

OPTISCAN IMAGING LIMITED

[ABN 81 077 771 987]

("the Company")

PROSPECTUS

For an issue of 24,000,000 new shares (**New Shares**) at a deemed issue price of 2.5 cents (\$0.025) per share (**the Offer**).

The Offer is only made to and able to be accepted by invitees determined by the Company who receive a Personalised Application Form.

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

It is important that you read this Prospectus carefully before deciding to accept the Offer. If you do not understand its contents you should consult your stockbroker, accountant or other professional adviser.

The securities offered under this Prospectus are considered speculative

This Prospectus also contains an offer of 24,500,000 unlisted options with various exercise prices and expiry dates (**Option Offer**). The Option Offer is only being made to and is only capable of acceptance by those parties named in the Company's Notice of Annual General Meeting dated 21 October 2016.

CORPORATE DIRECTORY

Optiscan Imaging Limited
[ABN 81 077 771 987]

Directors

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

Chief Executive Officer

Mr Archie Fraser

Joint Company Secretaries

Mr Justin Mouchacca
Mr Michael Corry

Registered Office

15-17 Normanby Road, Notting Hill, Victoria, 3168
Telephone: +61 3 9538 3333
Facsimile: +61 3 9562 7742

Share Registry and Address for Return of Acceptances

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

ASX Code

OIL

Web Site

www.optiscan.com

IMPORTANT NOTICES

This prospectus ("**Prospectus**") is dated 21 December 2016. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission ("ASIC") on the same date. Neither ASIC nor ASX Limited ("ASX") nor their respective officers take any responsibility as to the contents of this Prospectus.

Subject to the Corporations Act, the ASX Listing Rules and other applicable laws, the Company reserves the right to close the Offer early, to extend the closing date and/or any other dates, or not to proceed with the Offer described in this Prospectus.

The Offers under this Prospectus closes at 5:00 pm Melbourne time on 22 December 2016, which date may change without notice.

This Prospectus is for an offer of continuously quoted securities and accordingly is not required by the Corporations Act to contain all the information normally required to be set out in a document of this type.

The Prospectus incorporates by reference certain information contained in documents lodged with ASIC. A document incorporated in the Prospectus in this manner may be obtained free of charge from the Company during the application period.

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

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to acquire Shares, and observe such restrictions and requirements. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Return of a duly completed Personalised Application Form will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No action has been taken to register or qualify the Offer or the Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA.

No account has been taken of particular objectives, financial situation or needs of recipients of this Prospectus. Recipients of this Prospectus should have regard to their own objectives, financial situation and needs. Recipients of this Prospectus should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and risks associated with investing. Independent expert advice should be sought before any decision is made to apply for New Shares.

All monetary amounts in this Prospectus are in Australian dollars unless otherwise stated.

TIMETABLE

Lodgement of Prospectus	21 December 2016
Offer Period opens	21 December 2016
Closing Date	22 December 2016 at 5:00pm Melbourne time

*The above dates should be regarded as **indicative only and may change without notice**. All dates and times are Melbourne, Victoria, Australia time. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company reserves the right to change the above dates, close the Offer before the date stated above, extend the Closing Date and subsequent dates or not proceed with the Offer.*

No securities will be issued on the basis of this Prospectus after 20 January 2018, being the expiry date of this Prospectus.

CONTENTS

1.	Details of the offer	8
2.	Purpose and effect of the Offer and the Option Offer	9
3.	Effect of the Offer on the Company	10
4.	Effect on the Capital Structure of the Company	10
5.	Risks	11
6.	Acceptance Instructions	15
7.	Continuous Disclosure Obligations	16
8.	ASX Announcements	17
9.	Terms of securities offered	18
10.	Director's interests	19
11.	Taxation	20
12.	Overseas Investors	20
13.	Privacy	21
14.	Electronic Prospectus	21
15.	Investment Decisions	21
16.	Future Performance	21
17.	Consents	21
18.	Enquiries	22

KEY INVESTMENT RISKS – SUMMARY

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

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

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

ABOUT THE OFFER - SUMMARY

The following summary provides only a limited overview of the Offer and Option Offer being made by the Company. Further detail is set out in this Prospectus. Please read and consider this Prospectus in full before making any decision regarding applying for New Shares, exercising existing options or investing in the Company.

Topic	Summary	For more information see:
What is the Offer?	An offer of ordinary shares to invitees determined by the Company to apply for and receive New Shares (called the Offer).	Section 1.1
What is the purpose of the Offer?	To facilitate the issue of securities approved by shareholders at the Company's Annual General Meeting held on 25 November 2016.	Section 2.1
What are the terms of the New Shares?	All New Shares issued pursuant to the Offer will be fully paid ordinary shares that rank equally in all respects with the Company's shares already on issue.	Section 1.1 and Section 9.
What is the offer price?	Each New Share has a deemed issue price of 2.5 cents (\$0.025).	Section 1.1
Am I eligible to apply for New Shares?	You will only be eligible to apply for and receive New Shares under the Offer if you receive a written invitation to apply and Personalised Application Form from the Company.	Section 1.1
What if I am not invited to participate in the Offer?	If you do not receive a written invitation from the Company to participate in the Offer and a Personalised Application Form then you will be unable to apply for and receive New Shares.	Section 1.1
How much will be raised by the Offer?	No funds will be raised under the Offer.	Section 1.1
Is the Offer underwritten?	No.	Section 1.2
Is there a minimum subscription?	There is no minimum subscription amount.	Section 1.4
Are there risks associated with investment in the Company?	<p>There are risks associated with investment in the Company. These include risks relating to the Company, risks relating to the Offer and risks associated with financial investment generally.</p> <p>Please carefully consider the risks and the information contained in this Prospectus in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding applying for or acquiring shares or otherwise making an investment in the Company.</p>	Section 5
How do I accept the Offer?	<p>Only recipients of a written invitation and Personalised Application Form from the Company may apply for New Shares.</p> <p>If you have received a written invitation and Personalised Application Form from the Company to participate, to accept the Offer complete and return the Personalised Application Form to the Company by no later than 5:00pm (Melbourne time) on the Closing Date.</p>	Section 6

Topic	Summary	For more information see:
What is the Option Offer?	<p>The Option Offer is an offer of 24,500,000 unlisted options with various exercise prices and expiry dates as set out in Section 1.6 and as approved by shareholders at the Company's Annual General Meeting held on 25 November 2016.</p> <p>A summary of the terms of the Options under the Option Offer is set out in Section 9.2.</p>	Sections 1.6 and 9.2
How do I accept the Option Offer?	The Option Offer is only made to and able to be accepted by those parties named as receiving Options in the Company's Notice of Annual General Meeting dated 21 October 2016.	Section 1.1
What are the taxation implications of participating in the Offer?	Taxation implications will vary depending upon the specific circumstances of the investor. You should obtain professional advice as to the taxation treatment applicable to you.	Section 11
How and when will I know if my application was successful?	<p>Holding statements confirming any issue of New Shares and Options are anticipated to be dispatched on 23 December 2016.</p> <p>Anyone who trades New Shares before receiving holding statements does so at their own risk.</p>	Section 6
Where can I find more information about the Company?	For more information on the Company please see the Company's website (www.optiscan.com) or refer to the Company's ASX announcements (available on the ASX's website www.asx.com.au).	Section 18
What if I have questions about the Offer or how to apply?	<p>You should consult your stockbroker, accountant, solicitor or other professional adviser before making any decision regarding applying for New Shares.</p> <p>If you have any questions regarding how to complete and return the acceptance form, contact details will be included in the Company's Entitlement and Acceptance Form.</p> <p>Questions concerning the Offer can also be directed to the Justin Mouchacca, joint Company Secretary, on (03) 9538 3333.</p>	Section 18

1. Details of the offer

1.1 The Offer

The Offer of New Shares in this Prospectus is being made by Optiscan Imaging Limited (**Optiscan or the Company**) to facilitate the issue of shares as repayment of a loan of \$600,000 provided to the Company by Mr Ian Mann, a Non-Executive Director, as described in the Company's Notice of Annual General Meeting dated 21 October 2016 which was lodged with ASIC and announced to ASX on the same date.

This Prospectus also contains the Options Offer, the details of which are contained in Section 1.6 below.

The Offer and the Option Offer are only made to and able to be accepted by persons who receive an invitation to participate in the Offer and a Personalised Application Form who were named in the Company's Notice of Annual General Meeting dated 21 October 2016 (**Invitees**).

The Company's Notice of Annual General Meeting dated 21 October 2016 is taken to be included in this Prospectus by operation of Section 712 of the Corporations Act. Any person may request a copy of the Company's Notice of Annual General Meeting dated 21 October 2016 during the application period of this Prospectus, which Optiscan will provide free of charge. A copy can also be downloaded from the Company's website (www.optiscan.com) and from the Company's ASX announcements (available at ASX's website – www.asx.com.au).

The issue of the New Shares under the Offer and Options under the Option Offer was approved by shareholders at the Annual General Meeting of the Company held on 25 November 2016.

The Offer closes on 22 December 2016 at 5:00pm Melbourne time (unless closed early or extended).

1.2 No Underwriting

The Offer is not underwritten.

1.3 ASX Listing

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

If the New Shares are not quoted by ASX within three months of the date of this Prospectus, the Company will not allot or issue any New Shares and will refund all Application Monies in full as soon as practicable, without interest.

Options offered under this Prospectus are not intended to be quoted when issued. Official Quotation of Options offered under this Prospectus is not being applied for and is not a condition of the Offer. It is expressly not stated or implied that permission will be sought for the Official Quotation of Options, or that Official Quotation of the Options will be granted within three months or any other period after the date of this Prospectus.

1.4 Minimum subscription

There is no minimum subscription for New Shares under the Offer.

1.5 Issue of New Shares after Closing Date

The Board reserves the right to issue New Shares in response to applications received after the Closing Date.

1.6 Option Offer

Options offered under the Option Offer have expiry dates and exercise prices as set out in the table below:

Listed/Unlisted	Number of options	Vesting Date	Expiry Date	Exercise price
Unlisted	5,000,000	N/A	30 June 2018	\$0.025
Unlisted	5,500,000	Vested	28 November 2019	\$0.025
Unlisted	4,000,000	Vested	28 November 2019	\$0.05
Unlisted	4,000,000	Vested	28 November 2019	\$0.075
Unlisted	1,500,000	28 May 2017	28 May 2020	\$0.025
Unlisted	1,500,000	28 November 2017	28 November 2020	\$0.05
Unlisted	1,500,000	28 May 2018	28 May 2021	\$0.05
Unlisted	1,500,000	28 November 2019	28 November 2021	\$0.05

The Option Offer is only made to and capable of acceptance by parties named in the Company's Notice of Annual General Meeting as being issued the Options (or their nominee).

Shareholders approved issue of the Options at the Company's Annual General Meeting on 25 November 2016.

No funds will be raised through the Option Offer. Any funds raised upon exercise of the Options will be applied to the working capital requirements of the Company at the time of exercise. The Board reserves the right to issue Options in response to applications received after the Closing Date.

2. Purpose and effect of the Offer and the Option Offer

2.1 Purpose of the Offer and the Option Offer

The purpose of this Prospectus (and the Offer and Option Offer made under it) is to issue the securities as described in the Company's Notice of Annual General Meeting dated 21 October 2016 and as approved by shareholders at the Company's Annual General Meeting held on 25 November 2016.

2.2 Proceeds of the Offer

No cash will be raised from conduct of the Offer and the Options Offer. Proceeds raise upon exercise of any Options shall be applied to the Company's working capital requirements at the time of exercise.

New Shares issued under the Offer will repay a loan of \$600,000 provided to the Company. Further details of conversion of the loan into equity are set out in the Company's Notice of Annual General Meeting dated 21 October 2016.

Expenses of the Offer will be met from the Company's existing cash reserves.

3. Effect of the Offer on the Company

The effect of the Offer and the Option Offer on the Company in combination will be to:

- cause repayment of the loan of \$600,000 provided to the Company; and
- alter the capital structure of the Company as described in Section 4.

4. Effect on the Capital Structure of the Company

4.1 Shares and Options

Capital Structure

The tables below set out the existing capital structure of the Company and the effect on the Company's capital structure of the Offer and the Option Offer.

SHARES

Existing issued ordinary shares	311,428,800
Shares under the Offer	24,000,000
Total	335,428,800
Shares proposed to be issued under a Placement*	38,650,000
Total after Placement	374,078,800

* As announced on 21 December 2016, the Company proposes making a placement of up to 38,650,000 fully paid ordinary shares to professional, sophisticated and other investors exempt from the disclosure requirements of Chapter 6D of the Corporations Act (**Placement**) to raise up to \$1,932,500 before costs of the Placement. The above assumes the Placement will be fully subscribed.

OPTIONS

Existing Options

Listed/Unlisted	Number of options	Expiry Date	Exercise price
Unlisted	3,000,000	12 June 2017	\$0.10

Options to be issued under the Option Offer

Listed/Unlisted	Number of options	Vesting Date	Expiry Date	Exercise price
Unlisted	5,000,000	N/A	30 June 2018	\$0.025
Unlisted	5,500,000	Vested	28 November 2019	\$0.025
Unlisted	4,000,000	Vested	28 November 2019	\$0.05
Unlisted	4,000,000	Vested	28 November 2019	\$0.075
Unlisted	1,500,000	28 May 2017	28 May 2020	\$0.025
Unlisted	1,500,000	28 November 2017	28 November 2020	\$0.05

Listed/Unlisted	Number of options	Vesting Date	Expiry Date	Exercise price
Unlisted	1,500,000	28 May 2018	28 May 2021	\$0.05
Unlisted	1,500,000	28 November 2019	28 November 2021	\$0.05

Dilution

The percentage shareholding in the Company of shareholders will be diluted through the conduct of the Offer.

The dilutive effect of the Offer outlined below does not consider New Shares applied for and received by a shareholder (if any).

Examples of the impact of dilution on existing shareholders who do not receive shares are set out below:

Shareholder (example)	Holding prior to Issue Date	Existing %	% of total Shares if full subscription of Offer	% of total Shares if full subscription of the Offer and Placement
A	500,000	0.16%	0.15%	0.13%
B	1,000,000	0.32%	0.30%	0.27%
C	2,000,000	0.64%	0.60%	0.53%
D	5,000,000	1.61%	1.49%	1.34%
E	10,000,000	3.21%	2.98%	2.67%

Notes to Table:

- It is assumed the notional Shareholders in the example above do not acquire or dispose of shares.
- The above does not include any Options that may be exercised.

Financial effect

In accordance with the details contained in the Company's Notice of Annual General Meeting dated 21 October 2016, the loan debt of \$600,000 owed by the Company is converted into equity. Issue of New Shares upon conversion of the loan into equity was approved by shareholders at the Company's Annual General Meeting held on 25 November 2016.

Issue of the Options was approved by shareholders at the Company's Annual General Meeting held on 25 November 2016.

5. Risks

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

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

A review of operations is included as part of the 30 June 2016 annual report of the Company which was released to ASX on 28 September 2016. The Company also will continue to make announcements regarding its activities, proposals and projects in accordance with its obligations as a continuously

disclosing entity. Shareholders should therefore refer to and consider announcements made by the Company to ASX after the date of this Prospectus.

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

5.1 **Company Specific Risks**

(A) Research and Development Risks

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

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

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

(B) Competition

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

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

(C) Intellectual Property

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

(D) Key personnel

The responsibility of overseeing the day to day operations of the Company depends on its management and its key personnel.

During the past 18 months, the Company has seen a significant changeover in members of its Board, adding new directors with strong expertise in technology, improving business performance and commercialisation work.

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

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

(E) Contractual risk

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

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

(F) Availability of funding

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

(G) Regulatory risk and government policy

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

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

(H) Insurance arrangements

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

(I) Uncertainty of future profitability

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

(J) Operational risks and costs

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

(K) Business risks

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

(L) Dilution

The percentage shareholding in the Company of existing shareholders will be diluted through conduct of the Offer. Further details of the potential dilutive impact of the Offer are set out in Section 4.1.

(M) Speculative nature of investment

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

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

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

(N) Economic risks

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

5.2 **Other Risks**

(A) General Economic Climate

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

(B) Market Conditions

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

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

5.3 **Above risk factors not exhaustive**

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

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

6. **Acceptance Instructions**

6.1 **Completing an application form**

Any applications for New Shares under the Offer contained within this Prospectus must be made on the Personalised Application Form accompanying this Prospectus in accordance with the instructions set out in the form.

Prior to lodging a completed Personalised Application Form, ensure you have read this Prospectus and the Personalised Application Form in their entirety and seek professional advice if necessary.

An application for New Shares may not be effective if received after the time specified in the Personalised Application Form on the Closing Date (or by such later time or date the Company may specify), in which case no New Shares would be issued to you in respect of your application, and any payment received will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

To apply for New Shares, you should:

- read this Prospectus and the Personalised Application Form in their entirety and seek appropriate professional advice if necessary; and
- complete the Personalised Application Form which accompanies this Prospectus (instructions for completing and returning the Personalised Application Form are set out on the form); and
- return the completed Personalised Application Form in accordance with the instructions in the Personalised Application Form so that it is received by no later than the time specified in the Personalised Application Form on the Closing Date, or such later date as the Company may specify. The Company accept no responsibility for delayed or misdelivered application forms.

6.2 **Further Information**

If you have any questions about the Offer please contact Justin Mouchacca, joint Company Secretary, on (03) 9538 3333. Alternatively, contact your stockbroker or other professional adviser.

The issue of any New Shares is expected to occur after the Offer has closed on or before the dates set out in the timetable on page 4 of this Prospectus (which date may change without notice). Thereafter statements of holdings relating to any issued New Shares will be despatched. It is the

responsibility of recipients to determine their allocation prior to trading in New Shares. Recipients trading New Shares before they receive their statements do so at their own risk.

If your Personalised Application Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat a form as valid and how to construe, amend or complete the form is final. Late applications may be accepted at the discretion of the Directors, but the Directors are under no obligation to consider late applications.

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

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

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

6.2 **Applying under the Option Offer**

The Option Offer is made solely to and is only capable of acceptance by those parties named as being issued Options in the Company' Notice of Annual General Meeting dated 21 October 2016.

7. **Continuous Disclosure Obligations**

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

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

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

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

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

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and

- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
- the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
 - the rights and liabilities attaching to the securities being offered.

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

The Company operates an ongoing business and reports regularly on its activities. The Company also seeks and engages in discussions on an ongoing basis in respect of potential new opportunities both in Australia and overseas. The identification of potential new opportunities is a key component of the Company's business and the Company may use existing capital and any funds received to meet the costs associated with identifying, investigation and pursuing new opportunities.

While the Company continues to seek and negotiate potential opportunities, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur (however no guarantee can be given that such developments will occur).

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

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the application period of this Prospectus. Such documents are also available on-line from the ASX web site.

- (a) The annual financial report of the Company for the financial year ended 30 June 2016 (lodged with ASIC on 28 September 2016), being the most recent annual financial report of the Company before the lodgement of this Prospectus with ASIC; and
- (b) Any continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report referred to in (b) above before lodgement of this Prospectus. Continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus are listed in Section 8 of this Prospectus.

8. ASX Announcements

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its annual financial report for the year ended 30 June 2016 with ASIC:

Date	Headline
21/12/2016	Share Placement
19/12/2016	Trading Halt
16/12/2016	Company Secretary Appointment/Resignation
25/11/2016	AGM voting – results
25/11/2016	AGM – other than Chairman's address
25/11/2016	AGM - Chairman's address
22/11/2016	Pre-clinical research product launch
08/11/2016	Receipt of R&D tax rebate incentive
07/11/2016	Optiscan to hold investor presentation in Perth – Wed 30 Nov
26/10/2016	AGM Notice of Meeting and Proxy Form

Date	Headline
19/10/2016	Response to ASX Price Query
14/10/2016	Change of interests of substantial shareholder – form 604
28/09/2016	Appendix 4G and Corporate Governance Statement

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

The Company may make further announcements to ASX from time to time. Announcements are released by ASX on its website, www.asx.com.au under the Company's ASX code "OIL" and copies of announcements can be obtained from the Company upon request and are available on the Company's website www.optiscan.com. Prospective investors are advised to refer to ASX's website for updated releases about events or matters affecting the Company.

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

9. Terms of securities offered

9.1 Terms of Shares

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

The Offer of Shares under this Prospectus and any application concerning the issue of New Shares under this Prospectus, shall be governed and construed in accordance with the laws in the State of Victoria, Australia.

9.2 Terms of Options

- (a) Each Option entitles the holder to one Share upon exercise of the Options
- (b) The amount payable upon exercise of the Option is as set out in the table in Section 1.6;
- (c) Options expire on the dates as set out in the table in Section 1.6;
- (d) An Option may be exercised by paying the exercise price in full at any time prior to the expiry date;
- (e) An Option may only be exercised where it is lawful to do so;
- (f) Where a holder of Options determines to exercise some, but not all, of their Options, the total aggregate amount payable to exercise the Options must be a minimum of \$1,000;
- (g) Subject to the Corporations Act, the ASX Listing Rule and the Constitution of the Company, and unless otherwise specified at the time of issue, the Options are freely transferable;
- (h) Shares issued upon exercise of Options will rank *pari passu* with the then issued shares of the Company, including all voting and other rights inherent in such shares;

- (i) The Company will apply for official quotation of all shares issued upon exercise of Options, subject to any restriction obligations imposed by ASX;
- (j) The Options will not give any right to participate in dividends until shares are issued upon exercise of Options;
- (k) There are no participation rights or entitlements inherent in the Options;
- (l) Holders of Options are not entitled to participate in new issues of securities offered to shareholders without first exercising Options. The Company will send notices to the holders of Options at least five (5) business days prior to the record date (or such shorter period allowed by the ASX Listing Rules) applying to offers of securities made to shareholders during the currency of the Options; and
- (m) In the event of any reconstructions of the issued capital of the Company prior to the relevant expiry date, the number of Options or the exercise price of the options or both shall be reconstructed in accordance with the ASX Listing Rules applying to a reorganisation of capital at the time of the reconstruction.

10. Director's interests

10.1 Securities

The Directors' direct and indirect interests in securities of the Company as at the date of this Prospectus and the effect of the Offer on the direct and indirect share holdings of Directors are set out in the following table that assumes full subscription of the Offer and the Options Offer.

SHARES & OPTIONS

Director/Shareholder (and/or associate(s))	Existing Shares		Shares upon completion of the Offer		Existing Options	Post- issue Options
	Number	%	Number	%		
Ian Mann	17,668,445	5.67%	41,668,445	12.42%	-	3,000,000
Alan Hoffman	-	-	-	-	-	3,000,000
Peter Francis	-	-	-	-	-	3,000,000
Ian Griffiths	-	-	-	-	-	3,000,000
TOTAL:	17,668,445	5.67%	41,668,445	12.42%	-	12,000,000

Note to table: The above table does not take into account the interests of Directors upon completion of the Placement. Assuming Directors do not participate in the Placement and the Placement is fully subscribed then:

- all Directors other than Ian Mann will have no direct or indirect interests in the Shares in the Company; and
- Ian Mann's interest will be diluted to 11.14% of the Company's then issued Share capital.

10.2 Remuneration & Payments to Directors

Fees and other remuneration

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

Details of the remuneration or agreed to be paid to Directors in the two years prior to the lodgement of this Prospectus (excluding GST if applicable) are as follows:

Director	July 2014 – June 2015*	July 2015 – to date
Alan Hoffman	Nil	\$54,750.08
Peter Francis ⁺	Nil	\$59,352.05
Ian Griffiths	Nil	\$29,200
Ian Mann	Nil	\$29,200

Note to table: None of the current Directors held office or received remuneration during the period July 2014 to June 2015.

+ FAL Lawyers, a law firm of which Mr Peter Francis is a principal, has received fees for the provision of legal services to the Company totalling \$43,073.80 plus GST since Mr Francis was appointed as a Director of the Company.

+ FAL Patents, a law firm of which Mr Peter Francis is a principal, has received fees for the provision of legal services to the Company totalling \$4,200 plus GST since Mr Francis was appointed as a Director of the Company.

Other

Except as disclosed in this Prospectus:

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

11. Taxation

Recipients of the Offer should seek and obtain their own taxation advice before applying for New Shares so that they may first satisfy themselves of any taxation implications associated with acquiring New Shares.

12. Overseas Investors

This Prospectus and any application form do not constitute an offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

This Prospectus does not constitute an offer for securities in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons outside Australia who comes into possession of this Prospectus should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the securities in any jurisdiction outside Australia.

The Offer has not been, and will not be, registered under the US Securities Act and has not been made in the United States of America or to persons resident in the United States of America.

13. Privacy

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

14. Electronic Prospectus

This Prospectus is available in electronic format via the ASX website, www.asx.com.au and via the Company's website at www.optiscan.com.

Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by contacting Justin Mouchacca, joint Company Secretary, on (03) 9538 3333.

Applications for New Shares may only be made on the Personalised Application Form which accompanied or was attached to a copy of this Prospectus in its paper copy form or a print out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing on to another person a Personalised Application Form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

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

15. Investment Decisions

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

16. Future Performance

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment through applying for and receiving New Shares under the offer made by this Prospectus should be considered speculative.

17. Consents

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

18. Enquiries

If you have any questions regarding the content of this Prospectus or how to complete the Personalised Application Form, you should contact your stockbroker, accountant or independent professional financial adviser prior to accepting the Offer.

Any questions concerning the Offer should be directed to Justin Mouchacca, joint Company Secretary, on (03) 9538 3333.

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

A handwritten signature in black ink, consisting of a stylized 'P' followed by a long horizontal line.

Peter Francis
Director