2016	2 for 9 rights issue - appendix 3B
10/06/2016	Change of Company Secretary and CFO
30/05/2016	Update - Mid Year Accounts and Capital Raise
30/05/2016	Optiscan Appendix 4D and Financial Statements (31 Dec 2015)
17/05/2016	Update - 31 Dec 2015 Interim Report
13/05/2016	CEO Appointment
04/05/2016	Initial Director's Interest Notice
03/05/2016	Final Director's Interest Notice
03/05/2016	Initial Director's Interest Notice

Date	Headline
03/05/2016	Initial Director's Interest Notice
03/05/2016	Board Changes
29/04/2016	Funding Update and Ongoing Suspension
13/04/2016	Final Director's Interest Notice
13/04/2016	Director Appointment/Resignation
31/03/2016	Optiscan Suspension and Funding Update
29/02/2016	Optiscan Funding and Suspension Update
24/02/2016	Suspension from Official Quotation
22/02/2016	Trading Halt
11/01/2016	Optiscan Receives R&D Tax Incentive, Loan Repaid
05/01/2016	Appendix 3B
09/12/2015	Final Director's Interest Notice
09/12/2015	Board Changes and Funding Update
09/12/2015	Initial Director's Interest Notice
30/11/2015	Results of Meeting
30/11/2015	Chairman's Address to Shareholders
17/11/2015	CellLIVE Update
30/10/2015	Notice of Annual General Meeting/Proxy Form
14/10/2015	Optiscan Corporate Governance Policy Statement 2015
30/09/2015	Optiscan Appendix 4G

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website, [www.asx.com.au](http://www.asx.com.au). Copies of announcements can also be obtained from the Company upon request and will be made available at the Company's website [www.optiscan.com](http://www.optiscan.com). Prospective investors are advised to refer to ASX's website for updated releases about events or matters affecting the Company.

In making statements in this Prospectus it is noted that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## 9. Terms of Securities Offered

### New Shares

The New Shares will be fully paid ordinary shares in the capital of the Company, which will rank equally with, and will have the same voting and other rights as the existing issued shares of the Company. The rights attaching to the Company's shares are set out in the Company's Constitution, the Listing Rules of ASX and the Corporations Act. The Company's Constitution has been lodged with ASIC. The Constitution contains provisions of the kind common for public companies in Australia and is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the Constitution during the application period of this Prospectus, which the Company will provide free of charge.

## 10. Underwriting

The Offer is underwritten by Life Sciences Pty Ltd [ACN 606 378 410] (the Underwriter).

The Company has agreed to pay the Underwriter, on completion of the Rights Issue, a fee of \$84,911 (being 6% of the amount underwritten) plus GST amount ("**Underwriting Fee**"). The Underwriter reserves the right to pass on some, or all, of the Underwriting Fee to nominees.

The Company has also agreed to issue the Underwriter 5 million options with an exercise price of 2.5 cents and an expiry date of 30 June 2018, subject to obtaining shareholder approval for the issue (if required). The Company proposes seeking the shareholder approval at or before the Company's 2016 annual general meeting.

The percentage of Shares in the Company directly or indirectly held by the Underwriter must not exceed 20% of the Company's then issued voting shares. Based on present shareholdings the maximum number of New Shares that may be required to be taken up by the Underwriter would not result in percentage of Shares in the Company directly or indirectly held by the Underwriter exceeding 20% of the Company's then issued voting shares.. The Underwriter may arrange for sub-underwriters to receive New Shares, provided that this limit is not exceeded.

The Underwriter presently has indirect interests in 921,335 (0.36%) of the existing issued Shares of the Company. If no shareholder were to take up its entitlement to New Shares and all the New Shares offered were required to be taken up by the Underwriter, the Underwriter would hold direct or indirect interests in a total of 57,544,420 Shares (18.48% of the post-Rights Issue issued Shares of the Company). This number and percentage would be reduced where New Shares are taken up by sub-underwriters arranged by the Underwriter.

The obligation of the Underwriter to underwrite the Rights Issue is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of any of the events summarised below:

- (a) (Indices fall): the All Ordinaries Index as published by ASX on any three (3) consecutive trading days is at closing 15% or more below its respective level as at the close of business on the business day prior to the date of the Underwriting Agreement;
- (b) (Share Price): the Company's shares finish trading on the ASX under the ASX code of OIL on any five (5) consecutive trading days with a closing price that is \$0.025 (\$2.5 cents) or less;
- (c) (Prospectus): the Company does not lodge the Prospectus offering the Rights Securities to Shareholders on the Lodgement Date or the Prospectus is withdrawn by the Company; or
- (d) (Copies of Prospectus): the Company fails to provide 25 copies of the Prospectus to the Underwriter within seven (7) days of the Lodgement Date, or fails to provide additional copies of the Prospectus to the Underwriter, upon its request, prior to the Closing Date;
- (e) (No Official Quotation): approval for official quotation has not been granted by the Shortfall Notice Deadline Date (which for the avoidance of doubt may be subject to conditions that are capable of satisfaction or fulfilment) or, having been granted, is subsequently withdrawn, withheld or qualified;
- (f) (Supplementary Prospectus):
  - (i) Where validly required by the Underwriter pursuant to the Underwriting Agreement and the Corporations Act, the Company fails to lodge a supplementary or replacement Prospectus or notice in such form and content and within such time as the Underwriter may reasonably require; or
  - (ii) otherwise than as permitted by the Underwriting Agreement the Company lodges a supplementary or replacement Prospectus without the prior written agreement of the Underwriter other than as permitted by the Underwriting Agreement;
- (g) (Non compliance with disclosure requirements): the Prospectus does not contain all the information required by sections 711 and 713 of the Corporations Act; or
- (h) (Misleading Prospectus): a statement within the Prospectus or its issue is or becomes misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus;
- (i) (Restriction on allotment): the Company is prevented from allotting the securities within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority;
- (j) (Withdrawal of consent to Prospectus): any person (other than the Underwriter or a sub-underwriter) who has previously consented to the inclusion of its, his or her name in this Prospectus or to be named in this Prospectus, withdraws that consent;
- (k) (ASIC application): an application is made by ASIC for an order under the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date has arrived and the ASIC application being dismissed or withdrawn;
- (l) (ASIC hearing): ASIC gives notice of its intention to hold a hearing to determine if it should make a stop order or ASIC makes an interim or final stop order under the Corporations Act;
- (m) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act;

- (n) (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (o) (Authorisation) any authorisation which is material to anything referred to in this Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (p) (Indictable offence): a director or senior manager of the Company or a subsidiary is charged with an indictable offence;
- (q) (Termination Events): any of the following events occurs and, in the reasonable opinion of the Underwriter reached in good faith, the occurrence of a Termination Event has or is likely to have, or two or more Termination Events together have or are likely to have a Material Adverse Effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
  - (i) (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
  - (ii) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
  - (iii) (Contravention of constitution or Act): a material contravention by the Company or a subsidiary of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
  - (iv) (Adverse change): an event occurs that gives rise to a Materially Adverse Event or adverse change or any development including a likely Materially adverse event after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company or a subsidiary including without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriters reasonable opinion, unlikely to be met in the projected time;
  - (v) (Error in Due Diligence Results): any of the Due Diligence Results or any part of the Verification Material was misleading or deceptive, materially false or that there was a material omission from them;
  - (vi) (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor;
  - (vii) (Public statements): without the prior approval of the Underwriter (such approval not to be unreasonably withheld), a public statement is made by the Company in relation to the Rights Issue, or this Prospectus, unless such public statement is required by law, the Listing Rules or a governmental agency;
  - (viii) (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Rights Issue or the affairs of the Company or a subsidiary is or becomes misleading or deceptive or likely to mislead or deceive;
  - (ix) (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing, monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement;
  - (x) (Prescribed occurrences): an alteration to the Company's share capital (including conversion and reduction of share capital or issuing/granting shares and options other than in accordance with the Prospectus), entering into, or resolving to approve the terms of, a buy-back agreement, an alteration to the Company's capital (including by issuing or agreeing to issue convertible notes), business or assets (including the creation of a security interest) occurs, or a winding up, liquidation or external administration commencing.
  - (xi) (Suspension of debt payments): the Company suspends payment of its debts generally;
  - (xii) (Event of Insolvency): an event of insolvency occurs in respect of the Company or a subsidiary;
  - (xiii) (Judgment): a judgment in an amount exceeding \$50,000 is obtained against the Company or a subsidiary and is not set aside or satisfied within 10 business days;

- (xiv) (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against the Company or a subsidiary, other than any claims foreshadowed in the Prospectus;
- (xv) (Board and senior management composition): there is a change in the composition of the Company's Board or a change in the senior management of the Company before Completion without the prior written consent of the Underwriter;
- (xvi) (Change in shareholdings): there is a material change in the major or controlling shareholdings of the Company or a subsidiary or a takeover offer or scheme of arrangement is publicly announced in relation to the Company or a subsidiary;
- (xvii) (Timetable): there is a delay in any specified date in the timetable which is greater than 15 business days;
- (xviii) (Force Majeure): force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 15 Business Days occurs;
- (xix) (Certain resolutions passed): the Company or a subsidiary passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- (xx) (Capital Structure): the Company or a subsidiary alters its capital structure in any manner not contemplated by this Prospectus, excluding the issue of any Shares upon exercise of Options, such Options having been disclosed to the ASX as at the date of this Agreement;
- (xxi) (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of the Company or a subsidiary;
- (xxii) (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, the United Kingdom, the United States of America or other international financial markets;
- (xxiii) (Suspension): the Company is removed from the Official List or its shares become suspended from Official Quotation and that suspension is not lifted within 15 Business Days following such suspension.

The Company will immediately give notice to the Underwriter of the occurrence of any event which will or which the giving of notice or lapse of time will, give the Underwriter the right to terminate its obligations under the Underwriting Agreement.

The Company may, without cost or liability and without prejudice, by notice in writing given upon or at any time prior to completion of the Prospectus, terminate its obligations under the Underwriting Agreement if any of the following events occurs:

- (a) (Default): default by the Underwriter under the Underwriting Agreement; or
- (b) (Incorrect or untrue representation): any representation, warranty or undertaking given by the Underwriter in the Underwriting Agreement is or becomes untrue or incorrect.

The Underwriting Agreement also contains a number of indemnities and representations and warranties from the Company to the Underwriter commonly included in an agreement of its type.

## **11. Directors' Interests**

### **11.1 Securities**

#### Directors' existing interests in securities and participation in the Rights Issue

The Directors' direct and indirect interests in securities of the Company as at the date of this Prospectus are as set out in the following table.

The Directors are entitled to participate in the Rights Issue without the need for shareholder approval.

The potential effect of the Rights Issue on the direct and indirect share holdings of Directors if their direct or indirect entitlements were to be taken up is set out in the following table:

## SHARES & OPTIONS

Director/Shareholder (and/or associate(s))	Existing		Post Issue		Options
	Shares	%	Shares	%	
Alan Hoffman	Nil	Nil	Nil	Nil	Nil
Peter Francis	Nil	Nil	Nil	Nil	Nil
Ian Griffiths	Nil	Nil	Nil	Nil	Nil
Ian Mann <sup>^</sup>	15,000,000	5.9%	18,333,334	5.9%	Nil

<sup>^</sup> The Company proposes issuing 24 million Shares at an issue price of 2.5 cents each (the same issue price as the Rights Issue) to an entity associated with Mr Ian Mann to repay a loan of \$600,000. The issue of those Shares is subject to shareholder approval the Company proposes seeking at or before the 2016 annual general meeting. Those Shares would be in addition to the above Shares.

### 11.2 Remuneration & Payments to Directors

#### Fees and other remuneration

Directors are entitled to receive directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company.

Set out below are details of the remuneration paid to Directors in the two years prior to lodgement of this Prospectus. Remuneration details of Alan Hoffman (appointed 2 May 2016), Peter Francis (appointed 2 May 2016), Ian Griffiths (appointed 2 May 2016) and Ian Mann (appointed 9 December 2015) are from the date of their respective appointments:

Director	July 2014 – June 2015*	July 2015 – to date
Alan Hoffman	Nil	\$13,688
Peter Francis <sup>+</sup>	Nil	\$6,667
Ian Griffiths	Nil	\$11,212
Ian Mann <sup>^</sup>	Nil	\$7,300

\* None of the current Directors held office or received remuneration during the period July 2014 to June 2015.

<sup>+</sup> FAL Lawyers, a law firm of which Mr Peter Francis is a principal, has received fees for the provision of legal services to the Company totalling 2,700 plus GST since Mr Francis was appointed as a Director of the Company.

<sup>^</sup> Mr Ian Mann (or entities associated with him) have made a loan to the Company and is entitled to received interest on the outstanding balance of the loan facility at a rate of 10% per annum, the current outstanding principal of the loan facility is \$600,000. Interest paid and accrued to the date of this Prospectus is \$36,164. As referred to in Section 11.1, subject to shareholder approval, the Company proposes issuing 24 million Shares at an issue price of 2.5 cents each (the same issue price as the Rights Issue) to repay the loan,

#### Other

Except as disclosed in this Prospectus:

- (a) no person has paid or agreed to pay any amount to any Director or has given or agreed to give any benefit to any Director, to induce the Director to become, or to qualify as, a Director of the Company or otherwise for services rendered by the Director in connection with the formation or promotion of the Company or the Rights Issue.
- (b) no Director or proposed Director has, or has had within two years of lodgement of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
- the Rights Issue.

## **12. Taxation**

Recipients of the Rights Issue offer should seek and obtain their own taxation advice before accepting entitlements to Shares so that they may first satisfy themselves of any taxation implications associated with acquiring Shares.

## **13. Overseas Shareholders**

### **13.1 Overseas Investors**

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an Offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

Shareholders holding Shares on behalf of persons who are resident overseas (except in New Zealand) are responsible for ensuring that taking up the Rights Issue offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. The Rights Issue offer has not been, and will not be, registered under the US Securities Act and has not been made in the United States of America or to persons resident in the United States of America.

The Company is of the view that it is unreasonable to make the Rights Issue offer to Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of securities to be offered to Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in overseas jurisdictions.

Accordingly, the Company is not required to make the Rights Issue offer to non-qualifying foreign shareholders (shareholders with addresses on the Company's register of Members outside of Australia and New Zealand) whose entitlements will form part of the shortfall.

### **13.2 New Zealand Regulatory Requirements**

This Rights Issue to New Zealand investors is a regulated Rights Issue made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act and Corporations Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. This Rights Issue and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the Rights Issue must be made.

The Company's address for service of documents in New Zealand in respect of the Rights Issue is care of its agent Tavendale and Partners Limited, Level 3, Tavendale and Partners Centre, 329 Durham Street North, Christchurch 8140, New Zealand (PO Box 442, Christchurch 8140). Tavendale and Partners Limited has had no involvement in the preparation of any part of this Prospectus other than being named as New Zealand agent.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Rights Issue. If you receive this offer in New Zealand and need to make a complaint about this Rights Issue,

please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Rights Issue may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a financial market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

### **13.3 Other Countries**

This Prospectus does not constitute an offer for securities in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law, and any persons outside Australia and New Zealand who comes into possession of this Prospectus should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or the Rights Issue or otherwise to permit a public offering of the securities in any jurisdiction outside Australia and New Zealand. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA. Any person accessing the electronic version of this Prospectus for the purpose of investing in the Company must only access it from within Australia and New Zealand.

## **14. Privacy**

Personal information is collected on the Entitlement and Acceptance Forms by the Company and its Share Registrar for maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Acceptances might not be processed efficiently, or at all, if the information requested is not provided. Personal information about recipients may be disclosed to external service providers such as print or mail service providers as required or permitted by law. A recipient who would like details of their personal information held by the Company or its Share Registrar, or who would like to correct information that is incorrect or out of date, should contact the Company Secretary at the address shown in the Corporate Directory on page 1 of this Prospectus. In accordance with the Corporations Act, recipients may be sent material (including marketing material) in addition to general corporate communications. Recipients may elect not to receive marketing material by contacting the Share Registrar. Recipients can also request access to, or corrections of, personal information held by the Company by writing to the Company.

## **15. Electronic Prospectus**

This Prospectus is available in electronic format via the ASX website, [www.asx.com.au](http://www.asx.com.au).

Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by contacting the Company Secretary, Mr Michael Corry, on +61 (3) 9538 3398.

Acceptances of Rights Issue entitlements may only be made by BPAY or on the personalised Entitlement and Acceptance Form which accompanied or was attached to a copy of this Prospectus in its paper copy form or a print out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the complete and unaltered electronic version of this Prospectus.

## 16. Investment Decisions

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the Rights Issue offer of shares pursuant to this Prospectus having regard to their own objectives, financial situation, tax position and needs.

## 17. Future Performance

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment in the securities offered by this Prospectus should be considered speculative.

## 18. Consents

Computershare Investor Services Pty Limited has given and, as at the date hereof, not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as share registry to the Company. Computershare Investor Service Pty Ltd has not authorised or caused the issue of any part of this Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

Tavendale and Partners Limited has given, and, as at the date hereof, not withdrawn, its written consent to be named as New Zealand agent to the Rights Issue in the form and context in which it is named. Tavendale and Partners Limited has had no involvement in the preparation of any part of this Prospectus other than being named as New Zealand agent to the Rights Issue. Tavendale and Partners Limited has not authorised or caused the issue of any part of this Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

Life Sciences Pty Ltd has given, and, as at the date hereof, not withdrawn, its written consent to be named as the Underwriter of the Rights Issue in the form and context in which it is named. Life Sciences Pty Ltd has had no involvement in the preparation of any part of this Prospectus other than being named as the Underwriter and providing confirmation regarding sub-underwriters' relevant interests. Life Sciences Pty Ltd has not authorised or caused the issue of any part of this Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

## 19. Enquiries

You should contact your stockbroker, accountant or independent professional financial adviser before making any decision regarding your entitlement to new Shares or investment in the Company, including deciding whether to accept your entitlement to Shares.

If you have any questions regarding how to complete the Entitlement and Acceptance Form, please contact the Company Secretary, Mr Michael Corry, on +61 (3) 9538 3398.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any such information not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

## Directors' Authorisation Statement

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.



Alan Hoffman  
Non-Executive Chairman