

Optiscan Imaging Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Optiscan Imaging Limited
ABN:	81 077 771 987
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

Revenues from ordinary activities	up	65.9%	to	\$ 1,680,180
Loss from ordinary activities after tax attributable to the owners of Optiscan Imaging Limited	up	2.8%	to	(4,351,500)
Loss for the year attributable to the owners of Optiscan Imaging Limited	up	2.8%	to	(4,351,500)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,351,500 (30 June 2022: \$4,233,037).

Financial performance

During the financial year ending 30 June 2023 (FY23), the consolidated entity generated ordinary revenue of \$1,680,180 from sales, system rentals and the provision of services, compared to \$1,013,039 in the previous corresponding period. The 66% increase in sales revenue was mainly driven by strong demand from Carl Zeiss Meditech (CZM) and the sale of a ViewnVivo® research device to an American pharmaceutical company.

Other income generated for the financial year was \$968,813 (2022: \$1,267,208). The Company recorded research and development incentive income of \$737,570 (2022: \$941,790), a decrease by 21% mainly due to the change in nature of R&D expenses incurred compared to last year. As the Company continues to invest in R&D to accelerate commercialisation, the Company has been able to leverage on external skills, expertise, and access non-dilutive funding through various grant programs. This included \$180,103 (2022: \$294,205) from the BioMedTech Horizons program and \$20,000 grant from the the Australian Government Entrepreneurs' Growth Program.

Further investment in commercial and R&D activity for the financial period increased total expenses for FY23 to \$7,000,493 (2022: \$6,513,284). These expenses include the expansion of the Company into the US to enable commercial presence and effectiveness in the local US market. Regulatory activities have also progressed with applications to the United States Food & Drug Administration (FDA) to market the InVivage® device for sale in market.

The net operating cash outflow for FY23 was \$3,152,494 compared to \$3,833,578 for the previous financial year. This improvement is due to increased cash receipts from customers from higher sales recorded for the year.

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Financial position

The net assets decreased by \$3,547,973 to \$3,044,436 at 30 June 2023 (30 June 2022: \$6,592,409). The working capital position of the consolidated entity as at 30 June 2023 resulted in an excess of current assets over current liabilities of \$2,223,048 (30 June 2022: \$6,322,121).

The decrease in the net asset position of the consolidated entity was primarily a result of increased commercial and R&D activity detailed above on items such as expansion into the US, investment in product development particularly in AI/ML, and regulatory activities with consultants and the FDA, to market and sell the InVivage® device in the US.

Capital raise

During the reporting period, the Company launched a partially underwritten renounceable entitlement offer to raise \$16.7m to fund its strategic portfolio expansion. The Offer involved the issuance of up to 208,735,201 shares at an issue price of \$0.08 per share, with the objective of raising up to \$16,698,816. The Company successfully completed the capital raise of the full Offer of \$16.7m following the financial year end in July 2023.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.42</u>	<u>1.08</u>

The net tangible assets per ordinary security has been calculated excluding the Right of use asset amount and Intangibles.

4. Control gained over entities

A wholly owned subsidiary was set up in the US to expand the Company's presence and business in US.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

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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:

A wholly owned subsidiary was set up in the US to expand the Company's presence and business in US. The consolidated financial statements have been prepared in accordance with Australian Accounting Standards that also complies with the International Financial Reporting Standards.

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 2023 is attached.

12. Signed

Signed 

Date: 30 August 2023

Robert Cooke
Non-executive Chairman

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Optiscan Imaging Limited

ABN 81 077 771 987

Annual Report – 30 June 2023

Optiscan Imaging Limited
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Optiscan Imaging Limited
Corporate directory
30 June 2023

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 23 November 2023.

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
 Australia

Stock exchange listing

Optiscan Imaging Limited securities are listed on the Australian Securities Exchange (ASX code: OIL)

Website

www.optiscan.com

Corporate governance statement

www.optiscan.com/about-us/compliance

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Optiscan Imaging Limited
Directors' report
30 June 2023

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 2023.

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 (Managing Director)
 Ms Karen Borg (Non-executive Director)
 Mr Ron Song (Non-executive Director)
 Mr Sean Gardiner (Non-executive Director)

Principal activities

The principal activity of the consolidated entity during the year was the development and commercialisation of confocal endomicroscopes. The consolidated entity carries out its principal activity through the development of the "InVivage®", Optiscan's own clinical device, Optiscan's collaboration with Carl Zeiss Meditech (CZM), and developing new pre-clinical markets for Optiscan's ViewnVivo® 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 \$4,351,500 (30 June 2022: \$4,233,037).

Financial performance

During the financial year ending 30 June 2023 (FY23), the consolidated entity generated ordinary revenue of \$1,680,180 from sales, system rentals and the provision of services, compared to \$1,013,039 in the previous corresponding period. The 66% increase in sales revenue was mainly driven by strong demand from Carl Zeiss Meditech (CZM) and the sale of a ViewnVivo® research device to an American pharmaceutical company.

Other income generated for the financial year was \$968,813 (2022: \$1,267,208). The Company recorded research and development incentive income of \$737,570 (2022: \$941,790), a decrease by 21% mainly due to the change in nature of R&D expenses incurred compared to last year. As the Company continues to invest in R&D to accelerate commercialisation, the Company has been able to leverage on external skills, expertise, and access non-dilutive funding through various grant programs. This included \$180,103 (2022: \$294,205) from the BioMedTech Horizons program and \$20,000 grant from the the Australian Government Entrepreneurs' Growth Program.

Further investment in commercial and R&D activity for the financial period increased total expenses for FY23 to \$7,000,493 (2022: \$6,513,284). These expenses include the expansion of the Company into the US to enable commercial presence and effectiveness in the local US market. Regulatory activities have also progressed with applications to the United States Food & Drug Administration (FDA) to market the InVivage® device for sale in market.

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Financial position

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The decrease in the net asset position of the consolidated entity was primarily a result of increased commercial and R&D activity detailed above on items such as expansion into the US, investment in product development particularly in AI/ML, and regulatory activities with consultants and the FDA, to market and sell the InVivage® device in the US.

Capital raise

During the reporting period, the Company launched a partially underwritten renounceable entitlement offer to raise \$16.7m to fund its strategic portfolio expansion. The Offer involved the issuance of up to 208,735,201 shares at an issue price of \$0.08 per share, with the objective of raising up to \$16,698,816. Engaging substantial shareholders, Peters Investments Pty Ltd (Peters) and Orchid Capital Investments Pte. Ltd (Orchid) partially underwrote the Offer, with Peters underwriting \$6,950,000 (86,875,000 shares) and Orchid underwriting \$2,863,733 (35,796,663 shares), both at the issue price of \$0.08 per share. Additionally, both Peters and Orchid agreed to subscribe to their full entitlements under the Offer, being \$3,221,250 (35,791,667 shares) and \$2,684,550 (29,828,333 shares) respectively. The Offer also included a shortfall facility for Eligible Shareholders who could apply for additional shares in excess of their pro-rata entitlement after taking up their full entitlement. The Company successfully completed the capital raise of the full Offer of \$16.7m following the financial year end in July 2023.

The funds raised under the Offer will be used to further the Company's research and development (R&D) projects specifically for both rigid and flexible surgical applications, to develop improved image capture, AI and telepathology capabilities, to undertake clinical studies to satisfy the FDA in relation to premarket notification applications for new addressable markets, to increase the commercial exposure of the Company specifically in the US, and for general working capital purposes.

Operational review

"INVIVAGE®" ORAL CANCER SCREENING DEVICE

Optiscan has developed the "InVivage®" intra-oral digital microscope. This hand-held confocal endomicroscope is a clinical device intended for Oral Cancer Screening and/or Surgical Margin determination. The platform technology will also be used for additional devices and other clinical applications.

United States Food & Drug Administration ("FDA") 510(k) Pathway for InVivage® device

In August 2022, Optiscan submitted its application for FDA 510(k) clearance to market the InVivage® clinical device for human oral cancer screening in the United States. In January 2023, the Agency advised that it considered the intended use and drug-device combination were novel, and should be assessed through the De Novo pathway instead. The Company has been working with the FDA since then to address feedback from the review, and incorporate enhancements into a De Novo submission. This process has allowed Optiscan to further improve the InVivage® device, explore contrast agent formulations, and advance probe disinfection and sterilisation requirements. To enable the best possible outcome, the De Novo submission will be lodged when all matters are satisfactorily addressed for both the Company and the FDA.

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Oral Cancer Studies

During the reporting period, the Melbourne Dental School clinical imaging study concluded, with all intended imaging completed and a significant amount of data included in the Company's FDA 510(k) submission for the InVivage® device. The collaborative study with the Melbourne Dental School also yielded data to be submitted to academic journals, and as supporting evidence for the FDA submission. The study was supported by the BioMedTech Horizons Program grant, an initiative of the Medical Research Future Fund operated by MTPConnect. The project fostered strong collaboration in health technology development, and reanalyzed data has been incorporated into the Company's De Novo submission.

The Company continued data curation, annotation and correlation as part of the Oral Lesion clinical study undertaken at the Australian Centre for Oral Oncology Research & Education, which the Company subsequently acquired via issuance of 6,000,000 shares on 8 December 2022, being total consideration of \$600,000 at market value on that date. One publication from this study was featured in the Journal of Oral Pathology & Medicine, and presented at international conferences, including a keynote presentation by Dr Farah at the American Academy of Oral Medicine's annual conference in May 2023. These results demonstrated extremely high diagnostic accuracy of 88.9% for the presence of oral precancer/cancer, with sensitivity (Sn) at 86.8%, specificity (Sp) at 92%, positive predictive value (PPV) at 94.3% and negative predictive value (NPV) at 82.1%. 100% of cancer cases were diagnosed correctly using Optiscan's confocal probe, with real-time clinical assessment of its images.

Finally, the imaging phase of the Adelaide Dental School study was successfully completed, yielding positive results for determination of oral cancer on resected tumors compared to traditional histopathology. The team is preparing manuscripts and seeking future research. The data shared with Optiscan further reinforces the technology's effectiveness for ex vivo imaging in surgery, and will be instrumental in supporting additional clinical studies for in vivo and ex vivo margin assessment.

BREAST CANCER SURGICAL MARGIN ASSESSMENT STUDY

The Breast Cancer Intraoperative Assessment Study, conducted at Royal Melbourne, Frances Perry and Epworth Hospitals concluded recruitment for the first and second stages of image analysis and correlation with histopathology. The collaborative work between Optiscan, breast surgeon Professor Bruce Mann, pathologist Dr Anand Murugasu and the Breast Cancer Network Australia is supported by the Medical Device Partnering Program (MDPP). Ongoing image analysis of these datasets and correlation with histopathology aim to demonstrate the technology's utility in breast resection surgery.

VIEWNVIVO® LIFE SCIENCES RESEARCH DEVICE

Optiscan is actively expanding its off-shore distribution model and sales opportunities for its ViewnVivo® preclinical device. Following new appointments in sales and marketing, Optiscan commenced a training program for Distributor Partners in the Asia Pacific region. The program focused on improving technical expertise, preclinical applications, and sales strategies, and empowers distributors to effectively market and sell ViewnVivo®. The focus on marketing and sales content will strengthen the ViewnVivo® value proposition to the pre-clinical research market.

China

The Company entered into an agreement with China-based Sinsi Technology Co Ltd (Sinsi) to target the greater China market including Hong Kong and Macau, with Biotimes covering Shanghai. Despite COVID-19 restrictions and the pandemic impacting on-site demonstration, Sinsi has generated multiple leads. Good lead generation has been obtained by both Sinsi and Biotimes, and ongoing discussions continue to refine distributor agreements and expand the Company's presence in China, given the large academic and research based in that country.

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Asia Pacific

During the period, the Company collaborated closely with its other distributors in Taiwan (J&H Technology) and Korea (Chayon) through the newly established Optiscan-based Applications and Customer Support team. Despite the impact of COVID-19, the Company focused on developing prospective revenue pipeline by providing sustained sales and marketing support across the APAC distribution network.

The Company launched a new digital marketing campaign for ViewnVivo®, in the APAC region. The high level of engagement prompted a global rollout and increased awareness and interest in the product. Following business reviews and limited traction by the distributor in South Korea, the Company terminated its agreement with Chayon and exited its Taiwan arrangements.

North America

The Company continued its focus on the North American market with direct sales and marketing in that jurisdiction undertaken by the team in the Melbourne office. After extensive discussions with US based entities, the Company adopted a new strategic approach for direct sales and marketing in North America, leading to termination of distributor arrangements with Advanced Microscopy Consultancy Services Inc. The Company received an order from an undisclosed large American pharmaceutical company for its ViewnVivo® device, coupled with feedback from US-based sales and marketing entities, and in alignment with the Company's focus on the US market, resulted in the moving ahead with the establishment of a US-based sales and corporate development team. This team will enhance Optiscan's presence in the region, enhance the Company's commercialisation efforts in life sciences, and strengthen collaborations with hospitals, academic research institutions and other medical device companies pertaining to the emerging clinical portfolio.

PRODUCT DEVELOPMENT

Since signing an agreement with Canadian-based software company, Prolucid Technologies, the Company has made significant progress with the development of its artificial intelligence/machine learning (AI/ML) and telepathology applications for use with the InVivage® device and subsequent devices. A proof-of-concept telepathology solution based on cloud infrastructure has been demonstrated, and suitable AI/ML pipelines were identified. These solutions will be taken forward for further development, verification and implementation over the coming year. Concurrently, technology roadmaps have been finalized to enhance the Company's core imaging capabilities and accelerate its product portfolio, supported by the partially underwritten capital raise. These include devices to satisfy large market segments including intraoperative surgery, pathology, gastroenterology and veterinary medicine.

MANUFACTURING & PRODUCTION

During the year, the Company made significant improvements to its manufacturing and production processes, leading to enhanced efficiencies. The addition of new staff, a streamlined supply chain review, close collaboration with key suppliers and effective integration of all outputs into the Company's expanded Enterprise Resource Planning software (M1) has further enhanced operational productivity. The transition and implementation of M1 enables further finetuning of procedures and processes, and total integration and further automation of its productivity tools.

The Company finished the year having fulfilled all committed production and service specific orders, rounding out the financial year on a positive. During the period, the Company also successfully completed the ISO 13485:2016 Annual Surveillance Audit.

PERSONNEL AND FACILITIES

The Company continued to refine its management and operational structure, taking on new staff to expand its manufacturing and research capabilities, while implementing its Enterprise Resource Planning system (ERP) (M1). The Company appointed 1.1 full-time equivalent employees to its clinical trials team to support its capacity to conduct feasibility studies and comprehensive clinical trials in support of new product developments, ensuring the delivery of high-quality data to support regulatory and commercialisation outcomes. The Company also successfully completed installation of solar panels to reduce its carbon footprint and lower its energy costs.

During the year, the Company established its US subsidiary Optiscan Imaging Inc. and commenced work on hiring a corporate development and business development presence through direct US-based hires. These will provide the Company local presence, agility and intelligence in moving ahead with US commercialisation of its products and services.

BUSINESS DEVELOPMENT

Aligning with the Company's growth strategy and in preparation for the launch of InVivage® in the US, and the further promotion of the ViewnVivo® preclinical device, the Company attended conferences, trade exhibitions and professional society meetings, to raise its profile and better understand customer needs. Notable events included Pathology Visions (Las Vegas; October 2022), the AdvaMed MedTech conference (Boston; October 2022), Medica (Dusseldorf; November 2022) and the American Academy of Oral Medicine (Savannah; May 2023). These meetings are used to promote both the life sciences and clinical products and make connections with suppliers, partners, and potential customers.

The Company joined Medical Alley, the world's largest MedTech association based in Minnesota where the Company will base itself during its US expansion. Dr Camile Farah met with key US opinion leaders, urban development and commercialisation agents, strategic contract manufacturers, R&D firms and Medical Alley staff in Minneapolis, St Paul and Rochester Minnesota.

MARKETING, COMMUNICATIONS & PUBLIC RELATIONS

In November 2022, the Company unveiled its new corporate branding, Company logo, value proposition and website at its Annual General Meeting. With the tagline 'Immediate Informed Decisions', the new branding forms an integral part of all communications. A new marketing communications system was also implemented and integrated into the Company Customer Relationship System (CRM). This facilitated regular communications with investors, customers and stakeholders. The period saw the Company continue to make excellent progress with its marketing, communications and public relations efforts, providing consistent updates to shareholders and customers throughout the course of the year.

The Company has maintained a strong presence in various media and online forums. During the period, the Company signed an agreement with Bulls N' Bears for online market coverage, including the West Australia media platforms which reach nearly 600,000 followers. The Company also pursued broader radio and newspaper coverage opportunities and will continue to target media and public relations coverage to raise the Company's profile and awareness.

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COVID-19 Update

From 14 October 2022, the Government advised that it was no longer mandatory to isolate when testing positive for COVID-19. Employees were still encouraged to stay home if feeling unwell, to wear a mask for 5 days when returning to work after overseas travel, and to undertake bi-annual COVID-19 risk assessment per guidance from Safe Work Australia. Based on the latest risk assessment undertaken in Q4 2023, COVID-19 remains low risk for Optiscan.

COVID-19 impacted Optiscan's marketing efforts, particularly in Australia and overseas, and especially in China after partnering with Sinsi Technology Co Limited. The imposition of travel restrictions hindered the ability to conduct on-site product demonstrations, limiting the Company's reach to potential customers. The gradual lifting of travel restrictions increased the ability to attend face-to-face meetings with potential customers, with the Company also using video conferencing to generate new leads and business.

The Company prioritised employee safety and well-being during the pandemic, maintaining its COVID-19 safe plan throughout its premises, and supplying additional face masks, antibacterial wipes and hand sanitiser in the workplace.

The Board continued to regularly review the consolidated entity's funding requirements and actively investigate government funding and other programs to support the consolidated entity.

Likely developments

With the launch of the US office, the commercial focus will be to get operations underway with staff on the ground to generate sales revenue in the coming year. Regarding product development and R&D, with the receipt of funds through the capital raise, there will be increased activity in this area to ensure the Company continues to progress in bringing innovative solutions to the market.

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 900,000 fully paid ordinary shares relating to conversion of unlisted options following receipt of exercise notices with different exercise prices.
- On 8 December 2022, the Company issued 6,000,000 fully paid ordinary shares to Professor Farah to acquire intellectual property that was approved by shareholders during the Annual General Meeting.

Matters subsequent to the end of the financial year

The Company successfully completed its pro rata entitlement offer by issuing 208.7m shares that raised \$16.7m following the financial year end in July 2023. This was based on the offer of one fully paid ordinary share for every three shares as announced to ASX on 30 May 2023. Eligible shareholders were able to purchase their entitlements at an issue price of \$0.08 per share. The offer was partially underwritten by both its substantial shareholders Peter Investments Pty Ltd and Orchid Capital Investment Ptd. Ltd.

The main purpose of the capital raise was to undertake R&D projects for rigid and flexible surgical applications, improve core image capture capability, advance Artificial Intelligence (AI) and Telepathology service solutions alongside the development of new clinical devices, and for general working capital purposes.

Optiscan Imaging Limited
Directors' report
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Matters subsequent to the end of the financial year (continued)

Other than the capital raise, no other matter or circumstance has arisen since 30 June 2023 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.

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 commercialisation 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 focused 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.

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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.

Environmental regulation

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

Optiscan Imaging Limited
Directors' report
30 June 2023

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 chairman of Memphasys Limited (ASX: MEM), Midas Healthcare and is a Director of SMS Healthcare. 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, Asia 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: 290,000 fully paid ordinary shares
 Interests in options: None

Name: Prof Camile Farah
 Title: CEO & Managing Director
 Qualifications: BDSc MDSc (OralMed OralPath) PhD GCEd (HE) GCExLead 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 oral clinician and maxillofacial pathologist with appointments at Hollywood Private Hospital, Precision Pathology 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 and Chief Executive of the Oral Health Centre at the University of Western Australia. He holds an Adjunct Professor title at CQ University and an Honorary Professorial Research Fellowship 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 and Honorary Treasurer 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: 8,691,652 fully paid ordinary shares
 Interests in options : 12,000,000 unlisted options

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**Optiscan Imaging Limited
Directors' report
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Name: Ms Karen Borg
 Title: Non-executive Director
 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, aged care, consumer products and government. Karen's background is in commercial management, global marketing and sales and government policy.

Karen was most recently Chief Executive Officer, Catholic Healthcare Ltd and prior to this was CEO Healthdirect and the inaugural Chief Executive for Jobs for NSW.

Her international healthcare experience includes President (Asia Pacific and Middle East) of ResMed Inc (ASX: RMD) and several senior roles with Johnson & Johnson Medical Devices companies, including Global Vice President (based in USA).

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): None
 Special responsibilities: Chair of the Audit & Risk Committee and member of the Remuneration & Nomination Committee.
 Interests in shares: 99,716 fully paid ordinary shares
 Interests in options: None

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: 4,000,000 fully paid ordinary shares
 Interests in options: None

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Optiscan Imaging Limited
Directors' report
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Name:	Mr Sean Gardiner
Title:	Non-executive Director (appointed 14 June 2022)
Qualifications:	B. Com
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:	None
Former directorships (last 3 years):	Energy World Corporation Ltd (ASX:EWC) (Appointed 8 March 2022 and resigned 2 May 2023)
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

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 2023, and the number of meetings attended by each director were:

	Full Board		Audit & Risk Committee		Remuneration & Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
	Robert Cooke	9	9	2	2	1
Camile Farah	9	9	-	-	1	1
Karen Borg	9	9	2	2	1	1
Ron Song	9	9	2	2	1	1
Sean Gardiner	9	9				

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

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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 has 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.

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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 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.

Optiscan Imaging Limited
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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 focused 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 24 November 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 99.78% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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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 - CEO & Managing Director
- Ms Karen Borg - Non-executive Director
- Mr Ron Song - Non-executive Director
- Mr Sean Gardiner - Non-executive Director
- 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 and fees	STI Incentives bonuses	Annual leave expense	Superannuation	Long service leave	Equity-settled options	
2023	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Robert Cooke	90,909	-	-	9,545	-	-	100,454
Ron Song	50,000	-	-	5,250	-	-	55,250
Karen Borg	50,000	-	-	5,250	-	2,149	57,399
<i>Executive Directors:</i>							
Camile Farah	385,000	103,950	27,228	51,859	530	231,694	800,261
Darren Lurie*	-	65,000	-	-	-	-	65,000
	<u>575,909</u>	<u>168,950</u>	<u>27,228</u>	<u>71,904</u>	<u>530</u>	<u>233,843</u>	<u>1,078,364</u>

* Mr Lurie resigned as Managing Director on 13 December 2021

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	Short term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	STI			Superannuation	Long service leave	Equity-settled options	
	Cash salary and fees	Incentives bonuses	Annual leave expense				
2022	\$	\$	\$	\$	\$	\$	\$
<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>376,589</u>	<u>1,202,353</u>

* Mr Lurie resigned as Managing Director on 13 December 2021

** Mr Currie retired 20 January 2022

*** Mr Mutton resigned 30 July 2021

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Robert Cooke	100%	40%	-	-	-	60%
Philip Currie**	-	100%	-	-	-	-
Ron Song	100%	100%	-	-	-	-
Karen Borg	96%	32%	-	-	4%	68%
Graeme Mutton***	-	100%	-	-	-	-
<i>Executive Directors:</i>						
Camile Farah	58%	69%	13%	-	29%	31%
Darren Lurie*	-	100%	-	-	-	-

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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:	13th 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 2023 (2022: 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;
- 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.

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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-Apr-21	19-Jul-21	19-Apr-23	\$0.275	\$0.130
19-Apr-21	19-Oct-21	19-Apr-23	\$0.275	\$0.130
19-Apr-21	19-Jan-22	19-Apr-23	\$0.275	\$0.130
19-Apr-21	19-Apr-22	19-Apr-23	\$0.275	\$0.130
29-Jul-21	29-Oct-21	29-Jul-23	\$0.209	\$0.103
29-Jul-21	29-Jan-22	29-Jul-23	\$0.209	\$0.103
29-Jul-21	29-Apr-22	29-Jul-23	\$0.209	\$0.103
29-Jul-21	29-Jul-22	29-Jul-23	\$0.209	\$0.103
20-Jan-22	12-Dec-22	9-Mar-25	\$0.1925	\$0.067
20-Jan-22	12-Dec-23	9-Mar-25	\$0.1925	\$0.076
20-Jan-22	Subject to share price hurdle	9-Mar-27	\$0.1925	\$0.081
20-Jan-22	Subject to share price hurdle	9-Mar-27	\$0.1925	\$0.068
20-Jan-22	Subject to share price hurdle	9-Mar-27	\$0.1925	\$0.058

Name	Number of options granted	Grant date	Vesting date, Versting Price, and Exercisable date	Expiry date	Exercise price	Fair value 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-Jul-21	29-Oct-21	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-Jul-21	29-Jan-22	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-Jul-21	29-Apr-22	29-Jul-23	\$0.201	\$0.103
Karen Borg	250,000	29-Jul-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.

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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 2023 are set out below:

Name	Number of options granted during the year 2023	Number of options granted during the year 2022	Number of options vested during the year 2023	Number of options vested during the year 2022
Robert Cooke	-	-	-	2,000,000
Karen Borg	-	1,000,000	250,000	750,000
Camile Farah	-	12,000,000	1,000,000	-

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 2022 and 30 June 2023 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	(500,000)	(67,145)
Robert Cooke	19-Apr-21	19-Oct-21	500,000	67,145	67,145	(500,000)	(67,145)
Robert Cooke	19-Apr-21	19-Jan-22	500,000	67,145	67,145	(500,000)	(67,145)
Robert Cooke	19-Apr-21	19-Apr-22	500,000	67,145	67,145	(500,000)	(67,145)
Karen Borg	29-Jul-21	29-Jul-23	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Jul-23	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Jul-23	250,000	25,785	25,785	-	-
Karen Borg	29-Jul-21	29-Jul-23	250,000	25,785	25,785	-	-
Camile Farah	20-Jan-22	12-Dec-22	1,000,000	67,000	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 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Revenue	1,680,180	1,013,039	889,526	1,190,712	1,041,679
Net profit/(loss) before tax	(4,351,500)	(4,233,037)	(2,126,695)	(1,765,353)	(2,344,119)
Net profit/(loss) after tax	(4,351,500)	(4,233,037)	(2,126,695)	(1,765,353)	(2,344,119)

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

	2023	2022	2021	2020	2019
Share price at financial year start (\$)	0.11	0.23	0.03	0.06	0.06
Share price at financial year end (\$)	0.08	0.11	0.23	0.03	0.06
Basic earnings per share (cents per share)	(0.70)	(0.68)	(0.38)	(0.37)	(0.54)

Additional disclosures relating to key management personnel (KMP)

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	-	-	217,500	-	217,500
Camile Farah	524,985	-	6,000,000	-	6,524,985
Ron Song	3,000,000	-	-	-	3,000,000
Karen Borg	-	-	99,716	-	99,716
	<u>3,524,985</u>	<u>-</u>	<u>6,317,216</u>	<u>-</u>	<u>9,842,201</u>

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	Lapsed/ Holdings at date of cessation as KMP	Balance at the end of the year
<i>Options over ordinary shares</i>					
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>15,000,000</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>13,000,000</u>

Other transactions with key management personnel (KMP) and their related parties

Information about transactions with KMP and their related parties are disclosed in Note 29 Related party transactions. This includes transactions with director KMP such as Prof Camile where the Company purchased IP through issuing of shares. There were no transactions with non-director KMP and their related entities during the years ended 30 June 2022 and 30 June 2023, with the exception of remuneration-related transactions disclosed in this remuneration report.

This concludes the remuneration report, which has been audited.

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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-23	\$0.08	800,000
19-Jul-21	19-Jul-23	\$0.209	1,000,000
20-Jan-22	9-Mar-25	\$0.1925	3,000,000
20-Jan-22	9-Mar-27	\$0.1925	9,000,000
			13,800,000

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

The following ordinary shares of Optiscan Imaging Limited were issued during the year ended 30 June 2023 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
20-Dec-18	\$0.05	400,000
20-Dec-18	\$0.065	400,000
20-Dec-18	\$0.08	100,000
		900,000

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.

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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

30 August 2023

For personal use only

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 2023, 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



S L Cram
Partner – Audit & Assurance

Cairns, 30 August 2023

Optiscan Imaging Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue	5	1,680,180	1,013,039
Cost of sales	7	<u>(552,713)</u>	<u>(175,071)</u>
Gross profit		1,127,467	837,968
Other income	6	968,813	1,267,208
Expenses			
Research & development and intellectual property expenses		(2,437,121)	(2,165,035)
Share-based payment expenses	7	(233,842)	(376,590)
Depreciation expense	7	(378,812)	(240,554)
Administration and general expenses	7	(3,365,711)	(3,523,876)
Finance costs		<u>(32,294)</u>	<u>(32,158)</u>
Loss before income tax expense		(4,351,500)	(4,233,037)
Income tax expense	8	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Optiscan Imaging Limited		(4,351,500)	(4,233,037)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Optiscan Imaging Limited		<u><u>(4,351,500)</u></u>	<u><u>(4,233,037)</u></u>
		Cents	Cents
Basic earnings per share	34	(0.70)	(0.68)
Diluted earnings per share	34	(0.70)	(0.68)

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

Optiscan Imaging Limited
Consolidated statement of financial position
As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	9	875,371	4,529,208
Trade and other receivables	10	975,926	1,412,957
Inventories	11	1,437,471	1,269,139
Other	12	357,472	111,204
Total current assets		<u>3,646,240</u>	<u>7,322,508</u>
Non-current assets			
Property, plant and equipment	13	267,152	139,393
Intangibles	14	450,000	-
Right-of-use assets	15	308,579	469,576
Other	16	-	52,625
Total non-current assets		<u>1,025,731</u>	<u>661,594</u>
Total assets		<u>4,671,971</u>	<u>7,984,102</u>
Liabilities			
Current liabilities			
Trade and other payables	17	776,359	413,748
Lease liabilities	18	192,101	177,036
Loans	19	39,587	22,193
Provisions	20	415,145	387,410
Total current liabilities		<u>1,423,192</u>	<u>1,000,387</u>
Non-current liabilities			
Lease liabilities	18	180,600	372,702
Provisions	20	23,743	18,604
Total non-current liabilities		<u>204,343</u>	<u>391,306</u>
Total liabilities		<u>1,627,535</u>	<u>1,391,693</u>
Net assets		<u>3,044,436</u>	<u>6,592,409</u>
Equity			
Issued capital	21	71,863,358	71,256,070
Reserves	22	2,123,152	2,229,978
Accumulated losses		<u>(70,942,074)</u>	<u>(66,893,639)</u>
Total equity		<u>3,044,436</u>	<u>6,592,409</u>

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

Optiscan Imaging Limited
Consolidated statement of changes in equity
For the year ended 30 June 2023

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
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	231,750	-	-	-	231,750
Share-based payments	-	-	376,590	-	376,590
Exercise of options	82,089	-	(82,089)	-	-
Balance at 30 June 2022	71,256,070	(4,435)	2,234,413	(66,893,639)	6,592,409

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	71,256,070	(4,435)	2,234,413	(66,893,639)	6,592,409
Loss after income tax expense for the year	-	-	-	(4,351,500)	(4,351,500)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4,351,500)	(4,351,500)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 21)	(14,904)	-	-	-	(14,904)
Share-based payments (note 35)	600,000	-	220,842	-	820,842
Exercise of options (note 22)	22,192	-	(22,192)	-	-
Lapsed options (note 22)	-	-	(305,476)	303,065	(2,411)
Balance at 30 June 2023	71,863,358	(4,435)	2,127,587	(70,942,074)	3,044,436

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

Optiscan Imaging Limited
Consolidated statement of cash flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,814,637	930,317
Payments to suppliers and employees (inclusive of GST)		(6,102,504)	(5,928,887)
Interest received		31,140	20,992
Receipt of research and development tax incentive		904,130	770,283
Receipt of government grants		<u>200,103</u>	<u>373,717</u>
Net cash used in operating activities	33	<u>(3,152,494)</u>	<u>(3,833,578)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		<u>(126,860)</u>	<u>(124,136)</u>
Net cash used in investing activities		<u>(126,860)</u>	<u>(124,136)</u>
Cash flows from financing activities			
Proceeds from issue of shares	21	41,000	244,750
Share issue transaction costs		-	-
Interest and other finance costs paid		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		(188,184)	-
Repayment of lease liabilities		<u>(227,298)</u>	<u>(200,155)</u>
Net cash (used in) / generated from financing activities		<u>(374,482)</u>	<u>44,595</u>
Net (decrease) in cash and cash equivalents		(3,653,837)	(3,913,119)
Cash and cash equivalents at the beginning of the financial year		<u>4,529,208</u>	<u>8,442,327</u>
Cash and cash equivalents at the end of the financial year		<u><u>875,371</u></u>	<u><u>4,529,208</u></u>

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

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

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 and the financial statements are 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 30 August 2023. 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.

During the reporting period, the Company launched a partially underwritten renounceable entitlement offer to raise \$16.7m to fund its strategic portfolio expansion. The Offer involved the issuance of up to 208,735,201 shares at issue price of \$0.08 per share, with the objective of raising up to \$16,698,816. The Offer concluded in July 2023 where the Company successfully raised \$16.7m.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

The funds raised under the Offer will be used to further the Company's research and development (R&D) projects specifically for both rigid and flexible surgical applications, to develop improved image capture, AI and telepathology capabilities, to undertake clinical studies to satisfy the FDA in relation to premarket notification applications for new addressable markets, to increase the commercial exposure of the Company specifically in the US, and for general working capital purposes.

Based on current budget assumptions, the directors are of the opinion that the Company will have adequate funds to ensure its continued viability and to operate as a going concern and therefore it is appropriate to prepare the financial statements 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 2023 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.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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.

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 - medical devices

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. Delivery occurs when the goods have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer and parties have accepted the goods in accordance with the sales contract. Revenue from these sales is recognised based on the price specified in the contract, net of any miscellaneous charges or discounts if applicable.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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 varies but some relate to service contracts for repair of medical devices previously sold that is out of the warranty period 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.

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.

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.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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.

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.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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:

Plant and equipment	20% - 40%
Production equipment	20%
R&D equipment	20% - 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.

Intangibles

Expenditure on intangible items is recognised as an intangible asset when it can be demonstrated that the expenditure will provide future economic benefits to the Company, either in the form of expected future cash inflows or the expenditures are necessary for the Company to obtain future economic benefits from existing assets, and those benefits will be derived over more than one reporting period.

Intangible assets that are determined to have finite useful economic lives are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful economic life.

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

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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.

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 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.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 2. Significant accounting policies (continued)

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.

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.

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Note 2. Significant accounting policies (continued)

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.

Impairment

All intangible assets are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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 2023. 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.

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 35.

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.

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Note 3. Critical accounting judgements, estimates and assumptions (continued)

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.

Intangibles

i. Initial recognition

Externally acquired intangible assets that are determined to have finite useful economic lives are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful economic life. With regards to measurement of the 'cost' of the IP acquired by the Company under AASB 2 Share-based Payment, the accounting may differ subject to, among other things, whether the entity can estimate reliably the fair value of the goods or services received. As presented in the Annual General Meeting, the IP has been valued independently and given the large range in valuation, the valuation estimate is unreliable for the purpose of fair value calculation. As such, consistent with the requirements in AASB 2, if the acquisition-date fair value of the IP cannot be estimated reliably, the requirement would be to measure the fair value of the IP by reference to the fair value of the equity instruments granted. In this case, it would be the fair value of the six million shares issued.

ii. Indications of impairment

The Company conducts periodic assessments to test whether there are impairment indicators associated with Intangibles. Based on AASB 136 Impairment of Assets, internal and external sources of information are analysed for any indication of impairment where the carrying amount of the intangible asset exceeds the recoverable amount.

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.

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. The majority of sales revenues are attributed to Germany, being 77% (2022: 63%), and other overseas markets 23% (2022: 37%). There was one other customer that contributed revenues greater than 10%, which amounted to \$377,984 during the financial year (2022 two customers: \$660,157).

All non-current assets are located in Australia.

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Note 5. Revenue

	2023	2022
	\$	\$
Sales revenue	<u>1,680,180</u>	<u>1,013,039</u>
<i>Disaggregation of revenue</i>		
The disaggregation of revenue from contracts with customers is as follows:		
<i>Major product lines</i>		
Sale of goods (goods transferred at a point in time)	1,624,931	991,157
Services provided (services provided at a point in time)	<u>55,249</u>	<u>21,882</u>
	<u>1,680,180</u>	<u>1,013,039</u>
<i>Geographical regions</i>		
Australia	3,790	355,000
Germany	1,293,978	636,157
Norway	4,428	-
Sweden	-	21,882
United States	<u>377,984</u>	<u>-</u>
	<u>1,680,180</u>	<u>1,013,039</u>

Note 6. Other income

	2023	2022
	\$	\$
Government grants - R&D tax incentive	737,570	941,790
BioMedTech Horizons program grant	180,103	294,205
Entrepreneurs' Program - Growth Grant	20,000	-
Interest income	31,140	20,992
Net foreign exchange gain	<u>-</u>	<u>10,221</u>
Other income	<u>968,813</u>	<u>1,267,208</u>

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 program 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% 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 MTP Connect. 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.

The Company also received grant income from the Australian government through the Entrepreneurs' Growth program, that was designed to enable business to grow and become more competitive in global markets.

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Note 7. Expenses

	2023	2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Cost of sales</i>	<u>552,713</u>	<u>175,071</u>

The implementation of the new ERP software (M1) in 2023 has enhanced reporting capabilities surrounding Cost of Sales (COS). This should be noted as some of the COS components may have changed, which happens with new ERP implementations.

<i>Depreciation</i>		
Plant and equipment	67,815	87,673
Buildings right-of-use assets	160,997	152,881
Intangibles amortisation	<u>150,000</u>	<u>-</u>
Total depreciation	<u>378,812</u>	<u>240,554</u>
<i>Superannuation expense</i>	<u>291,868</u>	<u>217,300</u>
<i>Share-based payments expense</i>	<u>233,842</u>	<u>376,590</u>
<i>Employee benefits expense excluding superannuation</i>	<u>2,713,878</u>	<u>2,499,173</u>

Note 8. Income tax expense

	2023	2022
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	<u>(4,351,500)</u>	<u>(4,233,037)</u>
Tax at the statutory tax rate of 25%	<u>(1,087,875)</u>	<u>(1,058,259)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	58,461	94,147
R&D Grant Clawback	-	363,409
Non assessable gains	(184,392)	(273,309)
R&D Tax Incentive deductions foregone for tax offset	423,891	971,674
Expenditure not allowable for income tax purposes	865	5,394
Deferred tax assets/(liabilities) estimate not recognised	<u>789,051</u>	<u>(103,056)</u>
Income tax expense	<u>-</u>	<u>-</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	<u>52,489,004</u>	<u>49,332,800</u>
Potential tax benefit @ 25%	<u>13,122,251</u>	<u>12,333,200</u>

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.

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Note 9. Current assets - cash and cash equivalents

	2023	2022
	\$	\$
Cash on hand	<u>875,371</u>	<u>4,529,208</u>

Note 10. Current assets - trade and other receivables

	2023	2022
	\$	\$
Trade receivables	<u>163,368</u>	<u>390,879</u>
R&D Tax incentive grant receivable	737,570	941,790
GST refund receivable	<u>74,988</u>	<u>80,288</u>
	812,558	1,022,078
Trade and other receivables	<u>975,926</u>	<u>1,412,957</u>

No expected credit loss provision (ECL) has been recorded upon review of all trade and other receivables, as the risk and materiality to the financial statements are low.

Note 11. Current assets - inventories

	2023	2022
	\$	\$
As stated at the lower of cost or net realisable value:		
Raw materials and work in progress	1,051,119	768,265
Finished goods	<u>386,352</u>	<u>500,874</u>
	<u>1,437,471</u>	<u>1,269,139</u>

Cost of sales reflects the value of inventory sold in the period.
 No inventory items were impaired at 30 June 2023 (2022: Nil).

Note 12. Current assets - other

	2023	2022
	\$	\$
Prepayments	303,863	111,204
Security deposits	<u>53,609</u>	<u>-</u>
	<u>357,472</u>	<u>111,204</u>

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

	2023	2022
	\$	\$
Plant and equipment - at cost	744,073	637,008
Less: Accumulated depreciation	<u>(564,496)</u>	<u>(498,912)</u>
	<u>179,577</u>	<u>138,096</u>
Production equipment - at cost	47,039	2,055
Less: Accumulated depreciation	<u>(2,136)</u>	<u>(758)</u>
	<u>44,903</u>	<u>1,297</u>
R&D equipment - at cost	53,524	10,000
Less: Accumulated depreciation	<u>(10,852)</u>	<u>(10,000)</u>
	<u>42,672</u>	<u>-</u>
	<u>267,152</u>	<u>139,393</u>

Reconciliations

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

	Plant and equipment	Production equipment	R&D equipment	Total
	\$	\$	\$	\$
Balance at 1 July 2021	101,254	1,676	-	102,930
Additions	124,136	-	-	124,136
Depreciation expense	<u>(87,294)</u>	<u>(379)</u>	<u>-</u>	<u>(87,673)</u>
Balance at 30 June 2022	138,096	1,297	-	139,393
Additions	107,065	44,984	43,524	195,573
Depreciation expense	<u>(65,584)</u>	<u>(1,378)</u>	<u>(852)</u>	<u>(67,815)</u>
Balance at 30 June 2023	<u>179,577</u>	<u>44,903</u>	<u>42,672</u>	<u>267,152</u>

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Note 14. Non-current assets - intangibles

	2023	2022
	\$	\$
<i>Cost</i>		
Balance at 1 July	-	-
Acquired separately	600,000	-
Balance at 30 June	<u>600,000</u>	<u>-</u>
 <i>Accumulated amortisation</i>		
Balance at 1 July	-	-
Amortisation expense	(150,000)	-
Impairment losses	-	-
Balance at 30 June	<u>(150,000)</u>	<u>-</u>
 <i>Net carrying amount</i>		
At 1 July	-	-
At 30 June	<u>450,000</u>	<u>-</u>

The Company acquired Intellectual Property (IP) in the form clinical and histopathological datasets from Professor Camile for the consideration of six million fully paid ordinary shares in the Company. These IP will be used, among other things, to conduct further research to test and validate the InVivage® system.

The IP's useful life is determined to be finite at 2 years. Subsequent to initial recognition, the IP will be measured at cost less accumulated amortisation and impairment losses (if any). There were no indications of impairment at reporting date.

Refer to note 3 for further information on critical accounting judgements, estimates and assumptions.

Note 15. Non-current assets - right-of-use assets

	2023	2022
	\$	\$
Land and buildings - right-of-use	<u>308,579</u>	<u>469,576</u>

The consolidated entity leases land and buildings for its offices and manufacturing under agreements of between 1 to 5 years. The amount disclosed is for the head office on 16 Miles Street, Mulgrave Victoria 3170. The office lease runs for another 2 years until May 2025.

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Note 15. 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
	\$	\$
Balance at 1 July 2021	572,238	572,238
Revaluation increments	50,219	50,219
Depreciation expense	(152,881)	(152,881)
	<hr/>	<hr/>
Balance at 30 June 2022	469,576	469,576
Additions	-	-
Depreciation expense	(160,997)	(160,997)
	<hr/>	<hr/>
Balance at 30 June 2023	<u>308,579</u>	<u>308,579</u>

Note 16. Non-current assets - other

	2023	2022
	\$	\$
Security deposits	<u>-</u>	<u>52,625</u>

Note 17. Current liabilities - trade and other payables

	2023	2022
	\$	\$
Trade payables	524,475	279,918
Accrued expenses	180,702	133,830
Other creditors	71,183	-
	<hr/>	<hr/>
	<u>776,359</u>	<u>413,748</u>

Refer to note 24 for further information on financial instruments.

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Notes to the financial statements
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Note 18. Lease liabilities

	2023	2022
	\$	\$
<i>Current liability</i>		
Lease liabilities	<u>192,101</u>	<u>177,036</u>
<i>Non-current liability</i>		
Lease liabilities	<u>180,600</u>	<u>372,702</u>

The amount disclosed is for the head office on 16 Miles Street, Mulgrave Victoria 3170. The office lease runs for another 2 years until May 2025. Refer to note 24 for further information on financial instruments.

Note 19. Current liabilities - loans

	2023	2022
	\$	\$
Loans	<u>39,587</u>	<u>22,193</u>

The loan was from a commercial financial provider for insurance premium funding. No security or covenants were required for the loan.

Note 20. Provisions

	2023	2022
	\$	\$
<i>Current liability</i>		
Annual leave	208,269	162,997
Long service leave	<u>206,876</u>	<u>224,413</u>
	<u>415,145</u>	<u>387,410</u>
<i>Non-current liability</i>		
Long service leave	<u>23,743</u>	<u>18,604</u>

Note 21. Equity - issued capital

	2023	2022	2023	2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>626,305,602</u>	<u>619,405,602</u>	<u>71,863,358</u>	<u>71,256,070</u>

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Note 21. Equity - issued capital (continued)

Movements in issued capital

Details	Date	Shares	Issue price	\$
Balance	1-Jul-21	616,260,602		70,942,231
Shares issued on exercise of options	16-Jul-21	400,000	\$0.05	20,000
Shares issued on exercise of options	9-Aug-21	250,000	\$0.15	37,500
Shares issued on exercise of options	15-Sep-21	500,000	\$0.08	40,000
Shares issued on exercise of options	15-Sep-21	300,000	\$0.065	19,500
Shares issued on exercise of options	15-Sep-21	475,000	\$0.05	23,750
Shares issued on exercise of options	15-Dec-21	1,000,000	\$0.08	80,000
Shares issued on exercise of options	1-Jun-22	220,000	\$0.05	11,000
Transfer from share based payments reserve		-	-	82,089
Balance	30-Jun-22	619,405,602		71,256,070
Shares issued on exercise of options	1-Jul-22	200,000	\$0.065	13,000
Shares issued on exercise of options	8-Dec-22	400,000	\$0.05	20,000
Shares issued on exercise of options	8-Dec-22	100,000	\$0.065	6,500
Shares issued to acquire intellectual property	8-Dec-22	6,000,000	\$0.10	600,000
Shares issued on exercise of options	11-Jan-23	100,000	\$0.08	8,000
Shares issued on exercise of options	7-Jun-23	100,000	\$0.065	6,500
Transfer from share based payments reserve		-	-	22,192
Capital raising costs				(68,904)
Balance	30 June 2023	<u>626,305,602</u>		<u>71,863,358</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.

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Note 21. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business/company or research and development (R&D) project was seen as value adding relative to the current company's share price at the time of the investment.

As such, the company raised capital in July 2023 primarily to undertake various R&D projects that will ultimately add value to the company. For further details on the capital raise, refer to note 32 for events after the reporting period.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 22. Equity - reserves

	2023	2022
	\$	\$
Foreign currency reserve	(4,435)	(4,435)
Share-based payments reserve	<u>2,127,587</u>	<u>2,234,413</u>
	<u><u>2,123,152</u></u>	<u><u>2,229,978</u></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:

	Foreign currency transaction reserve	Share based payments reserve	Total
	\$	\$	\$
Balance at 1 July 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)
	<u>(4,435)</u>	<u>2,234,413</u>	<u>2,229,978</u>
Balance at 30 June 2022	(4,435)	2,234,413	2,229,978
Share based payments expense	-	220,842	220,842
Transfer from share based payments reserve on exercise of options	-	(22,192)	(22,192)
Lapsed options	-	(305,476)	(305,476)
	<u>(4,435)</u>	<u>2,127,587</u>	<u>2,123,152</u>
Balance at 30 June 2023	<u><u>(4,435)</u></u>	<u><u>2,127,587</u></u>	<u><u>2,123,152</u></u>

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Note 23. Equity - dividends

There were no dividends paid, recommended or declared during the current financial year (2022: 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.

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 2023, 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 2023, 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:

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Note 24. Financial instruments (continued)

2023	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Trade receivables	10%	16,337	16,337	10%	(16,337)	(16,337)

2022	% change	AUD strengthened		% change	AUD weakened	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
Trade receivables	10%	39,088	39,088	10%	(39,088)	(39,088)

Price risk

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

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.

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Note 24. Financial instruments (continued)

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.

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 \$
2023					
Non-derivatives					
Trade payables*	524,475	-	-	-	524,475
Accruals*	180,702	-	-	-	180,702
Loans	39,587	-	-	-	39,587
Lease liabilities	192,101	180,600	-	-	372,701
Other payables	71,183	-	-	-	71,183
Total non-derivatives	1,008,048	180,600	-	-	1,188,648

* These balance are non-interest bearing.

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Optiscan Imaging Limited
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30 June 2023

Note 24. Financial instruments (continued)

2022	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives					
Trade payables*	279,918	-	-	-	279,918
Accruals*	133,830	-	-	-	133,830
Loans	22,193	-	-	-	22,193
Lease liabilities	177,036	192,101	180,600	-	549,738
Other payables	-	-	-	-	-
Total non-derivatives	612,977	192,101	180,600	-	985,679

* 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:

Mr Robert Cooke	Non-executive Chairman
Prof Camile Farah	CEO & Managing Director
Mr Ron Song	Non-executive Director
Ms Karen Borg	Non-executive Director
Mr Sean Gardiner	Non-executive Director

Compensation

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

	2023 \$	2022 \$
Short-term employee benefits	772,087	765,528
Post-employment benefits	72,435	60,236
Share-based payments	233,842	376,589
	<u>1,078,364</u>	<u>1,202,353</u>

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

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:

	2023	2022
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	119,560	71,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
R&D tax services	15,310	11,000
Other professional services	5,156	6,000
	<u>20,466</u>	<u>17,000</u>
	<u>140,026</u>	<u>88,000</u>

Note 27. Contingent liabilities

The group has contingent liabilities in relation to bank guarantees on issue at balance date amounting to \$52,625 (2022: \$52,625).

Note 28. Commitments

At 30 June 2023 there were no material capital commitments outstanding (2022: 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.

Transactions with Subsidiaries

Optiscan Pty Ltd

Inter-company transactions during the financial year between the parent entity, Optiscan Imaging Limited and subsidiary, Optiscan Pty Ltd amounted to \$3,750,945 (2022: \$4,360,000). Outstanding balances at year-end of \$60,724,847 (2022: \$56,973,903) are unsecured, interest free and settlement occurs in cash. The balances are classified non-current by the parent entity.

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Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 29. Related party transactions (continued)

Transactions between Subsidiaries

Optiscan Imaging, Inc.

Inter-company transactions during the financial year between subsidiaries, Optiscan Pty Ltd and Optiscan Imaging, Inc., amounted to \$52,238 (2022: Nil). Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. The balances are classified non-current by the subsidiaries.

Transactions with Directors

The Company acquired Intellectual Property (IP) in the form clinical and histopathological datasets from Professor Camile Fara for the consideration of six million fully paid ordinary shares in the Company. Refer to note 14 for further information on the IP that has been recorded as intangibles.

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

	2023	2022
	\$	\$
Loss after income tax	<u>(355,269)</u>	<u>(358,228)</u>
Total comprehensive income	<u>(355,269)</u>	<u>(358,228)</u>

Statement of financial position

	2023	2022
	\$	\$
Total current assets	<u>494,802</u>	<u>4,245,228</u>
Total assets	<u>944,802</u>	<u>4,245,228</u>
Total current liabilities	<u>-</u>	<u>(13,000)</u>
Total liabilities	<u>-</u>	<u>(13,000)</u>

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Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 30. Parent entity information (continued)

	2023	2022
	\$	\$
Equity		
Issued capital	71,953,013	71,726,470
Share-based payments reserve	2,127,587	2,234,413
Accumulated losses	<u>(73,135,798)</u>	<u>(69,728,655)</u>
	<u>944,802</u>	<u>4,232,228</u>

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 2023 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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	
		2023	2022
Optiscan Pty Ltd	Australia	100%	100%
Optiscan Imaging, Inc.	United States	100%	-

Optiscan Imaging, Inc. was established during the financial year as part of the Company's strategy to have a direct market model within the US.

Note 32. Events after the reporting period

The Company successfully completed its pro rata entitlement offer by issuing 208.7m shares that raised \$16.7m following the financial year end in July 2023. This was based on the offer of one fully paid ordinary share for every three shares as announced to ASX on 30 May 2023. Eligible shareholders were able to purchase their entitlements at an issue price of \$0.08 per share. The offer was partially underwritten by both its substantial shareholders Peter Investments Pty Ltd and Orchid Capital Investment Ptd. Ltd.

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 32. Events after the reporting period (continued)

The main purpose of the capital raise was to undertake R&D projects for rigid and flexible surgical applications, improve core image capture capability, and advance Artificial Intelligence (AI) and Telepathology service solutions alongside the development of new clinical devices.

Other than the capital raise, no other matter or circumstance has arisen since 30 June 2023 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

	2023	2022
	\$	\$
Loss after income tax expense for the year	(4,351,500)	(4,233,037)
Adjustments for:		
Share-based payments	233,842	376,590
Finance costs	32,294	30,586
Depreciation	378,812	240,554
Other non-cash expense	58,339	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	437,031	(168,933)
Increase in inventories	(168,332)	(108,348)
Decrease/(increase) in prepayments	(192,659)	10,519
Increase/(decrease) in trade and other payables	374,751	(69,687)
Increase in other provisions	32,873	88,178
Net cash used in operating activities	<u>(3,164,549)</u>	<u>(3,833,578)</u>

Note 34. Earnings per share

	2023	2022
	\$	\$
Loss after income tax attributable to the owners of Optiscan Imaging Limited	<u>(4,351,500)</u>	<u>(4,233,037)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>623,290,807</u>	<u>618,428,903</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>623,290,807</u>	<u>618,428,903</u>
	Cents	Cents
Basic earnings per share	(0.70)	(0.68)
Diluted earnings per share	(0.70)	(0.68)

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Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

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.

For the financial year 2023, no new share-based payment scheme in exchange for services was issued. However, the Company did issue 6mil ordinary shares to Prof. Camile Farah to acquire Intellectual Property (IP) in the form clinical and histopathological datasets. As IP is considered 'goods' and ordinary shares have been issued (instead of options), this is a completely different arrangement compared with the employee share-based payment plan as detailed below from previous years.

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 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.

In the 2022 financial year, the Company issued 1,000,000 unlisted options to Non-executive Director, Ms Karen Borg, 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:

2023

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
20-Dec-18	30-Nov-22	\$0.05	900,000	-	(400,000)	(500,000)	-
20-Dec-18	31-May-23	\$0.065	1,400,000	-	(400,000)	(1,000,000)	-
20-Dec-18	30-Nov-23	\$0.08	900,000	-	(100,000)	-	800,000
19-Apr-21	19-Apr-23	\$0.275	2,000,000	-	-	(2,000,000)	-
29-Jul-21	29-Jul-23	\$0.209	1,000,000	-	-	-	1,000,000
20-Jan-22	9-Mar-25	\$0.1925	3,000,000	-	-	-	3,000,000
20-Jan-22	9-Mar-27	\$0.1925	9,000,000	-	-	-	9,000,000
			18,200,000	-	(900,000)	(3,500,000)	13,800,000

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Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 35. Share-based payments (continued)

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-Nov-18	31-May-23	\$0.08	1,000,000	-	(1,000,000)	-	-
20-Dec-18	31-May-22	\$0.05	800,000	-	(720,000)	(80,000)	-
20-Dec-18	30-Nov-22	\$0.05	1,275,000	-	(375,000)	-	900,000
20-Dec-18	31-May-23	\$0.065	1,700,000	-	(300,000)	-	1,400,000
20-Dec-18	30-Nov-23	\$0.08	1,400,000	-	(500,000)	-	900,000
19-Apr-21	19-Apr-23	\$0.275	2,000,000	-	-	-	2,000,000
29-Jul-21	29-Jul-23	\$0.209	-	1,000,000	-	-	1,000,000
20-Jan-22	9-Mar-25	\$0.1925	-	3,000,000	-	-	3,000,000
20-Jan-22	9-Mar-27	\$0.1925	-	9,000,000	-	-	9,000,000
			<u>8,175,000</u>	<u>13,000,000</u>	<u>(2,895,000)</u>	<u>(80,000)</u>	<u>18,200,000</u>

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

Grant date	Expiry date	2023 Number	2022 Number
20-Dec-18	30-Nov-22	-	900,000
20-Dec-18	31-May-23	-	1,400,000
20-Dec-18	30-Nov-23	800,000	900,000
19-Apr-21	19-Apr-23	-	2,000,000
29-Jul-21	29-Jul-23	1,000,000	1,000,000
20-Jan-22	9-Mar-25	3,000,000	3,000,000
20-Jan-22	9-Mar-27	9,000,000	9,000,000
		<u>13,800,000</u>	<u>18,200,000</u>

The weighted average exercise price during the financial year was \$0.06.

The 1,000,000 options granted to Ms Karen Borg in 2022 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 in 2022 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);

Optiscan Imaging Limited
Notes to the financial statements
30 June 2023

Note 35. Share-based payments (continued)

- 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);
- 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).

No new options were granted in 2023. The table below shows the valuation model inputs used to determine the fair value of options granted last financial year.

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
9-Aug-21	29-Jul-23	\$0.19	\$0.209	109.67%	-	0.43%	\$0.103
20-Jan-22	9-Mar-25	\$0.18	\$0.1925	75.00%	-	1.39%	\$0.067
20-Jan-22	9-Mar-25	\$0.18	\$0.1925	75.00%	-	1.39%	\$0.076
20-Jan-22	9-Mar-27	\$0.18	\$0.1925	75.00%	-	1.67%	\$0.081
20-Jan-22	9-Mar-27	\$0.18	\$0.1925	75.00%	-	1.67%	\$0.068
20-Jan-22	9-Mar-27	\$0.18	\$0.1925	75.00%	-	1.67%	\$0.058

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Optiscan Imaging Limited
Directors' declaration
30 June 2023

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 2023 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

30 August 2023

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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 subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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.

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.

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Key audit matter**How our audit addressed the key audit matter****R&D tax incentive – Notes 6 and 10**

Under the research and development (R&D) tax incentive scheme, the refundable R&D tax offset is the Group's corporate tax rate plus an 18.5% premium. A registration of R&D Activities Application is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.

Management performed a detailed review of the Company's total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. For the year ended 30 June 2023, the R&D amount claimed is \$737,570.

The process of calculating the R&D tax rebate and receivable balance requires judgement and specialised knowledge in identifying eligible expenditure, which gives rise to anticipated R&D tax incentives. Balances in relation to R&D tax incentives are therefore considered to be a key audit matter.

Our procedures included, amongst others:

- Obtaining the 30 June 2023 R&D rebate calculations prepared by management and performing the following procedures:
 - Assessing the qualifications of management, including their ability to perform the calculation;
 - Developing an understanding of the model, identifying and assessing the key assumptions in the calculation;
 - Testing included expenditure for reasonableness against the eligibility criteria; and
 - Testing the mathematical accuracy of the accrual.
- Comparing the estimates made in previous years to the amount of cash received after lodgement of the R&D tax claim;
- Comparing the nature of the R&D expenditure included in the current year estimate to the prior year estimate;
- Assessing the eligible expenditure used to calculate the estimate to the expenditure recorded in the general ledger;
- Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims;
- Utilising an internal R&D specialist to 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; and
- Evaluating the disclosures in the financial statements for appropriateness and consistency with accounting standards.

Intellectual Property – Notes 7, 14, 29

During the year, Optiscan Imaging Limited acquired intellectual property ('IP') in the form of clinical and histopathological datasets from Professor Camile Farah, for the consideration of 6,000,000 fully paid ordinary shares in the Company.

Recognition of the IP as an intangible asset requires judgement, including consideration of the recognition criteria within AASB 138 Intangible Assets.

This is a key audit matter due to the material nature of the transaction, and the degree of judgement required in valuing and accounting for the IP acquired as an

Our procedures included, amongst others:

- Assessing, in consultation with our internal technical accounting support team, whether the valuation method applied in initial recognition of the intangible asset, as well as capitalisation as an intangible asset, is appropriate against relevant accounting standards;
- Assessing the reasonableness of management's assessment of the intangible asset as having a finite useful life and the resulting amortisation period;

intangible asset (including determining the appropriate measurement valuation model to recognise the intangible asset).

- Obtaining and reviewing management’s assessment of impairment indicators, and challenging the assessment by considering other information to evaluate the reasonableness of management’s position;
- Recalculating the amortisation charge and assessing for appropriateness against relevant accounting standards; and
- Assessing the adequacy of the Group’s disclosures with respect to the recognition of the intellectual property acquired in line with AASB 138 Intangible Assets.

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 2023, 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 pages 14 to 22 of the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Optiscan Imaging Limited, for the year ended 30 June 2023 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

S L Cram
Partner – Audit & Assurance
Cairns, 30 August 2023

Optiscan Imaging Limited
Shareholder information
30 June 2023

The shareholder information set out below was applicable as at 15 August 2023.

Corporate Governance Statement

Refer to the Company's Corporate Governance statement at: <https://www.optiscan.com/about-us/compliance>

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	726	0.06	-	-
1,001 to 5,000	1,015	0.34	-	-
5,001 to 10,000	429	0.41	-	-
10,001 to 100,000	988	4.20	-	-
100,001 and over	467	94.99	5	100.00
	<u>3,625</u>	<u>100.00</u>	<u>5</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>1,855</u>	<u>-</u>	<u>-</u>	<u>-</u>

Holding less than a marketable parcel

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Optiscan Imaging Limited
Shareholder information
30 June 2023

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	205,567,445	24.62
HSBC Custody Nominees (Australia) Limited	158,872,000	19.03
Ibsen Pty Ltd (Narula Family Set No.3 A/C)	38,500,000	4.61
Citicorp Nominees Pty Limited	36,026,006	4.31
Harech Pty Ltd (Porter Super Fund A/C)	18,934,491	2.27
BNP Paribas Noms Pty Ltd (DRP)	18,146,343	2.17
Mr Chris Graham + Mrs Diane Graham (C & D Graham S/F A/C)	13,200,000	1.58
BNP Paribas Noms Pty Ltd Hub24 Custodial Serv Ltd (DRP A/C)	9,790,390	1.17
Dixson Trust Pty Limited	8,474,270	1.01
Camile Farah + Marie Martias (Farah + Martias Family A/C)	8,000,000	0.96
Sash Pty Ltd (Knezevic Super Fund A/C)	6,837,964	0.82
Kebin Nominees Pty Ltd	6,005,479	0.72
Ibsen Pty Ltd (Ibsen Superfund A/C)	5,000,000	0.60
Mr Alfred J Winklemeier + Mrs Christine E Winklemier	4,700,000	0.56
Mr Kah C Lee	4,688,888	0.56
Semblance Pty Ltd (Graeme Mutton Retire S/Fund)	4,470,635	0.54
D & K Corps Retirement Pty Ltd (D & K Corps Family A/C)	4,214,816	0.50
Mr Christopher J Martin	4,209,448	0.50
Mr Wally Knezevic	4,134,260	0.50
Mr Graeme L Mutton	3,490,000	0.42
	563,262,435	67.45

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	12,800,000	5

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Peters Investments Pty Ltd	205,567,445	24.62
Orchid Capital Investments Pte Ltd	155,109,996	18.58
Ibsen Pty Ltd	43,500,000	5.21

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Optiscan Imaging Limited
Shareholder information
30 June 2023

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.

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