

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the year ended 30 June 2022
Previous period:	For the year ended 30 June 2021

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	13.9% to	1,013,039
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	up	99.0% to	(4,233,037)
Loss for the year attributable to the owners of Optiscan Imaging Limited	up	99.0% to	(4,233,037)

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 \$4,233,037 (30 June 2021: \$2,126,695).

Financial performance

During the financial year ending 30 June 2022 (FY22), the consolidated entity generated ordinary revenue of \$1,013,039 from sales, system rentals and the provision of services (2021: \$889,526) and other income of \$1,267,208 (2021: \$1,653,307).

Other income comprised \$294,205 (2021: \$511,979) received from the BioMedtech Horizons Program which forms part of the Federal Government's Medical Research Future Fund to support the Oral Cancer Study at the University of Melbourne Melbourne Dental School (MDS Oral Cancer Trial). The consolidated entity also recorded research and development incentive income of \$941,790, an increase of \$94,466 from the previous corresponding period (2021: \$847,324).

Total expenses for FY22 increased to \$6,513,284, an increase of \$1,843,756 from the corresponding period (2021: \$4,669,528). These expenses include those relating to the cost of the MDS Oral Cancer screening trial; preparations for the application to the United States Food & Drug Administration (FDA) to market the InVivage® device for sale in the United States (US based consultants and local and overseas contract testing agencies); and additional employees and contractors recruited and engaged during FY22 as the company increased its resources in production, quality assurance and human resources.

The net operating cash outflow for the year ended 30 June 2022 was \$3,833,578 compared to \$2,126,309 for the previous financial year.

Financial Position

The net assets decreased by \$3,624,697 to \$6,592,409 at 30 June 2022 (30 June 2021: \$10,217,106). The working capital position of the consolidated entity as at 30 June 2022 was an excess of current assets over current liabilities of \$6,322,121 (30 June 2021: \$9,995,498).

The decrease in the net asset position of the consolidated entity was primarily as a result of the consolidated entity progressing with its preparations for the application to the United States Food & Drug Administration (FDA) to market the InVivage® device for sale in the United States (US based consultants and local and overseas contract testing agencies); and additional employees and contractors recruited and engaged during FY22 as the company increased its resources in production, quality assurance and human resources as part of its change of management and new strategic direction.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>1.08</u>	<u>1.67</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):

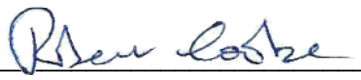
The financial statements have been audited and an unmodified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Optiscan Imaging Limited for the year ended 30 June 2022 is attached.

12. Signed

Signed 

Robert Cooke
Non-executive Chairman

Date: 31 August 2022

Optiscan Imaging Limited

ABN 81 077 771 987

Annual Report - 30 June 2022

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Directors	Mr Robert Cooke - Non-executive Chairman Prof. Camile Farah - Managing Director Ms Karen Borg - Non-executive Director Mr Ron Song - Non-executive Director Mr Sean Gardiner - Non-executive Director
Company secretary	Mr Justin Mouchacca
Notice of annual general meeting	The Company is proposing to hold its Annual General Meeting on Thursday 24 November 2022.
Registered office	16 Miles Street Mulgrave, Victoria, 3170 Phone No.: (03) 9598 3333 Fax No.: (03) 9562 7742
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	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street, Melbourne, VIC 3008
Stock exchange listing	Optiscan Imaging Limited shares are listed on the Australian Securities Exchange (ASX code: OIL)
Website	www.optiscan.com
Corporate Governance Statement	The Company's Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at the following link: https://www.optiscan.com/investors-media/corporate-governance/

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'the group') consisting of Optiscan Imaging Limited (referred to hereafter as 'Optiscan', the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Optiscan Imaging Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Robert Cooke - Non-executive Chairman
Prof Camile Farah - CEO & Managing Director (appointed as Managing Director on 13 December 2021)
Mr Ron Song - Non-executive Director
Ms Karen Borg - Non-executive Director (appointed 29 July 2021)
Mr Sean Gardiner - Non-executive Director (appointed 14 June 2022)
Mr Graeme Mutton - Non-executive Director (resigned 30 July 2021)
Mr Darren Lurie - Managing Director (resigned 13 December 2021)
Dr Philip Currie - Non-executive Director (retired 20 January 2022)

Principal activities

The principal activities of the consolidated entity during the year were the development and commercialisation of confocal microscopes for clinical and pre-clinical applications. The consolidated entity carried out its principal activities through:

- development of its own "InVivage" device for use in the oral cancer and other cancer applications;
- seeking regulatory approval to market the "InVivage" device in the United State for use in oral cancer screening and surgery;
- continuation of its collaboration cooperation agreement with Carl Zeiss Meditech;
- marketing of the FIVE2 (ViewnVivo) system in pre-clinical and translational research markets;
- progressing clinical studies with researchers and medical institutions; and
- continued development of new pre-clinical applications for Optiscan's products and services.

Dividends

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

Operating and Financial Review

The loss for the consolidated entity after providing for income tax amounted to \$4,233,037 (30 June 2021: \$2,126,695).

Financial performance

During the financial year ending 30 June 2022 (FY22), the consolidated entity generated ordinary revenue of \$1,013,039 from sales, system rentals and the provision of services (2021: \$889,526) and other income of \$1,267,208 (2021: \$1,653,307).

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Operational Review

New Management Team & Talent Recruitment

On 13 December 2021, the Board appointed Professor Camile Farah as CEO & Managing Director, replacing outgoing MD Darren Lurie. Prof Farah had previously been appointed as a Non-Executive Director of Optiscan on 6 May 2021. Since his appointment, Prof Farah has undertaken an extensive review of operations, finances, strategy, clinical applications, marketing, personnel, and commercial agreements. He has subsequently appointed a raft of new and replacement staff in various business units including Steven Smart (Commercial Manager), Andrew Barker (Marketing Manager), Darius Ooi (Finance Manager), Yameena Cossins (Quality Assurance Manager), Sanchitha Fernando (Engineering Manager) in addition to two Precision Technicians (Jesielyn Huliganga and John Vanderzee). A new business strategy with recognized sales and marketing plans have been instigated. Refurbishments of existing office and laboratory spaces have been undertaken to house new staff and modified functional units, in addition to leasing of additional warehousing space at the Company's existing site for enhanced production purposes.

Oral Cancer Screening Application

Oral Cancer Trial at Melbourne Dental School

The Melbourne Dental School (MDS) trial using the InVivage® device to improve screening, diagnosis, and treatment of oral cancer continued throughout the year; with all planned imaging for the study complete, with data analysis ongoing. The final report from this study is due by end September 2022, which will complete the obligations between the Company, the MDS and the fund administrators MTP Connect acting on behalf of BioMedTech Horizons Program which awarded the Company a grant for \$971,000 to assist with this work. Imaging from this group has highlighted the ability of the Company's technology to image oral tissues in both health and diseased states, and has set the framework for clinical useability, contributing to the clinical reports accompanying of the Company's FDA submission for the InVivage® device. Analysis of data and images collected in the study are being analyzed which should result in high quality publications describing the application of the InVivage® in oral lesion imaging and the specific characteristics of lesion appearance under confocal laser endomicroscopy that may be used by clinicians once the device is FDA cleared for use.

Australian Centre for Oral Oncology Research & Education

Significant progress has been made in oral lesion imaging by Professor Farah and his team in Perth using the ViewnVivo® device, with new cases imaged with multiple dyes and correlated with histopathology. Imaging from this group has shown a significantly strong correlation between confocal images and traditional histopathology. Advanced correlation study analysis has been undertaken for potential development of alternative molecular markers and machine learning algorithms to enhance imaging and improve diagnostic accuracy. The work undertaken by this group has generated data that has also been included in the Company's planned submission documents for FDA clearance, and is expected to lead to high quality scientific and clinical publications of significance to researchers and clinicians in the target market of application.

Adelaide Dental School

The Adelaide Dental School has completed its ex vivo imaging of 18 excisional biopsies with the ViewnVivo® device as part of a proof-of-principle study to demonstrate the effectiveness of the Company technology in mapping oral tissues after excision. Discussions are ongoing with the Adelaide team to assess feasibility of engagement with further work or collaborative studies in the field.

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

Significant work has been undertaken in this financial year in preparation of the Company's FDA submission for the InVivage® device. Additional resources, testing, assessment, and external validation has been undertaken in all areas required for FDA clearance. The Company has received laser, electrical and electromagnetic compatibility clearance from external agencies for the InVivage® device, in addition to stability testing conformance for the utility of the fluorescein contrast dye base on its proposed topical application. This concludes a significant amount of internal and external testing required to allow submission for FDA 510(k) assessment and clearance.

As the Company concluded testing requirements, planning continued for US market entry for InVivage®. Internal and external market research, supported by assistance from the Federal Government Entrepreneurs' Programme - Growth Grant was completed to support Optiscan's US market entry strategy. Additional support from the Entrepreneurs' Programme – High Growth Accelerator Grant was also used to further assist the Company with its strategic marketing and sales channels activities ahead of its US entry.

Breast Cancer Surgery Application

The Breast Cancer Intraoperative Assessment Ex Vivo Study at the Royal Melbourne, Frances Perry and Epworth Hospitals continued during the financial year, with significant progress made, affected only by COVID-19 restrictions. The study was extended from 20 to 40 patients, due to strong patient interest. A total of 38 patients with 44 lumpectomies were imaged, and image analysis and correlation with histopathology is ongoing. Following the strong interest and response with this study, an amendment and updated ethics application was submitted and received to increase the number of patients by another 12, but also include imaging of the lumps during the tumor cut-up stage in the pathology laboratory. This will allow a direct comparison between the images obtained from the external surface of the resected lump with the tumor and tumor margins from within the lump, and provide a direct comparison between the images obtained live and the pathology histopathology slides. This assessment will prove the feasibility of our ex vivo approach and allow preparation for a larger in vivo trial.

Pre-Clinical System - (ViewnVivo®)

The ViewnVivo system is Optiscan's hand-held, confocal microscope designed for pre-clinical use. This device is targeted for use by universities and medical research institutions to explore potential applications of the technology through laboratory testing of tissue samples.

The Company has continued to invest in the translational and pre-clinical research market segment with its ViewnVivo® device, with significant promotion of this technology at international conferences, and the signing of a distributor agreement with China-based Sinsi Technology Co Ltd with a focus on the greater China market, including Hong Kong and Macau. This new agreement excludes the greater Shanghai area and Taiwan, where Optiscan already has existing relationships with local distributors. The agreement further expands Optiscan's global footprint. Following new talent acquisition in sales and marketing, the Company commenced a new training program for all current Distributor Partners in the Asia Pacific, with specific focus on marketing and sales initiatives to drive the ViewnVivo® product value proposition to the pre-clinical research market.

As sales and marketing modules are developed and delivered, Optiscan continues to investigate expanding its reach within the EU/US for the ViewnVivo®, with discussions with various parties ongoing to further expand the Company's global footprint.

Neurosurgery – CONVIVO - Carl Zeiss Meditec AG (CZM) Co-operation

The CONVIVO device was developed as part of a co-operation agreement between Optiscan and CZM, for application in neurosurgery. The CONVIVO agreement is in the production phase, and CZM continues the full commercialization of the CONVIVO®.

Optiscan received sales revenue from CZM of approximately \$305k during FY22. IN the latter part of FY22, CZM increased its orders and forecasts for Optiscan Probes, Processors and Consoles. Discussions with CZM are on-going in relation to increased orders for products and other services.

Marketing Activities

In preparation for the planned launch of InVivage® in the US in 2023, the Company sponsored the Annual General Meeting of the American Academy of Oral Medicine in Memphis in May, attended by key oral medicine physicians. The company then exhibited at the 8th World Congress of the International Academy of Oral Oncology (IAOO) in Chicago in June, where Prof. Farah was invited to present on '*Oral Confocal Laser Endomicroscopy: A Paradigm Shift towards Real-time In Vivo Digital Pathology.*'

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

Interest in Optiscan's technology across all events was significant with a large number of leads generated, and the company is looking forward to continuing to build on this momentum in preparation for the planned US launch of InVivage® in 2023. This marketing activity is supported by a re-branding campaign for the Company which will be executed in the coming year.

ISO 13485 Audit and ERP System

Optiscan successfully passed its ISO 13485:2016 Annual Surveillance Audit. The Quality Management System is continuously assessed as part of the ISO 13485:2016 certification. This validates Optiscan's ability to provide products that consistently meet customer and regulatory requirements, whilst demonstrating a commitment to the safety and quality of medical devices. In parallel, Optiscan implemented and launched its new M1 ERP system, which provides integration and automation capabilities in areas including procurement and manufacture through quoting and invoicing, made possible via a vast array of business analysis and productivity tools. This new system is essential to Optiscan's expansion and efficiency of manufacturing operations and quality assurance and will help drive world-class operational excellence.

COVID-19 Update

Optiscan maintained its COVID safe working arrangements during the financial year with company staff working both remotely and from the company premises. Due to the nature of their activities and layout of the premises, the Company's activities were able to continue throughout the year despite the COVID pandemic, including those in relation to preparations for the submission to the FDA. The layout of the premises is well-suited to the continuation of production during periods of restrictions as production staff can be isolated from other staff.

Overall financial impact on the business

The travel restrictions across the globe in response to the COVID-19 pandemic impacted Optiscan's ability to market its products through on-site demonstrations both in Australia and offshore. The ability to meet potential customers face to face was limited, but the Company has developed online webinars and video presentations to undertake demonstrations remotely. In the latter part of the financial year, interstate and international travel resumed to most markets excluding China, and this has enhanced face to face contact with potential customers and attendance at conferences.

Business continuity

Optiscan has been able to continue its operating activities, despite the impact of the COVID pandemic. The Company has continued to develop and manufacture its technology, receive orders, conduct trials and studies (although restricted), and undertake regulatory testing and other preparations required for the FDA submission.

Given the impact COVID-19 continues to have on Optiscan's customers and suppliers, the Company continued to closely manage these relationships throughout the pandemic, with some suppliers increasing their delivery times.

Well being of employees

The Company continued to maintain a COVID-19 safe working environment, and remained committed to keeping our employees and families safe and ensuring ongoing health and well-being. We continued to implement a COVID-safe plan at our premises and provided additional supplies of face masks, antibacterial wipes and hand sanitiser in our workplace.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year other than the items noted below:

- During the financial period, the Company issued 2,925,000 fully paid ordinary shares relating to conversion of unlisted options following receipt of exercise notices with different exercise prices;
- On 9 August 2021, the Company issued 1,000,000 unlisted options to Ms Karen Borg in conjunction with her appointment as a Non-executive Director of the Company. The options are exercisable at \$0.209 (20.9 cents) per option on or before 29 July 2023
- On 13 December 2021, the Company announced the appointment of Prof Camile Farah as CEO & Managing Director;
- On 9 March 2022, the Company issued a total of 12,000,000 unlisted options to the Managing Director following receipt of shareholder approval at the Company's 2021 Annual General Meeting of holders. The options have an exercise price of \$0.1925 (19.25 cents) per option, with 3,000,000 options being exercisable by 9 March 2025 and 9,000,000 options being exercisable by 9 March 2027. All of the options are subject to certain vesting conditions.

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2022 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 other than, on 1 July 2022, the Company issued 200,000 fully paid ordinary shares for the conversion of 200,000 unlisted options.

Likely developments and expected results of operations

The Directors have outlined in the Operating and Financial Review above that they expect to continue to derive income from the CZM co-operation over the next year, as well as achieving sales of ViewnVivo® system, the second-generation pre-clinical and translational research product. The consolidated entity expects to develop a system suitable for marketing for clinical use and to seek regulatory approval for the clinical use of this system in oral cancer screening and/or surgical margin determination. The consolidated entity also expects to continue Stage 3 of its breast cancer trial.

Risk Statement

The Group is committed to the effective management of risk to reduce uncertainty in its commercial activities and business outcomes and to protect and enhance shareholder value. There are various risks that could have a material impact on the achievement of the Group's strategic objectives and future prospects.

Key risks and mitigation activities associated with the Group's objectives are set out below:

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. The Company strives to mitigate any potential product failures through its investment in R&D activities.

Manufacturing and supply chain risk

The Group relies on manufacturers to supply and manufacture key components of its products and is exposed to supply shortages, long order lead times and price increases. In addition, several of its existing suppliers are based in different countries which results in different lead times. The Group has taken active steps to manage these risks by exploring the re-location of some of its manufacturing and assembly elements to other countries, adopting a very specific focussed discipline on managing its supplier relationships and procurement activities and increasing its inventory holdings of key products and product components, with inventory on hand having increased during the year.

Distribution network risk

The vast majority of the Group's sales are sold through its distribution network, with a number of formal distribution agreements in place across the regions in which it operates. These agreements include minimum purchase requirements and can, where deemed necessary, be terminated on relatively short notice. It remains important that the Group maintains good working relationships with its key distribution partners in order to enhance its growth prospects and financial performance. The Group's focus on developing highly innovative and sought after products and investment in client service capability with a view to supporting distributors and providing after sale service are mitigating factors which assist the Group in managing this risk. Further, the regular review of its distribution partners and the adjustment of coverage across regional and vertical markets is another mitigating factor that assists the Group in managing the distribution network risk.

Key personnel risk

The Group is reliant on its key management and technical personnel and the Group's future prospects are dependent on retaining and attracting suitably qualified personnel. The Group manages these risks by ensuring it adopts remuneration practices, incentive schemes and employment policies which promote staff retention and recruitment. The Group's employment agreements also allow it to limit the ability of key personnel to join competitors or compete directly with the Group.

Intellectual property risk

The Group has developed a range of proprietary items of Intellectual Property (IP) that are regarded as novel and inventive comprising know how, hardware, software, copyright and trademarks. The value of the Group's products is dependent on its ability to protect this IP. The Group manages this risk by ensuring that its dealings with employees, contractors and third parties are governed by legal agreements which support the Group's ownership and control over its IP and the disclosure of sensitive information belonging to the Group.

General economic conditions risks

The general economic climate may affect the performance of the Group. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Group and their impact cannot be predicted.

COVID-19 risk

The COVID-19 pandemic had an impact on the Group's operations and financial performance and may continue to have an effect, adverse or otherwise, on the Group's business, operations and financial performance.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Mr Robert Cooke
Title:	Non-executive Chairman
Qualifications:	B. Health Administration, Grad. Dip. Acc and Fin
Experience and expertise:	Robert is the former Managing Director & CEO of Healthscope, one of Australia's leading private hospital, medical centre and pathology operators between 2010 and 2017. He is currently a non-executive director of Icon Group and Evercare Group. Icon Group is an operator of cancer centres, specialist services, pharmacy management, compounding, remote care, research and health screening services in Australia, Singapore, Hong Kong and Mainland China, Vietnam and New Zealand. The Evercare Group is a leading impact driven healthcare group in emerging markets. With a 40+ year career in the health industry, his experience spans to executive leadership of publicly listed and privately owned healthcare companies, and a management of private and public hospitals in Australia, Asian and the UK.
Other current directorships:	Memphasys Limited (ASX: MEM)
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit & Risk and Remuneration & Nomination Committees.
Interests in shares:	None
Interests in options:	2,000,000 unlisted options
Name:	Prof Camile Farah
Title:	CEO & Managing Director (appointed on 13 December 2021)
Qualifications:	BDS Sc MD Sc (OralMed OralPath) PhD GC Ed (HE) GC ExLead FRACDS (OralMed) MAICD AFCHSM CHM FOMAA FIAOO FICD FPFA FAIM
Experience and expertise:	Professor Farah is a highly accomplished executive, academic, researcher and author with 25 years' experience in the healthcare, biotech and medical research sectors. He is dual trained physician and pathologist, with public and private appointments at Fiona Stanley Hospital, Hollywood Private Hospital, Qscan Radiology Clinics, Australian Clinical Labs, and Genomics for Life. Professor Farah is a leading Australian expert in oral cancer and precancerous pathology based on his clinical and research expertise having published 250 clinical and scientific articles and a bestselling textbook. He is a former Dean at the University of Western Australia, and currently an Adjunct Professor at CQ University and an Honorary Professorial Research Fellow at the Peter MacCallum Cancer Centre. In addition to managing his own consulting business, he is Executive Director of the Australian Centre for Oral Oncology Research & Education which undertakes cutting edge research in head and neck cancer. He currently serves as a non-executive director of the Australian and New Zealand Head and Neck Cancer Society
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit & Risk Committee
Interests in shares:	524,985 fully paid ordinary shares
Interests in options:	12,000,000 unlisted options

Name:	Ms Karen Borg
Title:	Non-executive Director (appointed 29 July 2021)
Qualifications:	B. Arts
Experience and expertise:	Karen is a highly experienced senior executive, who has held global leadership positions in multiple sectors, including medical devices and technology, consumer products and government. Karen's background is in commercial management, global marketing and government policy.
	Karen is the former President (Asia Pacific and Middle East) of ResMed Inc (ASX: RMD) and prior to this held several senior roles with Johnson & Johnson Medical Devices, including Global Vice President (based in USA). Karen's most recent executive roles include CEO of Healthdirect and the inaugural Chief Executive of Jobs for NSW, with both roles fostering relationships across private and public sectors.
	Karen is currently the Chief Executive Officer of Catholic Healthcare Ltd.
	Karen holds a Bachelor of Arts from the University of Sydney and was a NSW finalist for Telstra Businesswoman of the Year 2017.
Other current directorships:	Somnomed Ltd (ASX: SOM)
Former directorships (last 3 years):	ResMed Inc (ASX: RMD)
Special responsibilities:	Chair of the Audit & Risk Committee and member of the Remuneration & Nomination Committee.
Interests in shares:	Nil
Interests in options:	1,000,000 unlisted options
Name:	Mr Ron Song
Title:	Non-executive Director
Experience and expertise:	Ron had a 25 year business career in Australia before being headhunted in 1999 to assist in expanding a European motor vehicle franchise in Singapore. In a short time, Ron assisted in developing the franchise into a highly profitable business. He subsequently expanded and developed a second company in the motor vehicle industry, Premium Automobiles Pty Ltd, where he was the Managing Director for seven years before advising and developing a premier Singaporean wellness company, Fabulous Image Lifestyle, which was successfully sold to a pan-Asian operator
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Remuneration & Nomination Committee and member of the Audit & Risk Committee.
Interests in shares:	3,000,000 fully paid ordinary shares
Interests in options:	Nil
Name:	Mr Sean Gardiner
Title:	Non-executive Director (appointed 14 June 2022)
Qualifications:	(insert)
Experience and expertise:	Sean is a Managing Director and Head of Private Investments at the Clermont Group. Prior to joining Clermont, Sean worked at Morgan Stanley, where he spent 20 years in equity research across three locations and in seven different roles. In 2000, he joined the London office covering European Technology and Conglomerate stocks before, in 2005, moving to lead the EEMEA Telecom Services team. In early 2008, Sean transferred to Dubai to setup and manage the MENA Equity Research team. Sean relocated to Singapore in 2010 to oversee and manage the broader Asian research product as well as roll out ASEAN Real Estate coverage. In 2016, he was promoted to Head of ASEAN Research and ASEAN Equity Strategist. Prior to Morgan Stanley, Sean served his Chartered Accountancy articles in South Africa and he has a B.Com (PGDA) from the University of Cape Town.
Other current directorships:	Energy World Corporation (ASX: EWC)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Name: Mr Darren Lurie
Title: Managing Director (resigned 13 December 2022)
Qualifications: B.Comm (Hons), B.LLB (Hons)
Experience and expertise: Darren Lurie is an experienced leader of boards and management teams as Chair, CEO and CFO. He has experience working across a range of industries operating both domestically and internationally. Prior to joining Optiscan, Darren was the Group CFO and Head of Corporate Development for EduCo International Group, an investee company of Baring Private Equity Asia and a leading provider of education and related services with campuses in the USA, Australia, Canada and Ireland, across the Higher Education, Career and English sectors. Darren is a former chair and non-executive director of ASX listed Farm Pride Foods Ltd (ASX:FRM), one of Australia's leading agribusinesses. He has fifteen years' experience as a corporate advisor leading finance, strategy and merger and acquisition assignments across a range of industries

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: N/A - no longer a director of the Company
Interests in options: N/A - no longer a director of the Company

Name: Dr Philip Currie
Title: Non-executive Director (retired 20 January 2022)
Qualifications: MBBS (Hons), FRACP, MBA
Experience and expertise: Dr Currie is a cardiologist with more than 35 years in cardiology both in the United States and in Australia with extensive experience in medical research, clinical cardiology and business. He has a medical degree, MBBS (Hons) from Monash University and an MBA from the University of Michigan.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: N/A - no longer a director of the Company
Interests in options: N/A - no longer a director of the Company

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Mr Justin Mouchacca, CA

Mr Mouchacca is a qualified Chartered Accountant with over 15 years' experience in public company responsibilities including statutory, corporate governance and financial reporting requirements. He graduated from RMIT University in 2008 with a Bachelor of Business majoring in Accounting. Mr Mouchacca completed the Chartered Accountants Program in 2011 and has been appointed Company Secretary and Financial Officer for a number of entities listed on the ASX and unlisted public companies. He specialises in the preparation of listing companies on stock exchanges, Corporations Act legislation, corporate governance policies, statutory report writing requirements, shareholder meeting requirements and assistance in the preparation of prospectuses, information memorandums and other disclosure documents.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee	
	Attended	Held	Attended	Held
Robert Cooke	12	12	1	1
Camile Farah	12	12	1	1
Karen Borg*	12	12	1	1
Ron Song	12	12	1	1
Sean Gardiner	1	1	-	-
Philip Currie**	9	9	-	-
Darren Lurie***	7	7	-	-
Graeme Mutton****	1	1	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Appointed 29 July 2021.

** Retired 20 January 2022.

*** Resigned 13 December 2021.

****Resigned 30 July 2021.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

The Constitution of the company and the ASX Listing Rules establish an aggregate or maximum level of remuneration available to non-executive directors, to be divided amongst the directors as agreed. The aggregate amount approved by shareholders to be available for remuneration of non-executive directors is \$400,000 per annum.

The Board has determined that non-executive directors shall receive only fixed remuneration by way of payment of fees. There is no variable, short term incentive remuneration for non-executive directors, nor is there any entitlement to retiring allowances or payments other than the statutory superannuation required by law.

Non-executive directors receive an annual fee for all services provided to the company, including being a director of the company and any of its subsidiaries, and for serving on board sub committees in accordance with the requirements of the Corporate Governance Policy.

Non-executive directors are encouraged to hold shares in the company which have been purchased on market or through placements where participation by the directors has been approved by shareholders in general meeting. It is considered good governance for the directors to have a personal financial stake in the company.

Executive remuneration

The Remuneration Committee (currently comprising the board) is responsible for establishing the structure and amount of remuneration.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and competitive in the market.

Fixed remuneration is reviewed as required by the Remuneration Committee, and the process consists of a review of company and individual performance, and comparative remuneration in the market. All employees are provided with the opportunity to receive their fixed remuneration in both cash and benefits, subject to there being no change in overall cost to the company. Compulsory superannuation contributions are included in the determination of fixed remuneration.

Variable Remuneration

The objectives and structure of the Group's policy on Variable Remuneration is set out below.

Variable Remuneration - Short Term Incentive (STI)

The objective of the STI program is to link the achievement of the group's operational targets with the remuneration received by key management personnel with prime responsibility for meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the key management personnel to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Actual STI payments granted to key management personnel depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are such measures as achievement of budgeted financial outcomes and key milestones, for example, demonstrating clinical efficacy, achieving quality accreditation, obtaining regulatory clearance or measures such as control of expenditure or achievement of sales targets. The Board or Remuneration Committee establishes clear performance benchmarks, which must be met in order to trigger payments under the short term incentive scheme.

The aggregate amount of annual STI payments available for key management personnel and other executives is subject to the approval of the Remuneration Committee. Payments made are usually delivered as a cash bonus.

Variable Remuneration - Long Term Incentive (LTI)

Long term incentives are delivered to executives and employees by way of grant of options under either at the Board's discretion or through an Employee Share Option Plan (whichever is relevant or has been adopted at the time).

The objective of the long term incentive plan is to reward executives and employees in a manner which aligns this element of remuneration with the creation of shareholder wealth.

The Board is responsible for the allocation of options, and determines the quantum of grants by reference to group and individual performance against targets.

Incentives and Company Performance

The link between incentive structure and company performance is an important aspect of remuneration philosophy. The purpose of the remuneration policies of the Group is to create an effective and transparent link between the incentives provided and the performance of the Group.

The Group is in the process of transition from a business predominantly engaged in research and development ("R&D") to one increasingly focussed on commercialisation of its technology. Whilst substantial progress has been made, the transition from loss making R&D activities to profit making trading has not yet been completed. As a consequence, performance to date cannot appropriately be determined with conventional financial measurement tools. As the group has expensed all R&D expenditure incurred to date, losses have been reported so conventional earnings measures such as profit growth, EPS or dividend yield and payout are not applicable.

In view of the limited relevance of financial measurement tools, the Board of Directors has determined that the performance of the group is best reviewed in the context of achievement of key milestones. During the period, no additional STI or LTI remuneration was awarded based on milestones.

Employment Contracts

All staff including executives are engaged under rolling employment agreements. The contracts continue indefinitely subject to satisfactory performance, and provide one month's notice. Under the terms of the agreements:

- The company may terminate the employment agreement by providing the requisite period of written notice or by providing payment in lieu of notice, based on the fixed component of remuneration. Any unvested options at the expiry of the notice period will be forfeited.
- On resignation any unvested options are forfeited.
- The company may terminate the agreement at any time without notice if serious misconduct has occurred, in which case the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

Voting and comments made at the company's 20 January 2022 Annual General Meeting ('AGM')

At the 2021 AGM, 99.95% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Optiscan Imaging Limited:

- Mr Robert Cooke - Non-executive Chairman
- Prof Camile Farah - Non-executive Director (appointed 6 May 2021) and appointed CEO & Managing Director as of 13 December 2021
- Ms Karen Borg - Non-executive Director (appointed 29 July 2021)
- Mr Ron Song - Non-executive Director
- Mr Sean Gardiner - Non-executive Director (appointed 14 June 2022)
- Mr Darren Lurie - Managing Director (resigned 13 December 2021)
- Dr Philip Currie - Non-executive Director (retired 20 January 2022)
- Mr Graeme Mutton - Non-executive Director - (resigned 30 July 2021)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary	STI	Annual			Equity-	Equity-	
	and fees	Incentives	leave	Super-	Long	settled	settled	
2022	\$	bonuses	expense	annuation	service	performanc e rights	Options	\$
<i>Non-Executive Directors:</i>								
Robert Cooke	90,909	-	-	9,091	-	-	152,009	252,009
Philip Currie****	23,333	-	-	2,333	-	-	-	25,666
Ron Song	43,333	-	-	4,333	-	-	-	47,666
Karen Borg*	43,333	-	-	4,333	-	-	100,991	148,657
Graeme Mutton***	3,333	-	-	333	-	-	-	3,666
<i>Executive Directors:</i>								
Camile Farah**	247,486	-	14,847	23,012	32	-	123,589	408,966
Darren Lurie**	233,954	65,000	-	16,769	-	-	-	315,723
	<u>685,681</u>	<u>65,000</u>	<u>14,847</u>	<u>60,204</u>	<u>32</u>	<u>-</u>	<u>376,589</u>	<u>1,202,353</u>

* Appointed 29 July 2021.

** Mr Lurie resigned as Managing Director on 13 December 2021 and Dr Farah was appointed Managing Director on the same day.

*** Resigned 30 July 2021.

**** Retired 20 January 2022.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		Total
	Cash salary	STI Incentives	Annual leave	Super-	Long service	Equity-	Equity-	
	and fees		expense	annuation	leave	settled performance rights	settled Options	
2021	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Robert Cooke*	18,740	-	-	1,780	-	-	116,571	137,091
Philip Currie	40,000	-	-	3,800	-	-	-	43,800
Graeme Mutton	29,333	-	-	2,787	-	-	-	32,120
Ron Song**	15,337	-	-	1,457	-	-	-	16,794
Camile Farah***	6,108	-	-	580	-	-	-	6,688
<i>Executive Directors:</i>								
Darren Lurie	372,544	150,000	2,644	23,432	50	-	-	548,670
	482,062	150,000	2,644	33,836	50	-	116,571	785,163

The proportion of remuneration linked to performance in STI or LTI and the fixed remuneration proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022	2021	2022	2021	2022	2021
<i>Non-Executive Directors:</i>						
Robert Cooke	40%	15%	-	-	60%	85%
Philip Currie	100%	100%	-	-	-	-
Graeme Mutton	100%	100%	-	-	-	-
Ron Song	100%	100%	-	-	-	-
Karen Borg	32%	-	-	-	68%	-
<i>Executive Directors:</i>						
Darren Lurie	100%	73%	-	27%	-	-
Camile Farah	69%	100%	-	-	31%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Dr Camile Farah
Title:	Managing Director
Agreement commenced:	13 December 2021
Term of agreement:	No fixed term.
Details:	Fixed remuneration of \$385,000 per annum plus superannuation of the greater of 10% or the statutory minimum. The Managing Director may terminate the Agreement by providing 6 months' notice in writing. The Company may terminate the Agreement by providing 12 months' notice in writing.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2022 (2021: Nil).

Options

On 19 April 2021 upon Robert Cooke's appointment as Non-executive Director, Robert has been issued 2,000,000 unlisted options. These options vest equally over the first year following the issue date and there are no other vesting conditions.

On 9 August 2021 the Company issued 1,000,000 unlisted options to Ms Karen Borg in accordance with her appointment to the Board of the Company. These options vest equally over the first year following the issue date and there are no other vesting conditions. These options vest equally over the first year following the issue date and there are no other vesting conditions.

On 9 March 2022, the Company issued a total of 12,000,000 unlisted options to the Managing Director following receipt of shareholder approval at the Company's 2021 annual general meeting of holders. The options have an exercise price of \$0.1925 (19.25 cents) per option, with 3,000,000 options being exercisable by 9 March 2025 and 9,000,000 options being exercisable by 9 March 2027. All of the options are subject to certain vesting conditions. Refer to vesting conditions noted below. The options were issued with the following vesting conditions:

- 1,000,000 options vest on 5pm EST on 12 December 2022 subject to continued employment as Managing Director and CEO;
- 2,000,000 options vest on 5pm EST on 12 December 2023 subject to continued employment as Managing Director and CEO;
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$1.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue;
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$1.50 per share for a consecutive period of 15 trading days within 5 years following the date of issue; and
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$2.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue;

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
19 April 2021	19 July 2021	19 April 2023	\$0.275	\$0.130
19 April 2021	19 October 2021	19 April 2023	\$0.275	\$0.130
19 April 2021	19 January 2022	19 April 2023	\$0.275	\$0.130
19 April 2021	19 April 2022	19 April 2023	\$0.275	\$0.130
29 July 2021	29 October 2021	29 July 2023	\$0.209	\$0.103
29 July 2021	29 January 2022	29 July 2023	\$0.209	\$0.103
29 July 2021	29 April 2022	29 July 2023	\$0.209	\$0.103
29 July 2021	29 July 2022	29 July 2023	\$0.209	\$0.103
20 January 2022	12 December 2022	9 March 2025	\$0.1925	\$0.067
20 January 2022	12 December 2023	9 March 2025	\$0.1925	\$0.076
20 January 2022	Subject to share price hurdle	9 March 2027	\$0.1925	\$0.081
20 January 2022	Subject to share price hurdle	9 March 2027	\$0.1925	\$0.068
20 January 2022	Subject to share price hurdle	9 March 2027	\$0.1925	\$0.058

Name	Number of		Vesting date, Vesting		Fair value	
	options granted	Grant date	Price and exercisable date	Expiry date	Exercise price	per option at grant date
Robert Cooke	500,000	19-Apr-21	19-Jul-21	19-Apr-23	\$0.275	\$0.130
Robert Cooke	500,000	19-Apr-21	19-Oct-21	19-Apr-23	\$0.275	\$0.130
Robert Cooke	500,000	19-Apr-21	19-Jan-22	19-Apr-23	\$0.275	\$0.130
Robert Cooke	500,000	19-Apr-21	19-Apr-22	19-Apr-23	\$0.275	\$0.130
Karen Borg	250,000	29-July-21	29-Oct-21	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-July-21	29-Jan-22	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-July-21	29-Apr-22	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-July-21	29-Jul-22	29-Jul-23	\$0.201	\$0.103
Camile Farah	1,000,000	20-Jan-22	12-Dec -22	9-Mar-25	\$0.1925	\$0.067
Camile Farah	2,000,000	20-Jan -22	12-Dec -23	9-Mar-25	\$0.1925	\$0.076
Camile Farah*	3,000,000	20-Jan -22	15 day VWAP - \$1.00	9-Mar-27	\$0.1925	\$0.081
Camile Farah**	3,000,000	20-Jan -22	15 day VWAP - \$1.50	9-Mar-27	\$0.1925	\$0.068
Camile Farah***	3,000,000	20-Jan-22	15 day VWAP - \$2.00	9-Mar-27	\$0.1925	\$0.058

* Options vest after the Company's volume weighted average share price is greater than or equal to \$1.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue.

** Options vest after the Company's volume weighted average share price is greater than or equal to \$1.50 per share for a consecutive period of 15 trading days within 5 years following the date of issue.

*** Options vest after the Company's volume weighted average share price is greater than or equal to \$2.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue.

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Name	Number of options granted during the year 2022	Number of options granted during the year 2021	Number of options vested during the year 2022	Number of options vested during the year 2021
Robert Cooke	-	2,000,000	2,000,000	-
Karen Borg	1,000,000	-	750,000	-
Camile Farah	12,000,000	-	-	-

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the years ended 30 June 2021 and 30 June 2022 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted \$	Value of options vested \$	Number of options lapsed	Value of options lapsed \$
Robert Cooke	19-Apr-21	19-Jul-21	500,000	67,145	67,145	-	-
Robert Cooke	19-Apr-21	19-Oct-21	500,000	67,145	67,145	-	-
Robert Cooke	19-Apr-21	19-Jan-22	500,000	67,145	67,145	-	-
Robert Cooke	19-Apr-21	19-Apr-22	500,000	67,145	67,145	-	-
Karen Borg	29-Jul-21	29-Oct-21	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Jan-22	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Apr-22	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Jul-22	250,000	25,785	-	-	-
Camile Farah	20-Jan-22	12-Dec-22	1,000,000	67,000	-	-	-
Camile Farah	20-Jan-22	12-Dec-23	2,000,000	152,000	-	-	-
Camile Farah	20-Jan-22	Various	3,000,000	243,000	-	-	-
Camile Farah	20-Jan-22	Various	3,000,000	204,000	-	-	-
Camile Farah	20-Jan-22	Various	3,000,000	174,000	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022 \$	2021 \$	2020 \$	2019 \$	2018 \$
Revenue	1,013,039	889,526	1,190,712	1,041,679	2,185,579
Net profit/(loss) before tax	(4,233,037)	(2,126,695)	(1,765,353)	(2,344,119)	(2,035,328)
Net profit/(loss) after tax	(4,233,037)	(2,126,695)	(1,765,353)	(2,344,119)	(2,035,328)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2022	2021	2020	2019	2018
Share price at financial year start (\$)	0.23	0.03	0.06	0.06	0.10
Share price at financial year end (\$)	0.11	0.23	0.03	0.06	0.06
Basic earnings per share (cents per share)	(0.68)	(0.38)	(0.37)	(0.54)	(0.61)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Holdings at date of appointment as KMP	Additions	Disposals/ Holdings at date of cessation as KMP	Balance at the end of the year
<i>Ordinary shares</i>					
Robert Cooke	-	-	-	-	-
Camile Farah	524,985	-	-	-	524,985
Ron Song	3,000,000	-	-	-	3,000,000
Karen Borg*	-	-	-	-	-
Sean Gardiner**	-	-	-	-	-
Philip Currie***	23,057,500	-	-	(23,057,500)	-
Darren Lurie****	8,725,000	-	-	(8,725,000)	-
Graeme Mutton*****	11,409,404	-	-	(11,409,404)	-
	<u>46,716,889</u>	<u>-</u>	<u>-</u>	<u>(43,191,904)</u>	<u>3,524,985</u>

* Appointed 29 July 2021.

** Appointed 14 June 2022.

*** Retired 20 January 2022

**** Resigned on 13 December 2021.

***** Resigned 30 July 2021.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Holdings at date of cessation/ of KMP*	Balance at the end of the year
<i>Options over ordinary shares</i>					
Darren Lurie	1,000,000	-	(1,000,000)	-	-
Robert Cooke	2,000,000	-	-	-	2,000,000
Karen Borg	-	1,000,000	-	-	1,000,000
Camile Farah	-	12,000,000	-	-	12,000,000
	<u>3,000,000</u>	<u>13,000,000</u>	<u>(1,000,000)</u>	<u>-</u>	<u>15,000,000</u>

Other transactions with key management personnel and their related parties

Information about transactions with key management personnel and their related parties is disclosed in Note 29 Related party transactions. There were no transactions with non-director key management personnel and their related entities during the years ended 30 June 2021 and 30 June 2022, with the exception of remuneration-related transactions disclosed in this remuneration report.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Optiscan Imaging Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30-Nov-18	30-Nov-22	\$0.05	900,000
30-Nov-18	31-May-23	\$0.065	1,200,000
30-Nov-18	30-Nov-23	\$0.08	900,000
9-Dec-20	9-Jun-23	\$0.15	29,182,573
19-Apr-21	19-Apr-23	\$0.275	2,000,000
19-Jul-21	19-Jul-23	\$0.209	1,000,000
20-Jan-22	09-Mar-25	\$0.1925	3,000,000
20-Jan-22	09-Mar-27	\$0.1925	9,000,000
			<u>47,182,573</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Optiscan Imaging Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former partners of Grant Thornton Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Cooke
Non-executive Chairman

31 August 2022

Grant Thornton Audit Pty Ltd

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Collins Square
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Melbourne VIC 3008
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Melbourne VIC 3001
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Auditor's Independence Declaration

To the Directors of Optiscan Imaging Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Optiscan Imaging Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 August 2022

Optiscan Imaging Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022



	Note	Consolidated 2022 \$	2021 \$
Revenue	5	1,013,039	889,526
Other income	6	1,267,208	1,653,307
Expenses			
Research & development and intellectual property expenses		(2,165,035)	(1,666,265)
Share-based payment expenses	7	(376,590)	(173,801)
Depreciation expense	7	(240,554)	(238,286)
Operational expenses		(2,429,729)	(1,299,664)
Finance costs		(32,158)	(56,268)
Administration costs		(1,269,218)	(1,235,244)
Loss before income tax expense		(4,233,037)	(2,126,695)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Optiscan Imaging Limited		(4,233,037)	(2,126,695)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Optiscan Imaging Limited		<u>(4,233,037)</u>	<u>(2,126,695)</u>
		Cents	Cents
Basic earnings per share	34	(0.68)	(0.37)
Diluted earnings per share	34	(0.68)	(0.37)

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

	Note	Consolidated 2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	9	4,529,208	8,442,327
Trade and other receivables	10	1,412,957	1,244,039
Inventories	11	1,269,139	1,160,791
Other	12	111,204	121,723
Total current assets		<u>7,322,508</u>	<u>10,968,880</u>
Non-current assets			
Property, plant and equipment	13	139,393	102,930
Right-of-use assets	14	469,576	572,238
Other	15	52,625	52,625
Total non-current assets		<u>661,594</u>	<u>727,793</u>
Total assets		<u>7,984,102</u>	<u>11,696,673</u>
Liabilities			
Current liabilities			
Trade and other payables	16	437,008	493,710
Lease liabilities	17	175,969	172,094
Provisions	18	387,410	307,578
Total current liabilities		<u>1,000,387</u>	<u>973,382</u>
Non-current liabilities			
Lease liabilities	19	372,702	495,927
Provisions	20	18,604	10,258
Total non-current liabilities		<u>391,306</u>	<u>506,185</u>
Total liabilities		<u>1,391,693</u>	<u>1,479,567</u>
Net assets		<u>6,592,409</u>	<u>10,217,106</u>
Equity			
Issued capital	21	71,256,070	70,942,231
Reserves	22	2,229,978	1,935,477
Accumulated losses		(66,893,639)	(62,660,602)
Total equity		<u>6,592,409</u>	<u>10,217,106</u>

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

	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2020	59,730,577	(4,435)	2,365,794	(60,543,609)	1,548,327
Loss after income tax expense for the year	-	-	-	(2,126,695)	(2,126,695)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(2,126,695)	(2,126,695)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	10,621,673	-	-	-	10,621,673
Share-based payments (note 35)	-	-	173,801	-	173,801
Exercise of options (Note 22)	589,981	-	(589,981)	-	-
Cancellation of options	-	-	(9,702)	9,702	-
Balance at 30 June 2021	<u>70,942,231</u>	<u>(4,435)</u>	<u>1,939,912</u>	<u>(62,660,602)</u>	<u>10,217,106</u>
	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Consolidated					
Balance at 1 July 2021	70,942,231	(4,435)	1,939,912	(62,660,602)	10,217,106
Loss after income tax expense for the year	-	-	-	(4,233,037)	(4,233,037)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4,233,037)	(4,233,037)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	231,750	-	-	-	231,750
Share-based payments (note 35)	-	-	376,590	-	376,590
Exercise of options (Note 22)	82,089	-	(82,089)	-	-
Balance at 30 June 2022	<u>71,256,070</u>	<u>(4,435)</u>	<u>2,234,413</u>	<u>(66,893,639)</u>	<u>6,592,409</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 2022



		Consolidated	
	Note	2022	2021
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		930,317	657,925
Payments to suppliers and employees (inclusive of GST)		(5,928,887)	(4,015,518)
Interest received		20,992	17,111
Receipt of research and development tax incentive		770,283	701,242
Receipt of government grants		373,717	512,931
		<u> </u>	<u> </u>
Net cash used in operating activities	33	<u>(3,833,578)</u>	<u>(2,126,309)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	13	<u>(124,136)</u>	<u>(30,866)</u>
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(124,136)</u>	<u>(30,866)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	244,750	11,044,967
Share issue transaction costs		-	(423,295)
Repayment of lease liabilities		(200,155)	(172,734)
Proceeds from borrowings		-	203,065
Repayment of borrowings		-	(578,862)
		<u> </u>	<u> </u>
Net cash from financing activities		<u>44,595</u>	<u>10,073,141</u>
		<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash equivalents		(3,913,119)	7,915,966
Cash and cash equivalents at the beginning of the financial year		<u>8,442,327</u>	<u>526,361</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	9	<u><u>4,529,208</u></u>	<u><u>8,442,327</u></u>

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

Note 1. General information

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Optiscan Imaging Limited is a for-profit entity statements prepared on accruals basis under the historical cost convention.

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, rounded to the nearest dollar, 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

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Going concern

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and liabilities in the ordinary course of business. The going concern of the consolidated entity is dependent upon it maintaining sufficient funds for its operations and commitments.

The working capital position as at 30 June 2022 of the consolidated entity results in an excess of current assets over current liabilities of \$6,322,121 (30 June 2021: \$9,995,498). The consolidated entity made a loss after tax of \$4,233,037 during the financial year (2021: \$2,126,695) and the net operating cash outflow was \$3,833,578 (2021: \$2,126,309 net outflow). The cash balance as at 30 June 2022 was \$4,529,208 (30 June 2021: \$8,442,327).

As at 30 June 2022, the consolidated entity has accounted for a research and development income tax refund amount of \$941,790, which is expected to be refunded during the first half of FY23.

The Directors are of the opinion that the existing cash reserves and forecast sales will provide the consolidated entity with adequate funds to ensure its continued viability and to operate as a going concern for a period of at least 12 months from the date of approval of the financial statements.

Note 2. Significant accounting policies (continued)

The consolidated entity is in on-going discussions with Carl Zeiss Meditec (CZM) and CZM has indicated that it intends to place further orders for product and services from the consolidated entity during FY23. During FY22 the consolidated entity has increased its profile in Australian translational and pre-clinical research markets, including collaborating with institutions to identify new applications including 3D tissue cultures and continuing its engagement with Monash University regarding research applications. A number of Australian, Chinese and North American institutions have submitted or expressed their intention to submit funding applications for the purchase of FIVE2 (ViewnVivo) systems and while the original expected timing of some of these purchases has been delayed, the sales process is on-going. The Directors continue to monitor the ongoing funding requirements of the consolidated entity and believe that sufficient funds can be secured if required and are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Optiscan Imaging Limited ('company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Optiscan Imaging Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 2. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

The consolidated entity predominantly derives revenue from the sale of goods and services to customers on normal credit terms. The performance obligations of these contracts are the delivery of the product or service, as the case may be, at which point revenue from the sale of goods or services is recognised. Provision of services is carried on an individual contract basis and relevant revenue is recognised over time as and when the completed service is delivered.

The consolidated entity's future obligations to transfer goods or services to a customer for which the Group has received consideration from the customer is recognised as a contract liability, and reports these amounts as such in its statement of financial position, until such time as the performance obligations are satisfied. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate. The provision of services mainly relate to service contracts, software consulting and process policies which are requested from customers.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grant income

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where expenditure has been incurred that gives rise to an entitlement under a grant agreement, the grant income is accrued. Revenue is recognised only to the extent that there is reasonable assurance that the grant will be received and conditions attached will be complied with.

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity makes use of a simplified approach in accounting for trade and other receivables and records any required loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Note 2. Significant accounting policies (continued)

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The depreciation rates applied to the main classes of plant and equipment are:

Office furniture & equipment	20% - 40%
Production equipment	20%
R&D equipment	30% - 40%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial, Trinomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 2. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Performance Shares are booked in the reserve and reallocated to issued capital upon vesting.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Optiscan Imaging Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer Note 36.

Capitalisation of labour costs into inventory

The carrying value of inventories includes an allocation of capitalised labour costs relevant to the production of those inventories. In determining the amount of labour to be capitalised, management makes assumptions regarding the nature and quantum of the activities undertaken by personnel involved in the production and assembly of inventory.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

R&D tax incentive

Research and development tax incentive income is recognised at fair value when there is reasonable assurance that the income will be received. The expected future R&D tax incentive, for qualifying R&D expenditure for the current financial year, has been accrued and is also recognised on the statement of financial position. It has been established that the conditions of this future R&D incentive have been met and that the expected amount of the incentive can be reliably measured.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

Identification of reportable operating segments

The Group operated predominantly in the confocal microscope industry. The Group's sales comprise sales of goods within that segment. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the Group as a whole in the business segment of confocal microscopes within Australia. The majority of sales revenues are attributed to Australia 68% (2021: nil) and Germany 30%, (2021: 56%), and other overseas markets 2% (2021: 44%). There were two customers that contributed revenues greater than 10%, which amounted to \$660,157 during the financial year (2021: \$865,683).

All non-current assets are located in Australia.

Note 5. Revenue

	Consolidated 2022 \$	2021 \$
Revenue	1,013,039	889,526

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2022 \$	2021 \$
<i>Major product lines</i>		
Sale of goods (goods transferred at a point in time)	991,157	865,259
Services provided (services transferred at a point in time)	21,882	24,267
	1,013,039	889,526

Geographical regions

Australia	686,000	-
Germany	305,157	498,507
China	-	366,752
Other	21,882	24,267
	1,013,039	889,526

Note 6. Other income

	Consolidated 2022 \$	2021 \$
Net foreign exchange gain	10,221	1,379
Government grants - R&D tax incentive	941,790	847,324
COVID-19 grants and subsidies	-	275,850
BioMedTech Horizons program grant	294,205	511,979
Interest revenue	20,992	16,775
Other income	1,267,208	1,653,307

The refundable R&D tax offset is accounted for under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance.

The R&D Tax Incentive programme provides tax offsets for expenditure on eligible R&D activities. Optiscan, having expected aggregated annual turnover of under \$20 million, is entitled to a refundable R&D credit of 43.5% (2021: 43.5%) on the eligible R&D expenditure incurred on eligible R&D activities.

The Company received grant income during the current and previous financial year through the BioMedTech Horizons Program, which is an initiative of the Medical Research Future Fund, operated by MTPConnect. It is designed to foster innovative collaborative health technology development, and stimulate collaboration across disciplines and between the research, industry, and technology sectors to maximise entrepreneurship and idea potential.

Note 7. Expenses

	Consolidated 2022 \$	2021 \$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>		
Cost of sales	175,071	220,766
<i>Depreciation</i>		
Plant and equipment	87,673	86,138
Buildings right-of-use assets	152,881	152,148
Total depreciation	240,554	238,286
<i>Superannuation expense</i>		
Defined contribution superannuation expense	217,300	134,963
<i>Share-based payments expense</i>		
Share-based payments expense	376,590	173,801
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	2,499,173	1,700,127

Note 8. Income tax expense

	Consolidated 2022 \$	2021 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(4,233,037)	(2,126,695)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,058,259)	(552,941)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	94,147	45,189
R&D Grant Clawback	363,409	20,031
Non assessable gains	(273,309)	(233,304)
R&D Tax Incentive deductions foregone for tax offset	971,674	506,446
Expenditure not allowable for income tax purposes	5,394	362
Deferred tax assets recognised/(not recognised)	(103,056)	214,217
Income tax expense	-	-

	Consolidated 2022 \$	2021 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	49,332,800	47,049,405
Potential tax benefit @ 25% (2021: 26%)	12,333,200	11,762,351

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2022	2021
	\$	\$
Cash on hand	<u>4,529,208</u>	<u>8,442,327</u>

Note 10. Current assets - trade and other receivables

	Consolidated	
	2022	2021
	\$	\$
Trade receivables	<u>390,879</u>	<u>257,325</u>
R&D Tax incentive grant receivable	941,790	847,324
GST refund receivable	<u>80,288</u>	<u>139,390</u>
	<u>1,022,078</u>	<u>986,714</u>
	<u>1,412,957</u>	<u>1,244,039</u>

Note 11. Current assets - inventories

As stated at the lower of cost or net realisable value:

	Consolidated	
	2022	2021
	\$	\$
Raw materials and work in progress	768,265	760,166
Finished goods	<u>500,874</u>	<u>400,625</u>
	<u>1,269,139</u>	<u>1,160,791</u>

Cost of sales reflects the value of inventory sold in the period.

No inventory items were impaired at 30 June 2022 (2021: Nil).

Note 12. Current assets - other

	Consolidated	
	2022	2021
	\$	\$
Prepayments	<u>111,204</u>	<u>121,723</u>

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2022	2021
	\$	\$
Plant and equipment - at cost	637,008	512,872
Less: Accumulated depreciation	(498,912)	(411,618)
	<u>138,096</u>	<u>101,254</u>
Production equipment - at cost	2,055	2,055
Less: Accumulated depreciation	(758)	(379)
	<u>1,297</u>	<u>1,676</u>
R&D equipment - at cost	10,000	10,000
Less: Accumulated depreciation	(10,000)	(10,000)
	<u>-</u>	<u>-</u>
	<u><u>139,393</u></u>	<u><u>102,930</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment	Production equipment	Total
	\$	\$	\$
Balance at 1 July 2020	156,147	2,055	158,202
Additions	30,866	-	30,866
Depreciation expense	(85,759)	(379)	(86,138)
Balance at 30 June 2021	101,254	1,676	102,930
Additions	124,136	-	124,136
Depreciation expense	(87,294)	(379)	(87,673)
Balance at 30 June 2022	<u><u>138,096</u></u>	<u><u>1,297</u></u>	<u><u>139,393</u></u>

Note 14. Non-current assets - right-of-use assets

	Consolidated	
	2022	2021
	\$	\$
Land and buildings - right-of-use	<u><u>469,576</u></u>	<u><u>572,238</u></u>

The consolidated entity leases land and buildings for its offices and manufacturing under agreements of between 1 to 5 years.

Note 14. Non-current assets - right-of-use assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$	Total \$
Consolidated		
Balance at 1 July 2020	724,386	724,386
Depreciation expense	(152,148)	(152,148)
Balance at 30 June 2021	572,238	572,238
Revaluation increments	50,219	50,219
Depreciation expense	(152,881)	(152,881)
Balance at 30 June 2022	<u>469,576</u>	<u>469,576</u>

Note 15. Non-current assets - other

	Consolidated 2022 \$	2021 \$
Security deposits	<u>52,625</u>	<u>52,625</u>

Note 16. Current liabilities - trade and other payables

	Consolidated 2022 \$	2021 \$
Trade payables	303,178	396,611
Accrued expenses	133,830	79,599
Other creditors	-	17,500
	<u>437,008</u>	<u>493,710</u>

Refer to note 24 for further information on financial instruments.

Note 17. Current liabilities - lease liabilities

	Consolidated 2022 \$	2021 \$
Lease liability	<u>175,969</u>	<u>172,094</u>

Refer to note 24 for further information on financial instruments.

Note 18. Current liabilities - provisions

	Consolidated	
	2022	2021
	\$	\$
Annual leave	162,997	113,911
Long service leave	224,413	193,667
	<u>387,410</u>	<u>307,578</u>

Note 19. Non-current liabilities - lease liabilities

	Consolidated	
	2022	2021
	\$	\$
Lease liability	<u>372,702</u>	<u>495,927</u>

Refer to note 24 for further information on financial instruments.

Note 20. Non-current liabilities - provisions

	Consolidated	
	2022	2021
	\$	\$
Long service leave	<u>18,604</u>	<u>10,258</u>

Note 21. Equity - issued capital

	Consolidated			
	2022	2021	2022	2021
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>619,405,602</u>	<u>616,260,602</u>	<u>71,256,070</u>	<u>70,942,231</u>

Note 21. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2020	477,778,800		59,730,577
Issue of placement shares	29 September 2020	29,466,500	\$0.0825	2,430,986
Issue of placement shares	1 October 2020	89,485,000	\$0.0825	7,382,513
Shares issued on exercise of options	1 February 2021	40,000	\$0.05	2,000
Shares issued on exercise of options	11 March 2021	800,000	\$0.05	40,000
Shares issued on exercise of options	11 March 2021	200,000	\$0.065	13,000
Shares issued on exercise of options	11 March 2021	1,400,000	\$0.08	112,000
Shares issued on exercise of options	24 March 2021	560,000	\$0.05	28,000
Shares issued on exercise of options	24 March 2021	200,000	\$0.08	16,000
Shares issued on exercise of options	1 April 2021	8,800,000	\$0.05	440,000
Shares issued on exercise of options	1 April 2021	4,400,000	\$0.065	286,000
Shares issued on exercise of options	1 April 2021	2,300,000	\$0.08	184,000
Shares issued on exercise of options	6 May 2021	305,302	\$0.15	45,795
Shares issued on exercise of options	1 June 2021	425,000	\$0.05	21,250
Shares issued on exercise of options	30 June 2021	100,000	\$0.05	5,000
Transfer from share based payments reserve		-	-	589,981
Capital raising costs		-	-	(384,871)
Balance	30 June 2021	616,260,602		70,942,231
Shares issued on exercise of options	16 July 2021	400,000	\$0.05	20,000
Shares issued on exercise of options	9 August 2021	250,000	\$0.15	37,500
Shares issued on exercise of options	15 September 2021	500,000	\$0.08	40,000
Shares issued on exercise of options	15 September 2021	300,000	\$0.065	19,500
Shares issued on exercise of options	15 September 2021	475,000	\$0.05	23,750
Shares issued on exercise of options	15 December 2021	1,000,000	\$0.08	80,000
Shares issued on exercise of options	1 June 2022	220,000	\$0.05	11,000
Transfer from share based payments reserve		-	-	82,089
Balance	30 June 2022	<u>619,405,602</u>		<u>71,256,070</u>

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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 21. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing operations in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

Note 22. Equity - reserves

	Consolidated 2022 \$	2021 \$
Foreign currency reserve	(4,435)	(4,435)
Share-based payments reserve	2,234,413	1,939,912
	<u>2,229,978</u>	<u>1,935,477</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency transaction reserve \$	Share based payments reserve \$	Total \$
Balance at 1 July 2020	(4,435)	2,365,794	2,361,359
Share based payments expense	-	173,801	173,801
Transfer from share based payments reserve on exercise of options	-	(589,981)	(589,981)
Cancellation of options	-	(9,702)	(9,702)
Balance at 30 June 2021	(4,435)	1,939,912	1,935,477
Share based payments expense	-	376,590	376,590
Transfer from share based payments reserve on exercise of options	-	(82,089)	(82,089)
Balance at 30 June 2022	<u>(4,435)</u>	<u>2,234,413</u>	<u>2,229,978</u>

Note 23. Equity - dividends

There were no dividends paid, recommended or declared during the current financial year (2021: nil).

Note 24. Financial instruments

Financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits, loans and, from time to time, convertible notes and derivatives.

Note 24. Financial instruments (continued)

In the context of the Group's overall risk profile, financial instruments do not represent the most significant exposure. Commercial risk associated with our business partnerships, technology risk around future development and market risk relating to adoption of the technology will have considerably more impact on our risk profile than the risks relating to financial instruments.

The Group monitors its exposure to key financial risks, principally currency and liquidity risk, with the objective of achieving the Group's financial targets whilst protecting future financial security.

The Group enters into derivative transactions from time to time, mainly forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. These derivatives provide economic hedges, but do not qualify for hedge accounting and are based on limits set by the Board. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, liquidity risk, interest rate risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest and foreign exchange rates. Liquidity risk is monitored through the development of future rolling cash flow forecasts and regular internal reporting. There is a lesser degree of risk management in relation to interest rate risk and credit risk, as these are considered to have less capacity to materially impact the Group's financial position at the present time.

The Board reviews and agrees policies for managing each of these risks as summarised below. Primary responsibility for identification and control of financial risks rests with the Board. It reviews and agrees policies for managing each of the risks, including the use of derivatives, hedging cover of foreign currency, credit allowances, and future cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Market risk

Foreign currency risk

As nearly all of the Group's sales revenue and accounts receivable, as well as some expenses and inventory purchases, are denominated in United States Dollars and Euro, the Group's statement of financial position can be affected by significant movements in these exchange rates. At 30 June 2022, there were no economic hedges in place in respect of net foreign currency exposures, as there were no bank facilities in place.

At 30 June 2022, had the Australian Dollar moved by the same amount illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Consolidated - 2022	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Trade debtors	10%	<u>39,088</u>	<u>39,088</u>	10%	<u>(39,088)</u>	<u>(39,088)</u>
Consolidated - 2021	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Trade debtors	10%	<u>25,732</u>	<u>25,732</u>	10%	<u>(25,732)</u>	<u>(25,732)</u>

Price risk

The consolidated entity is not exposed to any significant price risk.

Note 24. Financial instruments (continued)

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. The impact of movements in interest rates is not material in the context of the Group's operations or trading results.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note. The Group does not hold any credit derivatives to offset its credit exposure. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer, and are regularly monitored. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the possibility of default of the counter party. This is considered unlikely as the Group places cash and cash equivalents only with recognised Australian trading banks.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

The Group's objective is to maintain adequate funding of its activities. Capital management is a process of monitoring cash reserves and forecast cash requirements, and there are no externally imposed capital requirements.

The contractual maturities of the Group's and parent entity's financial assets and liabilities set out in the table are equivalent to the maturity analysis of financial assets and liability based on management's expectation. The amounts disclosed in the financial statements reflect the expected maturity of assets and liabilities.

Trade payables and other financial liabilities mainly originate from investments in working capital, principally inventories. These liabilities and relevant assets are considered in the Group's overall liquidity risk, which is monitored through review of forecasts of liquidity reserves on the basis of expected cash flow.

The Group's activities are funded from its cash reserves.

Fair value of financial assets and liabilities

The methods for estimating fair value are outlined in the relevant notes to the financial statements, and unless specifically stated, carrying value approximates fair value for all financial instruments.

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation transaction. Management has assessed that the fair value of cash and short term deposits, trade receivables, and trade payables approximate their carrying amount due to the short term nature of the instruments.

Note 24. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2022					
Non-derivatives					
Trade payables*	432,057	-	-	-	432,057
Accruals*	4,951	-	-	-	4,951
Lease liabilities	175,969	175,969	196,733	-	548,671
Total non-derivatives	612,977	175,969	196,733	-	985,679

* These balance are non-interest bearing.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2021					
Non-derivatives					
Trade payables*	387,315	-	-	-	387,315
Accruals*	88,052	-	-	-	88,052
Other payables*	18,343	-	-	-	18,343
Lease liabilities	172,094	175,969	319,958	-	668,021
Total non-derivatives	665,804	175,969	319,958	-	1,161,731

* These balance are non-interest bearing.

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. Key management personnel disclosures

Directors

The following persons were directors of Optiscan Imaging Limited during the financial year:

M Robert Cooke	Non-executive Chairman
Prof Camile Farah	CEO & Managing Director (appointed as Managing Director on 13 December 2021)
Mr Ron Song	Non-executive Director
Ms Karen Borg	Non-executive Director (appointed 29 July 2021)
Mr Sean Gardiner	Non-executive Director (appointed 14 June 2022)
Mr Graeme Mutton	Non-executive Director (resigned 30 July 2021)
Mr Darren Lurie	Managing Director (resigned 13 December 2021)
Mr Philip Currie	Non-executive Director (retired 20 January 2022)

Note 25. Key management personnel disclosures (continued)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2022 \$	2021 \$
Short-term employee benefits	765,528	634,706
Post-employment benefits	60,236	33,886
Share-based payments	376,589	116,571
	<u>1,202,353</u>	<u>785,163</u>

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company:

	Consolidated 2022 \$	2021 \$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	<u>71,000</u>	<u>74,816</u>
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
R&D tax services	11,000	4,500
Other professional services	<u>6,000</u>	<u>7,850</u>
	<u>17,000</u>	<u>12,350</u>
	<u>88,000</u>	<u>87,166</u>

Note 27. Contingent liabilities

The group has contingent liabilities in relation to bank guarantees on issue at balance date amounting to \$52,625 (2021: \$52,625).

Note 28. Commitments

At 30 June 2022 there were no material capital commitments outstanding (2021: Nil).

Note 29. Related party transactions

Parent entity

Optiscan Imaging Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Note 29. Related party transactions (continued)

Transactions with Subsidiaries

Inter-company transactions during the financial year between the parent entity, Optiscan Imaging Limited and subsidiary, Optiscan Pty Ltd amounted to \$4,360,000 (2021: \$4,825,227). Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. The balances are classified current by the parent entity.

Transactions with Directors

There were no transactions with related parties of Directors during the financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related entities at the current and previous reporting period.

Loans to/from related parties

There were no loans provided during the current and previous financial years.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at commercial rates.

Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2022 \$	2021 \$
Loss after income tax	(358,228)	(151,185)
Total comprehensive income	(358,228)	(151,185)

Statement of financial position

	2022 \$	2021 \$
Total current assets	4,245,228	8,342,118
Total assets	4,245,228	8,342,118
Total current liabilities	(13,000)	(5,000)
Total liabilities	(13,000)	(5,000)
Equity		
Issued capital	71,726,470	70,942,231
Share-based payments reserve	2,234,413	1,955,225
Accumulated losses	(69,728,655)	(64,560,338)
Total equity	4,232,228	8,337,118

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 30. Parent entity information (continued)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2022 %	2021 %
Optiscan Pty Ltd	Australia	100.00%	100.00%

Note 32. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2022 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 other than, on 1 July 2022, the Company issued 200,000 fully paid ordinary shares for the conversion of 200,000 unlisted options.

No other matter or circumstance has arisen since 30 June 2022 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.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2022 \$	2021 \$
Loss after income tax expense for the year	(4,233,037)	(2,126,695)
Adjustments for:		
Share-based payments	376,590	173,801
Finance costs	30,586	35,301
Depreciation	240,554	238,286
Change in operating assets and liabilities:		
Increase in trade and other receivables	(168,933)	(485,600)
Increase in inventories	(108,348)	(6,552)
Decrease/(increase) in prepayments	10,519	(51,084)
Increase/(decrease) in trade and other payables	(69,687)	37,596
Increase in other provisions	88,178	58,638
Net cash used in operating activities	<u>(3,833,578)</u>	<u>(2,126,309)</u>

Note 34. Earnings per share

	Consolidated	
	2022	2021
	\$	\$
Loss after income tax attributable to the owners of Optiscan Imaging Limited	(4,233,037)	(2,126,695)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	618,428,903	571,435,506
Weighted average number of ordinary shares used in calculating diluted earnings per share	618,428,903	571,435,506
	Cents	Cents
Basic earnings per share	(0.68)	(0.37)
Diluted earnings per share	(0.68)	(0.37)

Note 35. Share-based payments

Employee Share-Based Payment Plans

The Company provides benefits to nominated employees and non-executive directors in the form of share-based payment transactions, whereby employees and non-executive directors render services in exchange for shares or rights over shares.

At the company's 2021 Annual General Meeting held on 20 January 2022, shareholders approved the grant of 12,000,000 unlisted options to the Company's Managing Director, Prof. Camile Farah, which were issued on 9 March 2022 with an exercise price of \$0.1925 (19.25 cents) per option, and 3,000,000 options being exercisable by 9 March 2025 and 9,000,000 options being exercisable by 9 March 2027. All of the options are subject to certain vesting conditions.

During the financial year, the Company issued 1,000,000 unlisted options to Non-executive Director, Ms Karen Borg, who was appointed during the year. The unlisted options were exercisable at \$0.209 (20.9 cents) per option on or before 29 July 2023.

Set out below are summaries of options granted under the plan:

2022							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2018	31/05/2023	\$0.08	1,000,000	-	(1,000,000)	-	-
20/12/2018	31/05/2022	\$0.05	800,000	-	(720,000)	(80,000)	-
20/12/2018	30/11/2022	\$0.05	1,275,000	-	(375,000)	-	900,000
20/12/2018	31/05/2023	\$0.065	1,700,000	-	(300,000)	-	1,400,000
20/12/2018	30/11/2023	\$0.08	1,400,000	-	(500,000)	-	900,000
19/04/2021	19/04/2023	\$0.275	2,000,000	-	-	-	2,000,000
29/07/2021	29/07/2023	\$0.209	-	1,000,000	-	-	1,000,000
20/01/2022	09/03/2025	\$0.1925	-	3,000,000	-	-	3,000,000
20/01/2022	09/03/2027	\$0.1925	-	9,000,000	-	-	9,000,000
			8,175,000	13,000,000	(2,895,000)	(80,000)	18,200,000

Note 35. Share-based payments (continued)

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2018	30/11/2022	\$0.05	3,200,000	-	(3,200,000)	-	-
30/11/2018	31/05/2022	\$0.05	3,200,000	-	(3,200,000)	-	-
30/11/2018	30/11/2023	\$0.065	3,200,000	-	(3,200,000)	-	-
30/11/2018	31/05/2023	\$0.08	3,200,000	-	(2,200,000)	-	1,000,000
20/12/2018	31/05/2022	\$0.05	3,200,000	-	(2,400,000)	-	800,000
20/12/2018	30/11/2022	\$0.05	3,200,000	-	(1,925,000)	-	1,275,000
20/12/2018	31/05/2023	\$0.065	3,200,000	-	(1,500,000)	-	1,700,000
20/12/2018	30/11/2023	\$0.08	3,200,000	-	(1,800,000)	-	1,400,000
09/12/2020	09/04/2021	\$0.05	-	200,000	(200,000)	-	-
19/04/2021	19/04/2023	\$0.275	-	2,000,000	-	-	2,000,000
			<u>25,600,000</u>	<u>2,200,000</u>	<u>(19,625,000)</u>	<u>-</u>	<u>8,175,000</u>

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2022 Number	2021 Number
30/11/2018	30/11/2023	-	1,000,000
30/11/2018	31/05/2022	-	800,000
30/11/2018	30/11/2023	900,000	1,275,000
30/11/2018	31/05/2023	1,400,000	1,700,000
30/11/2018	30/11/2023	900,000	1,400,000
19/04/2021	19/04/2023	2,000,000	-
09/08/2021	29/07/2023	750,000	-
		<u>5,950,000</u>	<u>6,175,000</u>

The weighted average exercise price during the financial year was \$0.1801.

The 1,000,000 options granted to Ms Karen Borg during the current financial year were valued using the Black and Scholes Model. The options issued to Ms Borg vest equally of four quarters from the issue date and subject to Ms Borg being appointed a Director at that point in time of vesting.

The 12,000,000 options granted to Prof. Camile Farah during the current financial year were valued using the Binomial (STI options) and Trinomial (LTI options) valuation methods as they are subject to certain market based vesting conditions as outlined below:

- 1,000,000 options vest on 5pm EST on 12 December 2022 subject to continued employment as Managing Director and CEO (STI option);
- 2,000,000 options vest on 5pm EST on 12 December 2023 subject to continued employment as Managing Director and CEO (STI option);
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$1.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue (LTI option);
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$1.50 per share for a consecutive period of 15 trading days within 5 years following the date of issue (LTI option); and
- 3,000,000 options vest after the Company's volume weighted average share price is greater than or equal to \$2.00 per share for a consecutive period of 15 trading days within 5 years following the date of issue (LTI option).

The valuation model inputs used to determine the fair value at the grant date are as follows:

Note 35. Share-based payments (continued)

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/08/2021	29/07/2023	\$0.19	\$0.209	109.67%	-	0.43%	\$0.103
20/01/2022	09/03/2025	\$0.18	\$0.192	75.00%	-	1.39%	\$0.067
20/01/2022	09/03/2025	\$0.18	\$0.192	75.00%	-	1.39%	\$0.076
20/01/2022	09/03/2027	\$0.18	\$0.192	75.00%	-	1.67%	\$0.081
20/01/2022	09/03/2027	\$0.18	\$0.192	75.00%	-	1.67%	\$0.068
20/01/2022	09/03/2027	\$0.18	\$0.192	75.00%	-	1.67%	\$0.058

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Robert Cooke
Non-executive Chairman

31 August 2022

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Independent Auditor's Report

To the Members of Optiscan Imaging Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Optiscan Imaging Limited (the Company) and its subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Going concern – Note 2	
The Group is currently in its research and development phase, and as such, it has significant recurring losses, and negative cash flows from operating activities. As a result, the Group relies on sufficient cash reserves to fund its future operations. For the year ended 30 June 2022, the Group has recorded a loss after income tax of \$4.2 million and a net cash outflow from operations of \$3.8 million. As at 30 June 2022, the Group had cash reserves of \$4.5 million, as disclosed in Note 9. Notwithstanding the above, the Group has prepared the financial report on the going concern basis, which assumes continuity of normal operations into the foreseeable future. In determining the appropriateness of preparing the financial report on a going concern basis, the directors have made several judgements, including the timing and quantification of revenue and expenditure cash inflows and outflows. Our assessment of the directors' conclusion that the Group is a going concern is a key audit matter given the significant judgement involved in estimating future cash flows of the Group.	Our procedures included, amongst others: • Obtaining the Group's board-approved going concern assessment and supporting cashflow forecasts; • Checking the model for arithmetic accuracy; • Corroborating key assumptions against supporting evidence and considering the historical reliability of the Group's cashflow forecasts; • Enquiring of key management personnel as to the pipeline of customer orders and current discussions with key prospective customers; • Performing sensitivity analysis on the cashflow forecast prepared by management; • Obtaining support for enforceable arrangements with commercial partners to evaluate the revenue expectations made by the Group; • Enquiring as to the cost deferral/reduction opportunities and other options available to the Group should there be delays in the achievement of these anticipated commercial sales; and • Assessing the adequacy of the disclosures regarding going concern in the financial statements.
R&D tax incentive – Notes 6 and 10	
Optiscan Imaging Limited determines the eligibility of the research and development (R&D) activities under the Australian government tax incentive scheme. The R&D receivable as at 30 June 2022 was \$941,740 and the R&D tax incentive income recognised in the consolidated statement of profit or loss and other comprehensive income was \$941,790 for the year then ended. There is inherent subjectivity involved in the Group's judgements in relation to the calculation and recognition of the R&D tax incentive income and receivable, with several assumptions made in determining the eligibility of claimable expenses. An expert assisted the Group with reviewing the eligibility of expenses and with the lodgement of the R&D tax incentive claim.	Our procedures included, amongst others: • Obtaining an understanding of the process undertaken to calculate the R&D tax incentive; • Evaluating the competence, capabilities and objectivity of the specialist engaged by the Group to review the R&D expenditure; • Utilising an internal R&D tax specialist to: - Review the methodology used by the Group for consistency with the R&D tax offset rules; and - Consider the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate were likely to meet the eligibility criteria;

Key audit matter

How our audit addressed the key audit matter

Due to the above reasons, this was assessed as a key audit matter.

- Inspecting supporting documentation for a sample of expenses claimed to assess the validity of the claimed amount and eligibility against the R&D tax incentive scheme criteria;
- Comparing the nature of R&D expenditure included in the current year estimate to the prior year claim;
- Considering the Group's history of successful claims;
- Inspecting copies of relevant correspondence with Aus Industry and the Australian Taxation Office related to the claims; and
- Assessing the adequacy of the Group's disclosures in relation to the R&D tax incentive.

Share-based payment transactions (Refer to notes 2, 3, 21 and 22)

The Group provided benefits to employees and directors through share-based payment transactions to remunerate and incentivise performance. These share-based payment transactions are accounted for as equity-settled share-based payments in accordance with AASB 2 *Share-based Payment*.

During the current period, share-based payment transactions included the following:

- At the Company's 2021 Annual General Meeting held on 20 January 2022, shareholders approved the grant of 12,000,000 unlisted options to the Company's Managing Director, Prof. Camile Farah. The options were issued on 9 March 2022 with an exercise price of \$0.1925 per option, with 3,000,000 options being exercisable by 9 March 2025 valued using the Binomial and 9,000,000 options being exercisable by 9 March 2027. All of the options are subject to certain vesting conditions; and
- The Company issued 1,000,000 unlisted options to Non-executive Director, Ms Karen Borg, who was appointed during the year. The unlisted options were exercisable at \$0.209 per option on or before 29 July 2023.

The total share-based payment expense of \$376,590 was recognised in the consolidated statement of profit and loss and other comprehensive income and \$376,590 was brought directly to the consolidated statement of changes in equity during the year through the share-based payments reserve, net of \$82,089 transferred to issued capital as a result of the exercise of options during the period.

Our procedures included, amongst others:

- Verifying the mathematical accuracy of the share option valuation provided by management using an appropriate pricing model; and
- Agreeing other key inputs to the relevant terms within the share option agreements;
- Agreeing the issue of options to relevant Company registers;
- Reviewing the assumptions applied by management for reasonableness with relevant market data;
- Reviewing the volatility inputs utilised in the option valuation model;
- Reviewing management's documented assessment of the vesting conditions and probability rates used;
- Engaging with our valuations specialist to review the reasonableness of the calculation; and
- Assessing the adequacy of the Group's disclosures with respect to share-based payments.

The options were valued using either the Black Scholes, Binomial or Trinomial Model. The model inputs include volatility, dividend yield and the risk-free rate, which require judgement. In addition, the Binomial and Trinomial Models evaluate price variances over time to help determine the price of an option, which is particularly important when valuing options with market-based vesting conditions.

The accounting for share-based payments is a key audit matter because of management judgement involved in the option valuation and the financial significance.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Optiscan Imaging Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M A Cunningham
Partner – Audit & Assurance

Melbourne, 31 August 2022

The shareholder information set out below was applicable as at 25 August 2022.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: www.optiscan.com/investors/corporate-governance/.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	743	0.06	-	-
1,001 to 5,000	1,073	0.50	-	-
5,001 to 10,000	432	0.56	-	-
10,001 to 100,000	993	5.67	9	1.18
100,001 and over	433	93.21	16	98.82
	3,674	100.00	25	100.00
Holding less than a marketable parcel	1,601	-	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Peters Investments Pty Ltd	106,500,000	17.19
HSBC Custody Nominees (Australia) Limited	92,531,264	14.94
Ibsen Pty Ltd (Narula Family Set No.3 A/C)	37,750,000	6.09
Citicorp Nominees Pty Limited	28,885,140	4.66
BNP Paribas Noms Pty Ltd (DRP)	23,301,677	3.76
Harech Pty Ltd (Porter Super Fund A/C)	14,200,868	2.29
Mr Chris Graham + Mrs Diane Graham (C & D Graham S/F A/C)	12,750,000	2.06
Sash Pty Ltd (Knezevic Super Fund A/C)	6,837,964	1.10
Dixon Trust Pty Limited	6,355,702	1.03
D & K Corps Retirement Pty Ltd (D & K Corps Family A/C)	6,161,112	0.99
Kebin Nominees Pty Ltd	5,110,479	0.83
Semblance Pty Ltd (Graeme Mutton Retire S/Fund)	5,000,000	0.81
Mr Alfred J Winklemeier + Mrs Christine E Winklemier	4,710,000	0.76
Ibsen Pty Ltd (Ibsen Superfund A/C)	4,600,000	0.74
BNP Paribas Noms Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	4,400,000	0.71
Mr Christopher J Martin	4,209,448	0.68
Mr Wally Knezevic	4,134,260	0.67
Mr Peter Delaney	4,000,000	0.65
Mr Graeme L Mutton	3,733,333	0.60
Mr Kah C Lee	3,500,000	0.57
	378,671,247	61.13

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	47,182,573	20

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued	
	Number held	
Peters Investments Pty Ltd	106,500,000	17.19
Orchid Capital Investments Pte Ltd	89,485,000	14.45
Ibsen Pty Ltd	42,100,000	6.80

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

There are no other classes of equity securities.

On-market buy-back

There is no current on-market buy-back.