

Optiscan Imaging Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

			\$
Revenues from ordinary activities	Up	330.4% to	1,348,964
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	up	120.1% to	(2,942,925)
Loss for the year attributable to the owners of Optiscan Imaging Limited	up	120.1% to	(2,942,925)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$2,942,925 (30 June 2016: \$1,337,056).

Financial performance

During the financial year, the consolidated entity generated sales revenue of \$1,333,263 in relation to research and development systems sold through the Carl Zeiss Meditec (CZM) collaboration plus other service related revenue for development activities, which significantly increased compared to 2016 of \$309,697.

The increase in expenses during the financial year was a result of an increase in research and development expenditure as the consolidated entity progressed through its collaboration with CZM and ViewnVivo development. Research and development costs increased by \$941,902 to \$2,207,786 (2016: \$1,265,884). However, this was offset to some extent as the consolidated entity has also recognised research and development benefit income for the financial year amounting to \$980,257 being an increase of \$237,878 from the previous financial year (2016: \$742,379).

The other main expense during the financial year related to the non-cash share based payment expense amounting to \$859,482 which was a result of options granted during the financial year.

The financial performance of the consolidated entity in the second half of the 2017 financial year improved with a reduction in the loss, excluding share based payment expenses, amounted to \$656,989, compared to a loss of \$1,426,454 for the first half of the financial year.

Financial Position

The net assets increased by \$2,415,009 to \$1,665,359 at 30 June 2017 (30 June 2016: deficit \$749,650). The net current asset position of the consolidated entity as at 30 June 2017 resulted in an excess of current assets over current liabilities of \$1,512,755 (30 June 2016: deficit \$766,500).

The increase in the net asset position of the consolidated entity was a result of the repayment of short term borrowings from the previous financial year and completion of capital raised during the financial year amounting to \$4,172,623 before costs.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.44</u>	<u>(0.33)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This report, and accompanying notes, is based on the financial statements which are in the process of being audited.

The consolidated entity will need additional cash inflows to continue their ongoing research and development projects and to continue to pay their debts as and when they fall due for the period of 12 months from the date of signing the financial statements. Future cash inflows are dependent on various factors which includes cashflows relating to sales and expenditure and the successful completion of the Share Purchase Plan (SPP), which was announced on 23 August 2017 and underwritten to \$2.5 million. The Company also announced a further \$2.5 million Placement proposed to be carried out following the SPP and to date, the Company has received commitments from sophisticated and professional investors up to \$1 million out of the \$2.5 million proposed placement.

The going concern assumption is under review by the Directors and this matter will be concluded and reported in the audited financial report. Should the Directors conclude the group is not a going concern, the independent audit report will be subject to a material uncertainty paragraph.

11. Attachments

Details of attachments (if any):

The preliminary final report of Optiscan Imaging Limited for the year ended 30 June 2017 is attached.

12. Signed

Signed



Alan Hoffman
Non-executive Chairman

Date: 29 August 2017

Optiscan Imaging Limited
Corporate directory
30 June 2017

Directors	Mr Alan Hoffman (Non-executive Chairman) Mr Peter Francis (Non-executive Director) Mr Ian Mann (Non-executive Director) Dr Ian Griffiths (Non-executive Director) Dr Philip Currie (Non-executive Director)
Chief Executive Officer	Mr Archie Fraser
Company secretary	Mr Justin Mouchacca
Registered office and Principal place of business	16 Miles Street Mulgrave, Victoria, 3170 Phone No.: (03) 9598 3333 Fax No.: (03) 9562 7742
Share register	Computershare Investor Registry Services Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067 Phone No.: (03) 9415 5000
Auditor	Ernst & Young 8 Exhibition Street Melbourne, Victoria, 3000
Stock exchange listing	Optiscan Imaging Limited shares are listed on the Australian Securities Exchange (ASX code: OIL)
Website	www.optiscan.com

Optiscan Imaging Limited
Review of operations
30 June 2017

As we outlined in the 2016 Annual Report, the new board and management undertook a review of the business and has established a clear direction and plan for the business as we moved into FY2017.

The Company identified three key pillars of success for its new business model:

- Commercialising the Carl Zeiss Meditec (CZM) collaboration;
- Sales of ViewnVivo – our second-generation pre-clinical research product; and
- Exploring new market opportunities for related Optiscan products and services.

Carl Zeiss Meditec (CZM) collaboration

Our collaboration with CZM is the cornerstone of the Optiscan business. CZM is a major international Company with global coverage, based in Germany, is a long-term business partner and has a significant market share in our clinical medical application areas. The significance of this collaboration is that regulatory approvals that CZM are advancing are expected to be completed during the current financial year, which will then allow the collaboration product to be taken to market and rolled out globally by CZM.

We have made good progress through the back end of FY2016 and into FY2017 as we move into a production phase. Some of the key points include:

- Delivery of Production Equivalent Systems (PES) in December 2016. These units have been tested by CZM who have confirmed the collaboration project systems are now production ready;
- Delivery of additional Production Equivalent Systems (PES) in February 2017;
- Additional orders from CZM for systems were delivered during the second half of the 2017 financial year; and
- The Company is currently finalising the manufacture of additional Production Systems (PS), which were proposed to be delivered to CZM at the end of July 2017, and will now be delivered over the coming weeks. These systems will continue to be tested through to US Food & Drug Administration (FDA) approval and placed in the hands of key opinion leaders.

Sales of ViewnVivo

ViewnVivo is a miniaturised fluorescence endomicroscope platform that brings the next generation of Optiscan's imaging capability and flexibility to Preclinical Research.

Whilst CZM is a cornerstone project for Optiscan, ViewnVivo offers improved capability in the preclinical space. We are confident that ViewnVivo will secure a significant share of this global market and will provide Optiscan with an additional revenue source to complement our CZM collaboration project.

Some of the key points include:

- Relaunch of the product in late 2016 with a stand-alone website (www.viewnvivo.com).
- Optiscan was the Major Sponsor of the National Conference of Light Microscopy Australia (LMA) held in Melbourne on 1-3 February 2017. The event was attended by approx. 200 of Australia's leading Research Professors, Researcher leaders, Microscopy Facility Managers and Students, and represented Optiscan's re-entry into the Research market. As part of the conference agenda, Optiscan presented a system overview to the conference audience along with Cameron J Nowell of Monash Institute of Pharmaceutical Sciences. The Company also demonstrated the ViewnVivo system to attendees throughout the 3 days of the conference.
- In addition to attending LMA, Optiscan sponsored the National Micrograph Imaging Award for the next 3 years - to be referred to as the "Optiscan Imaging Award". This represents continued reinforcement and engagement with the local Microscopy community.

ViewnVivo marketing activity is progressing well with both local and overseas market engagement including, but not limited to, the following:

- Progress continues with a number of Australian research organisations looking to evaluate the system with a view to purchasing a ViewnVivo.
- Meetings have taken place in Australia, USA and China with existing Optiscan 1st generation preclinical customers with a view to upgrading to ViewnVivo.
- On 28 June 2017, the Company executed a Distribution Agreement with Scintica Instrumentation Inc. for the USA and North American market;
- Discussions are advanced with potential Distribution Partners for the ViewnVivo product in both China and Europe;

Exploring new market opportunities

Whilst the two pillars of CZM and ViewnVivo are pivotal to the future success of Optiscan, it is also essential that we future-proof the business. Therefore, Optiscan needs to continue its Product Development to explore new market opportunities.

Whilst our prime focus will be on CZM and ViewnVivo in the short-term, our development team will continue to investigate opportunities for Optiscan. The key point here is that we will ensure delivery of key projects and yet keep an eye on the future. We will do this via a separate department of Optiscan which will be responsible for development. As a consequence, we will ensure that Optiscan remains at the forefront of innovation and technological advancement well into the future.

Corporate

During the financial year, the consolidated entity raised the following amounts through capital raisings:

- On 6 July 2016, the Company issued 29,980,000 new shares in respect of a capital placement, raising \$749,500 from this placement;
- The Company issued 56,624,918 new shares through a fully-underwritten 2 for 9 rights issue. \$1,415,623 before costs was raised from this rights issue.
- On 21 December 2016, the Company announced that it had received commitments for the placement of 38,650,000 fully paid ordinary shares at an issue price of \$0.05 (5 cents) per share raising \$1,932,500. The Company issued the new shares on 28 December 2016.

Conclusion

The board and management of Optiscan are confident that Optiscan remains on track on the commercialisation path established as we drive the business into the production phase for the CZM Collaboration and global sales and distribution of ViewnVivo products. With significant anticipated demand for Optiscan products through Optiscan's global partner CZM and the recently launched ViewnVivo systems, the Optiscan board believes that the Company is on the verge of delivering a significantly improved performance for the 2017/18 period and beyond.

Events after the reporting period

On 10 August 2017, the consolidated entity issued 1,000,000 fully paid ordinary shares on exercise of 1,000,000 unlisted options, exercisable at \$0.025 (2.5 cents) per option.

On 23 August 2017, the consolidated entity announced that a Share Purchase Plan (SPP) will be offered to eligible shareholders for the opportunity to apply for new fully paid ordinary shares in the Company at an issue price of \$0.08 (8 cents) per share.

The SPP is underwritten by Patersons Securities Limited up to the amount of \$2,500,000.

On completion of the SPP, the Company will offer a Placement of up to \$2.5 million to sophisticated and professional investors at the same price as shares issued under the SPP. The Company advised that it had received commitments from professional and sophisticated investors to participate in the Placement for \$1 million to date.

Optiscan Imaging Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		(unaudited)	(audited)
		\$	\$
Revenue			
Sales revenue		1,333,263	309,697
Interest revenue		15,701	3,702
		<u>1,348,964</u>	<u>313,399</u>
Cost of sales		(506,456)	(94,826)
		<u>842,508</u>	<u>218,573</u>
Gross profit			
Other income	3	992,361	1,054,716
Expenses			
Research & development expenses		(2,207,786)	(1,265,884)
Share-based payment expenses		(859,482)	-
Depreciation and amortisation expense		(41,773)	(10,025)
Other expenses		(95,713)	(13,104)
Administration		(1,500,509)	(1,152,616)
Finance costs		(72,531)	(168,716)
		<u>(2,942,925)</u>	<u>(1,337,056)</u>
Loss before income tax expense			
Income tax expense		-	-
		<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Optiscan Imaging Limited		(2,942,925)	(1,337,056)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(9,223)	44
		<u>(9,223)</u>	<u>44</u>
Other comprehensive income for the year, net of tax			
		(9,223)	44
Total comprehensive income for the year attributable to the owners of Optiscan Imaging Limited		<u>(2,952,148)</u>	<u>(1,337,012)</u>
		Cents	Cents
Basic earnings per share		(0.88)	(0.61)
Diluted earnings per share		(0.88)	(0.61)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Optiscan Imaging Limited
Statement of financial position
As at 30 June 2017

		Consolidated	
	Note	2017	2016
		(unaudited)	(audited)
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		700,666	954,805
Trade and other receivables	4	1,285,944	780,792
Inventories		495,910	28,500
Other		25,078	37,048
Total current assets		<u>2,507,598</u>	<u>1,801,145</u>
Non-current assets			
Property, plant and equipment		<u>159,120</u>	<u>19,691</u>
Total non-current assets		<u>159,120</u>	<u>19,691</u>
Total assets		<u>2,666,718</u>	<u>1,820,836</u>
Liabilities			
Current liabilities			
Trade and other payables		771,679	1,211,810
Borrowings	5	-	1,124,358
Provisions		223,164	231,477
Total current liabilities		<u>994,843</u>	<u>2,567,645</u>
Non-current liabilities			
Provisions		<u>6,516</u>	<u>2,841</u>
Total non-current liabilities		<u>6,516</u>	<u>2,841</u>
Total liabilities		<u>1,001,359</u>	<u>2,570,486</u>
Net assets/(liabilities)		<u>1,665,359</u>	<u>(749,650)</u>
Equity			
Issued capital	6	53,870,454	49,362,779
Reserves		2,425,218	1,574,959
Accumulated losses		<u>(54,630,313)</u>	<u>(51,687,388)</u>
Total equity/(deficiency)		<u>1,665,359</u>	<u>(749,650)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Optiscan Imaging Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2015 (audited)	48,684,716	4,744	1,485,661	(50,350,332)	(175,211)
Loss after income tax expense for the year	-	-	-	(1,337,056)	(1,337,056)
Other comprehensive income for the year, net of tax	-	44	-	-	44
Total comprehensive income for the year	-	44	-	(1,337,056)	(1,337,012)
<i>Transactions with owners in their capacity as owners:</i>					
Loan facility fee settled by issue of shares	111,000	-	-	-	111,000
Shares issued for cash	690,073	-	-	-	690,073
Underwriting fee settled by issue of options	(84,510)	-	84,510	-	-
Transaction costs of share issues	(38,500)	-	-	-	(38,500)
Balance at 30 June 2016 (audited)	<u>49,362,779</u>	<u>4,788</u>	<u>1,570,171</u>	<u>(51,687,388)</u>	<u>(749,650)</u>
Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016 (unaudited)	49,362,779	4,788	1,570,171	(51,687,388)	(749,650)
Loss after income tax expense for the year	-	-	-	(2,942,925)	(2,942,925)
Other comprehensive income for the year, net of tax	-	(9,223)	-	-	(9,223)
Total comprehensive income for the year	-	(9,223)	-	(2,942,925)	(2,952,148)
<i>Transactions with owners in their capacity as owners:</i>					
Loan settled by share issue	600,000	-	-	-	600,000
Share options expense	-	-	859,482	-	859,482
Shares issued for finance facility fee	25,000	-	-	-	25,000
Shares issued for cash	4,172,623	-	-	-	4,172,623
Transaction costs of share issues	(289,948)	-	-	-	(289,948)
Balance at 30 June 2017 (unaudited)	<u>53,870,454</u>	<u>(4,435)</u>	<u>2,429,653</u>	<u>(54,630,313)</u>	<u>1,665,359</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Optiscan Imaging Limited
Statement of cash flows
For the year ended 30 June 2017

		Consolidated	
	Note	2017	2016
		(unaudited)	(audited)
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,132,811	604,375
Payments to suppliers and employees (inclusive of GST)		(5,287,827)	(1,801,308)
Interest received		15,701	3,918
Royalties received		-	4,094
Receipt of research and development tax incentive		726,504	679,675
		<u>(3,412,811)</u>	<u>(509,246)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(181,202)	(2,757)
		<u>(181,202)</u>	<u>(2,757)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issue of shares	6	4,172,623	690,074
Proceeds received for options yet to be converted		25,000	-
Proceeds from short term loan		-	1,100,000
Share issue transaction costs		(289,948)	(38,500)
Repayment of short term loan and interest		(567,801)	(553,539)
		<u>3,339,874</u>	<u>1,198,035</u>
Net cash from financing activities			
Net (decrease)/increase in cash and cash equivalents		(254,139)	686,032
Cash and cash equivalents at the beginning of the financial year		954,805	268,893
Effects of exchange rate changes on cash and cash equivalents		-	(120)
		<u>700,666</u>	<u>954,805</u>
Cash and cash equivalents at the end of the financial year			

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Optiscan Imaging Limited as a consolidated entity consisting of Optiscan Imaging Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Optiscan Imaging Limited's functional and presentation currency.

Optiscan Imaging Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

16 Miles Street
Mulgrave, Victoria, 3170

Note 2. Significant accounting policies

This financial report has been prepared in accordance with International Financial Reporting Standards, other authoritative pronouncements and Interpretations of the Australian Accounting Standards Board and the Corporations Act 2001.

This financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016, the 2016 Annual Financial Statements and any public announcements made by Optiscan Imaging Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Note 3. Other income

	Consolidated	
	2017	2016
	\$	\$
Research and development benefit	980,257	742,379
Design and development income	-	312,337
Other income	12,104	-
	<u>992,361</u>	<u>1,054,716</u>
Other income	<u>992,361</u>	<u>1,054,716</u>

Note 4. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Trade receivables	230,449	17,893
R&D Tax incentive grant receivable	980,257	726,504
GST refund receivable	75,238	28,895
	<u>1,055,495</u>	<u>755,399</u>
Other receivables	-	7,500
	<u>1,285,944</u>	<u>780,792</u>

Note 5. Current liabilities - borrowings

	Consolidated	
	2017	2016
	\$	\$
Short term loans	-	1,124,358

During the financial year the consolidated entity repaid an external loan amounting to \$500,000 on time and in full upon receipt of the annual Research and development Tax Incentive government rebate and no late payment penalties were incurred.

The other short term loan for the amount of \$600,000 and was payable to parties associated with a director of the entity, Mr Ian Mann. Directors received shareholder approval to convert this loan to equity at the Company's Annual General Meeting on 25 November 2016 and this was executed during the period. Mr Ian Mann received 24,000,000 shares at \$0.025 (2.5 cents) per share on conversion of the loan. The final interest payable of \$26,315 was paid in February 2017.

The total current liabilities are as follows:

	Consolidated	
	2017	2016
	\$	\$
Opening balance	1,124,358	510,533
Payment of loan principal and capitalised interest	(543,006)	(510,533)
Settlement of loans through the issue of shares	(600,000)	-
Proceeds from short term loans	-	1,100,000
Amortised cost adjustment	18,648	24,358
	-	1,124,358

Note 6. Equity - issued capital

	Consolidated			
	2017	2016	2017	2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	376,078,800	223,823,882	53,870,454	49,362,779

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2015	207,022,389		48,684,716
Issued for cash in placement		13,801,493	\$0.000	690,073
Loan facility fees settled by issue of shares*		3,000,000	\$0.000	111,000
Underwriting fee settled by issue of options		-	-	(84,510)
Transaction costs of share issue		-	-	(38,500)
Balance	30 June 2016	223,823,882		49,362,779
Share Placement	6 July 2016	29,980,000	\$0.025	749,500
Shares issued for loan facility fee*	6 July 2016	1,000,000	\$0.025	25,000
Shares issued for 2 for 9 rights issue	19 August 2016	22,078,044	\$0.025	551,951
Shares issued for 2 for 9 rights issue shortfall	8 September 2016	34,546,874	\$0.025	863,672
Shares issued upon conversion of loan*	22 December 2016	24,000,000	\$0.025	600,000
Share Placement	28 December 2016	38,650,000	\$0.050	1,932,500
Exercise of options	15 March 2017	1,000,000	\$0.025	25,000
Exercise of options	15 March 2017	1,000,000	\$0.050	50,000
Transaction costs of share issue		-	-	(289,948)
Balance	30 June 2017	<u>376,078,800</u>		<u>53,870,454</u>

* Transactions relate to non-cash debt to equity transactions issued to satisfy outstanding liabilities.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 7. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017	2016
		%	%
Optiscan Pty Ltd	Australia	100.00%	100.00%
Optiscan Inc	United States	100.00%	100.00%

Note 8. Events after the reporting period

On 10 August 2017 the consolidated entity issued 1,000,000 fully paid ordinary shares on exercise of 1,000,000 unlisted options, exercisable at \$0.025 (2.5 cents) per option.

On 23 August 2017 the consolidated entity announced that a Share Purchase Plan (SPP) will be offered to eligible shareholders for the opportunity to apply for new fully paid ordinary shares in the Company at an issue price of \$0.08 (8 cents) per share. The closing date of the SPP is Friday 22 September 2017.

The SPP is underwritten by Patersons Securities Limited up to the amount of \$2,500,000.

On completion of the SPP, the Company will offer a Placement of up to \$2.5 million to sophisticated and professional investors at the same price as shares issued under the SPP. The Company advises that it has received firm commitments from professional and sophisticated investors to participate in this Placement for \$1 million to date.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.