

Optiscan Imaging Limited
ABN 81 077 771 987

Annual Financial Report

for the year ended 30 June 2016

Contents

CORPORATE INFORMATION	3
DIRECTORS' REPORT	4
AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES	20
CORPORATE GOVERNANCE STATEMENT	21
STATEMENT OF FINANCIAL POSITION	22
STATEMENT OF COMPREHENSIVE INCOME	23
STATEMENT OF CHANGES IN EQUITY	24
STATEMENT OF CASH FLOWS	25
NOTES TO THE FINANCIAL STATEMENTS	26
1 CORPORATE INFORMATION	26
2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	26
3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES	38
4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	43
5 SEGMENT INFORMATION	44
6 REVENUE AND EXPENSES	47
7 INCOME TAX	48
8 EARNINGS (LOSS) PER SHARE	50
9 CASH AND CASH EQUIVALENTS	51
10 TRADE AND OTHER RECEIVABLES	52
11 INVENTORIES	53
12 PLANT AND EQUIPMENT	53
13 TRADE AND OTHER PAYABLES	54
14 INTEREST BEARING LOANS AND BORROWINGS	55
15 FINANCING FACILITIES	56
16 PROVISIONS	57
17 CONTRIBUTED EQUITY AND RESERVES	58
18 PARENT ENTITY INFORMATION	60
19 RELATED PARTY DISCLOSURE	60
20 SHARE-BASED PAYMENTS	62
21 COMMITMENTS AND CONTINGENCIES	63
22 EVENTS AFTER THE BALANCE SHEET DATE	64
23 AUDITORS' REMUNERATION	64
DIRECTORS' DECLARATION	65
INDEPENDENT AUDIT REPORT TO MEMBERS OF OPTISCAN IMAGING LIMITED	66
PATENT INFORMATION	68
ASX ADDITIONAL INFORMATION	69

CORPORATE INFORMATION

ABN 81 077 771 987**Directors**

Alan Hoffman (Chair, appointed 2 May 2016)
Ian Mann (appointed 9 December 2015)
Peter Francis (appointed 2 May 2016)
Ian Griffiths (appointed 2 May 2016)

Company Secretary

Michael Corry FGIA

Registered office

15-17 Normanby Road
Notting Hill Vic 3168
Australia

Principal place of business

15-17 Normanby Road
Notting Hill Vic 3168
Australia
T 61 3 9538 3333
F 61 3 9562 7742
www.optiscan.com

Share Register

Computershare Registry Services
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Australia
T 61 3 9415 5000

Solicitors

HWL Ebsworth Lawyers
530 Collins Street
Melbourne VIC 3000

Auditors

Ernst & Young
Melbourne

Bankers

National Australia Bank

Directors' Report

The Board of Directors of Optiscan Imaging Limited has pleasure in submitting its report in respect of the financial year ended 30 June 2016.

Directors

The names of the directors in office during or since the end of the financial year and up to the date of this report are:

Alan Hoffman, Chair, (appointed 2 May 2016)
Ian Mann (appointed 9 December 2015)
Peter Francis (appointed 2 May 2016)
Ian Griffiths (appointed 2 May 2016)
Patrick O'Connor, (appointed 21 July 2015, resigned 12 April 2016)
Mr Angus Holt, (resigned 21 July 2015)
Mr Peter Delaney, (resigned 2 May 2016)
Mr Bruce Andrew, (resigned 9 December 2015)
Mr George Cameron-Dow (appointed 21 July 2015, resigned 16 September 2015)

Details of the qualifications and experience of the directors in office during the financial year and up to the date of this report are as follows:

Alan Hoffman MAICD Age 58	Mr Hoffman has more than twenty years' experience in executive management roles in organisations such as Shell Australia, the Wesfarmers Group and the Coventry Group.
Ian Mann B. Com, GAICD Age 48	Mr Mann has twenty years' experience as a private company director in industries including textiles, garments, investments, foodstuffs and construction materials. Through the shareholding of related entities, Mr Mann is a Substantial Shareholder in the Company.
Peter Francis <i>B Juris, LLB</i> <i>Grad Dip IP Law</i> Age 60	Mr Francis is a partner of FAL Lawyers, a firm of commercial and technology lawyers based in Melbourne. He is one of Australia's pre-eminent lawyers in the field of technology commercialisation. Mr Francis is Chairman of Benitec Biopharma Limited and holds a number of other non-executive director roles.
Dr Ian Griffiths <i>BSc, PhD</i> Age 46	Dr Griffiths is CEO of Wound Management Innovations CRC and has previously held a number of senior executive roles in innovative biotech companies. Dr Griffiths has an honours degree, a business degree, and a PhD from the University of Manchester with his thesis based on instrumentation physics and polymer chemistry.
Patrick O'Connor <i>B.Com, SEP Stanford</i> <i>(USA), FAICD</i> Age 53	Mr O'Connor is a non-executive director of Stanmore Coal Limited (ASX:SMR) and Tech Mpire Limited (ASX:TMP). He has previously held the roles of Chairman for TFS Corporation Limited (ASX:TFC), Xceed Resources Limited, Perilya Limited, Water Corporation and has been a non executive director of a number of other ASX listed entities. Mr O'Connor was appointed to the board on 21 July 2015 and resigned on 12 April 2016.

Directors' Report (continued)

Peter Delaney
BSc (Pharm) (Hons.)
Age 48

Mr Delaney completed a science degree with honours in Pharmacology at Monash University in 1989. He has played a major role in the refinement of the fibre optic approach to produce a commercial instrument which received an R&D 100 Award in 1991. In 1993, Mr Delaney received the Victorian Young Achiever Award (Science and Technology) for his development of the company strategy and infrastructure. Mr Delaney was appointed a director of Optiscan Pty Ltd in March 1994, and was Managing Director until December 2002, at which time he assumed the role of Director of Technology. In April 2007, Peter Delaney was awarded a prestigious ATSE Clunies Ross award for excellence in the innovation and commercialisation of scientific endeavours. Mr Delaney held no other directorships of public companies during the past three years. Mr Delaney resigned as Director on 2 May 2016 and remains as an executive manager of the Company.

Bruce Andrew
B Bus, CPA
Age 62

Mr Andrew was appointed Company Secretary when Optiscan listed in 1997. After several years in a part time role, Mr Andrew was appointed Chief Financial Officer in 2001. Mr Andrew resigned as Director on 9 December 2015 and as Company Secretary and Chief Financial Officer on 10 June 2016. Mr Andrew held no other directorships of public companies during the past three years.

George Cameron-Dow
(Master of
Management (cum
laude) Wits, SEP
Stanford (USA),
FAICD, FAIM)
Age 59

Mr Cameron-Dow is a non-executive director of Bioxyne Limited (ASX:BXN) and Windward Resources Limited (ASX:WIN). Mr Cameron-Dow was previously the Managing Director of Xceed Capital Limited, and a past director of Calzada Limited (now PolyNovo) and Naracoota Resources Limited. Mr Cameron-Dow was appointed to the board on 21 July 2015, and resigned on 16 September 2015.

Angus Holt
B Com
Age 45

Mr Holt has 16 years experience as a public company director in Australia and was appointed to the Board of Optiscan in February 2009 and later Chairman in May 2009. Mr Holt assumed the role of Executive Chairman in January 2010. Mr Holt held no other directorships of public companies during the past three years. Mr Holt resigned from the board on 21 July 2015.

Directors' Report (continued)

Directors' Interests

No Director has any direct holding in shares, options or other instruments of the company at the date of this report.

Other Interests of Directors

Ian Mann

Parties related to Ian Mann hold a combined total of 17,668,445 ordinary shares as at the date of this report (2015: N/A).

Directors' Meetings

The company held sixteen Directors' meetings during the year. The attendances of the directors at meetings of the Board were:

Director	Board of Directors	
	Attended	Held
Alan Hoffman	4	4
Ian Mann	12	12
Peter Francis	4	4
Ian Griffiths	4	4
Patrick O'Connor	11	11
George Cameron-Dow	1	1
Angus Holt	0	0
Peter Delaney	12	12
Bruce Andrew	5	5

The column marked "Held" refers to meetings held while each Director was in office.

As at the date of this report, the board is comprised of four directors, all of whom are non-executive. Mr Ian Mann is a substantial shareholder of the Company. All other Directors are independent.

At this stage, the role of board committees including the Audit Committee, Remuneration Committee and Nomination committee are assumed by the Board of Directors. This will be reviewed over the coming year.

Principal Activities

The principal activity of the consolidated entity during the year was the development and commercialisation of confocal microscopes. There was no change in the nature of this activity during the year.

Corporate Structure

Optiscan Imaging Limited is a company limited by shares that is incorporated and domiciled in Australia.

Trading Results

The consolidated loss of the consolidated entity for the financial year was \$1,337,056 (2015: \$1,395,399) after income tax.

Directors' Report (continued)

Operating and Financial Review

Operating and Financial Review

Operations

Whilst the 2016 accounts show a loss for the financial year, this was not unexpected and reflected continued research and development expenditure.

However, it is relevant to note that the outlook for Optiscan Imaging Limited (the "Company") changed significantly upon the appointment of:

- A new Chairman and Board in May 2016;
- A new CEO in May 2016;
- A new CFO/Company Secretary in June 2016; and
- A new sales-focused General Manager – Preclinical Research Products in August 2016.

The new board and management undertook a complete review of the strategic direction of the Company with a view to a significantly improving performance and creating a drive towards a new mission:

"To create shareholder wealth through the profitable delivery of microscopic imaging and related technologies into the global market".

Several significantly positive initiatives have emanated from the establishment of this new team including:

- A capital raising in July 2016 which injected significant cash into the Company;
- A capital raising in August 2016 which injected significant cash into the Company;
- Key staff appointments highlighted by the appointment of the General Manager – Preclinical Research Products;
- Announced on 3 August 2016, the above appointment coincides with a drive to the commercialisation of the second generation pre-clinical research product which will generate revenue in the 2017 financial year with a view towards a cash positive Optiscan in the 2018 financial year; and
- Continuation of the Carl Zeiss Meditec (Zeiss) collaboration following the endorsement by Zeiss of the prototypes sold to them in May 2016.

As acknowledged during the year, Optiscan has for too long under-delivered on its potential.

The new board and management are determined to drive true commercialisation of the Company's world-leading technology in order to deliver on our mission.

To highlight this further, principal operational activities during the period after appointment of the new board and management were focussed almost entirely on:

- 1) Progression of the Carl Zeiss Meditec (Zeiss) collaboration and driving it toward full commercialisation in the first part of the 2017 calendar year; and
- 2) Developing the second-generation pre-clinical research product and driving it toward commercialisation, also in the first part of the 2017 calendar year.

In May 2016, as part of the previously announced collaboration project, Optiscan provided Zeiss with 2 split-system prototypes. The Company has now received endorsement of these prototypes from Zeiss – a key step in the aforementioned full commercialisation process.

Directors' Report (continued)

Operating and Financial Review (continued)

Financial Results

There was a net loss for the year ended 30 June 2016 of \$1,337,056 which was of a similar magnitude to the result for 2015.

The \$749,650 net liability as at 30 June 2016 should be viewed alongside the accrual for unissued share capital in the amount of \$662,000. This reflects share capital subscription amounts received prior to year-end for the share placement, the shares of which were issued on 6 July 2016. At that time the amount of \$662,000 moved from a liability to equity, improving the net liability position.

Near Term Strategy – 2016/17

The Company has identified three key pillars to its current business model:

- **Sales of the second-generation pre-clinical research product**

This will include:

- Securing sales from the existing customer base of the predecessor model;
- Pursuing established distribution channels; and
- Developing new distribution channels including direct sales and the appointment of new distributors.

To ensure results will be achieved, the Company announced the appointment of a General Manager - Preclinical Research Products to provide dedicated focus in this area.

The second generation pre-clinical research product has been improved and is planned to be launched in 2016.

This product will deliver a significant improvement to the existing technology offering in the research market. It is expected that the new product range will secure a significant share of the global market after launch.

- **Developing the Carl Zeiss Meditec (Zeiss) collaboration**

Zeiss is a pre-eminent market force in the microsurgical visualisation market and its engagement with Optiscan is a key endorsement of Optiscan's technology.

Zeiss believes that CNEM (confocal neuro endomicroscopy) is a significant development enabling new applications in neurosurgery and related disciplines that will become important tools for diagnostic visualisation in the operating room.

It remains a key focus of the Company's board and management to drive towards full commercialisation of the split system collaboration product in the early part of the 2017 calendar year.

Directors' Report (continued)

Operating and Financial Review (continued)

- **Exploring new market opportunities for related Optiscan products and services**

It is important to balance the need to achieve short-term revenue and market penetration with the development of new markets and new additions to the suite of Optiscan products. This includes both a 3.5 mm fixed and flexible probe and sheath and a new 2.4 mm probe which has generated considerable consumer interest.

Both of these projects continue to be developed further and significant R&D time and resources continue to be invested into the future Optiscan products and specific applications that will benefit from the development of the Optiscan's patented technology and the Company's experience within this field of science.

Medium Term Strategy and Outlook

It is important to note that the Company is totally focussed on delivering on its near term strategy for 2016/17 and driving Optiscan towards full commercialisation of its key products.

This is essential to ensure the Company delivers on its mission:

"To create shareholder wealth through the profitable delivery of microscopic imaging and related technologies into the global market".

However, it is equally important that the Company future-proofs itself and continues to expand on the opportunities available through Optiscan's ownership of world-leading technology.

To that end, the Company has identified a range of medical research and treatment markets well suited to Optiscan's technology. These include, but are not limited to:

- Gastrointestinal diagnosis;
- Women's Health;
- ENT (Ear, Nose and Throat);
- Virtual biopsy through microscopic imaging; and
- Arthroscopy of joints

The Company will continue to pursue opportunities in these fields to build on the success from the near term strategies for 2016/17 to continue to ensure that Optiscan remains at the forefront of innovation and technological advancement.

Dividends

No dividends have been paid or declared since the beginning of the financial year by the Company (2015: Nil).

Significant Changes in the State of Affairs

There have been no significant changes to the state of affairs of the consolidated entity during the year.

Directors' Report (continued)

Operating and Financial Review (continued)

Significant Events after Balance Date

The following matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the expected results of those operations in future years, or the state of affairs of the consolidated entity in future financial years:

- On 6 July, 2016, the company issued 29,980,000 new shares in respect of a capital placement, raising \$749,500 from this placement
- On 6 July 2016, 1,000,000 additional new shares were issued for the costs of the loan facility drawn down on 29 April 2016.
- On 8 September 2016, the company issued 56.6 million new shares through a fully-underwritten 2 for 9 rights issue. \$1.4 million before costs was raised from this rights issue.
- On 22 July 2016, the company announced its intention, subject to shareholder approval, to convert a \$600,000 loan from parties associated with director Mr Ian Mann to equity through the issuance of 24 million shares at a price of \$0.025 per share.

Likely Developments and Future Results

The Directors have outlined in the Operating and Financial Review that they expect to derive additional income from the Zeiss collaboration over the next year, as well as achieving sales of the second-generation pre-clinical research product. The cost base of the company will increase to reflect the additional resource being employed to develop these activities. This investment is required to move the Company towards profitability.

Future Operating and Financial Risk

A successful capital raising in July 2016 and a further successful capital raising in August 2016 has injected necessary short term funds to assist meeting the immediate strategic objectives of the company.

The board has undertaken a financial risk analysis and review and has identified the primary risks to the business in this area. These are outlined in the Note 2(a) of the financial statements.

Environmental Regulations

The Group is not subject to significant environmental regulations.

Share Options

Since the end of the financial year, and up to the date of this report, no new shares have been issued as a consequence of the exercise of options which were on issue at year end. Since the end of the financial year, and up to the date of this report, no options have expired.

The total number of options outstanding at the date of this report is 3,000,000.

Directors' Report (continued)

Operating and Financial Review (continued)

Indemnification and Insurance

During the financial year ended 30 June 2016, the company indemnified its directors, the company secretary and executive officers in respect of any acts or omissions giving rise to a liability to another person (other than the company or a related party) unless the liability arose out of conduct involving a lack of good faith. In addition, the company indemnified the directors, the company secretary and executive officers against any liability incurred by them in their capacity as directors, company secretary or executive officers in successfully defending civil or criminal proceedings in relation to the company. No monetary restriction was placed on this indemnity. The Company has insured its directors, the company secretary and executive officers for the financial year ended 30 June 2016. Under the company's Directors' and Officers' Liabilities Insurance Policy, the Company shall not release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the company relies on section 300(9) of the *Corporations Act 2001* to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' Report (continued)

Remuneration Report (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of Key Management Personnel in office during the year

Alan Hoffman	Non-executive Chairman, appointed 2 May 2016
Ian Mann	Non-executive Director, appointed 9 December 2015
Peter Francis	Non-executive Director, appointed 2 May 2016
Ian Griffiths	Non-executive Director, appointed 2 May 2016
Angus Holt	Executive Chairman, resigned 21 July 2016
Patrick O'Connor	Executive Chairman, appointed 21 July 2015, resigned 12 April 2016
George Cameron-Dow	Non-executive Director, appointed 21 July 2015, resigned 16 September 2015
Peter Delaney	Director of Technology, Director (resigned as Director 29 April 2016)
Bruce Andrew	Chief Financial Officer, Director (resigned as Director 9 December 2015. Resigned as Chief Financial Officer 10 June 2016)
Archie Fraser	Appointed as Chief Executive Officer 16 May 2016
Michael Corry	Appointed as Chief Financial Officer and Company Secretary, 13 June 2016

Remuneration Philosophy

The quality and performance of directors, executives and staff is critical to achieving business success. Optiscan must foster a remuneration policy that attracts, motivates and retains personnel of the highest calibre.

In formulating a framework for remuneration policies and practices, the board takes account of the following factors:

- Capacity to pay;
- Employment market conditions;
- Company performance;
- Identification of appropriate performance benchmarks; and
- Individual performance levels.

Objective of Remuneration Policy

The overall objective of the remuneration policy is to ensure maximum stakeholder benefit from the retention of a high quality board, management and staff at a cost which is commercially realistic and acceptable to shareholders. This objective seeks to:

- Reward employees for individual performance against appropriate benchmarks.
- Align the interests of management and staff with those of shareholders.
- Provide a link between rewards and the achievement of strategic targets, performance outcomes and share price.
- Ensure remuneration is competitive by market standards.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Non-executive Director Remuneration

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

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

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

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

The remuneration of directors for the years ended 30 June 2016 and 30 June 2015 is detailed in Table 1 and Table 2 on page 16 of this report.

Executive Remuneration

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

Remuneration may consist of fixed and variable components, incorporating both short term incentives (STI) and long term incentives (LTI), as follows:

Remuneration Component	Form of Settlement
Fixed remuneration	Base salary and superannuation
Variable remuneration, (STI)	Performance bonus
Variable remuneration, (LTI)	Employee options

Fixed Remuneration

Objective

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.

Structure

Fixed remuneration is reviewed annually 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.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Executive Remuneration (continued)

The fixed remuneration component of executives for the years ended 30 June 2016 and 30 June 2015 is detailed in Table 1 and Table 2 on page 16 of this report.

Variable Remuneration

The objectives and structure of the Group's policy on Variable Remuneration is set out below. This policy is currently suspended, and will be re-activated when economic circumstances permit (refer Suspension of STI).

Variable Remuneration - Short Term Incentive (STI)

Objective

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.

Structure

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

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

Variable Remuneration - Long Term Incentive (LTI)

Long term incentives are delivered to executives and employees by way of grant of options under the Employee Share Option Plan.

Objective

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.

Structure

LTI grants to employees, including executives, are delivered in the form of options. The Remuneration Committee is responsible for the allocation of options, and determines the quantum of grants by reference to group and individual performance against targets.

Suspension of STI Arrangements

STI arrangements are suspended until achievement of financial improvement is achieved. As a result of this position, no STI entitlements were accrued and no payments were made to key management personnel during the 2015/2016 financial year.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Incentives and Company Performance

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

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

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

Incentive Payments and Performance Conditions 2015/2016

During the year ended 30 June 2016, no STI incentive payments were made to staff.

An LTI incentive was granted to the CEO, Mr Archie Fraser. An options package comprising 4 tranches 875,000 options and 2 tranches of 2,000,000 share options (a total of 7,500,000 options) were issued pursuant to the terms of his employment contract. Further details are set out below in Table 3: Share Options Movements for current period ending 30 June 2016

Employment Contracts

All staff including executives are engaged under rolling employment agreements. The contracts continue indefinitely subject to satisfactory performance, and provide one months 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.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2016

30 June 2016	Short-Term		Long Term			Post Employment	Total \$	Total Performance Related %
	Salary & fees	Director fees	Termination	Share Based Incentives	Long Service Leave	Superannuation		
B. Andrew	89,000	-	32,418	-	-	8,787	130,205	-
G. Cameron Dow	-	8,054	-	-	-	765	8,819	-
M. Corry	12,500	-	-	-	-	-	12,500	-
P. Delaney	150,000	-	-	-	-	14,250	164,250	-
P. Francis	-	6,667	-	-	-	-	6,667	-
A. Fraser	22,030	-	-	7,571	-	1,539	31,140	-
I. Griffiths	-	11,212	-	-	-	-	11,212	-
A. Holt	32,284	-	-	-	-	732	33,016	-
A. Hoffman	-	12,500	-	-	-	1,188	13,688	-
I. Mann	-	6,667	-	-	-	633	7,300	-
P. O'Connor	-	29,723	-	-	-	-	29,723	-
	305,814	74,823	32,418	7,571	-	27,894	448,520	-

Table 2: Compensation of Key Management Personnel for the year ended 30 June 2015

30 June 2015	Short-Term		Long Term	Post Employment	Total \$	Total Performance Related %
	Salary & fees	Directors fees	Long Service Leave	Superannuation		
A. Holt	52,500	40,000	2,106	8,788	103,394	-
P. Delaney	103,417	40,000	31	12,508	155,956	-
B. Andrew	52,500	40,000	2,106	8,788	103,394	-
	208,417	120,000	4,243	30,084	362,744	-

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Compensation Options Granted and Vested During the Year

During the current financial year options were granted to the CEO, Mr Archie Fraser as equity compensation benefits under a long-term incentive plan. Further details are set out below in Table 3 of remuneration report.

Table 3: Options awarded, vested and lapsed during the year ended 30 June 2016

Name	Financial Year	Options awarded during the year (no.)	Grant Date	Fair value per option at grant date (\$)	Vesting Date	Exercise Price (\$)	Expiry Date	Options Vested during year (No.)	Options Lapsed during year (No.)	Value of options granted during the year (\$)	Value of options exercised during the year (\$)
Archie Fraser	2016	875,000	12 May 2016	\$0.025	16 Nov 2016	\$0.05	16 Nov 2019	-	-	-	-
	2016	875,000	12 May 2016	\$0.025	16 May 2017	\$0.05	16 May 2020	-	-	-	-
	2016	875,000	12 May 2016	\$0.025	16 Nov 2017	\$0.05	16 Nov 2020	-	-	-	-
	2016	875,000	12 May 2016	\$0.025	16 May 2018	\$0.05	16 May 2021	-	-	-	-
	2016	2,000,000	12 May 2016	\$0.025	16 May 2019	\$0.05	16 May 2022	-	-	-	-
	2016	2,000,000	12 May 2016	\$0.025	16 May 2020	\$0.05	16 May 2023	-	-	-	-
	Total		7,500,000								

The fair value of options granted during the year, as included in the above table, was determined using a binominal simulation based model. A bi-nominal simulation based model simulates the path of the share price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. This model can accommodate complex exercise conditions when the number of options exercised depends on some function of the whole path followed by the share price.

The following table list the inputs to the binominal model used for the above share option plan during the year ended 30 June 2016:

	30-Jun-16
Dividend yield (%)	0%
Expected volatility (%)	80%
Risk-free interest rate (%)	2%
Expected life of share options (years)	3 years
Weighted average share price (\$)	\$0.025

The expected volatility used was based on market based factors and stage of development of the Group. The risk free rate was based on the yields available on High Quality Corporate Bonds with a similar life as the options.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Shares Issued on Exercise of Compensation Options

No shares have been issued as a result of the exercise of options granted as compensation to key management personnel during the years ended 30 June 2016 and 30 June 2015.

Option holdings of Key Management Personnel

Options holdings of Key Management Personnel for the year ended 30 June 2016

There were no option holdings by key management personnel at 30 June 2015.

As part of a remuneration package announced on 13 May 2016 and subject to approval at the Annual General Meeting for the incoming CEO, Mr Archie Fraser will be issued with up to 7,500,000 options. Further details are set out above in Table 3 of remuneration report.

Shareholdings of Key Management Personnel

Shares held in Optiscan Imaging Limited for the year ended 30 June 2016 (number)

30 June 2016	<i>Balance at beginning of period 01-Jul-15</i>	<i>Holding at Date of joining KMP</i>	<i>Purchased</i>	<i>Disposed</i>	<i>Holding at Date Ceased to be part of KMP</i>	<i>Balance at end of period 30-Jun-16</i>
Directors						
I. Mann						
-direct	-	-	-	-	-	-
-indirect	-	15,000,000	-	-	-	15,000,000
A. Holt						
-direct	3,730,000	-	-	-	(3,730,000)	-
-indirect	8,251,383	-	-	-	(8,251,383)	-
P. Delaney						
-direct	4,231,259	-	-	-	-	4,231,259
-indirect	270,090	-	-	-	-	270,090
B. Andrew						
-indirect	1,090,000	-	-	-	(1,090,000)	-
Total	17,572,732	15,000,000	-	-	(13,071,383)	19,501,349

All equity transactions with Key Management Personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Directors' Report (continued)

Remuneration Report (Audited) (continued)

Other transactions and balances with KMP and their related parties

Loans

In December 2015, an entity associated with Non-executive Director, Mr. Ian Mann, provided a loan of \$300,000 having a first charge over the company and interest charge of 15% which was subsequently restructured on 29 February 2016. Another entity, also associated with Mr Ian Mann, refinanced that loan at 10% on 29th February 2016, injected an additional \$200,000 on that date with a further \$100,000 advanced on 27 April 2016. The first charge over the company of the second facility was made subordinate to the 29 April 2016 R&D facility. No establishment, penalty or any other kind of fees were charged on either related party loan.

Auditor Independence and Non-Audit Services

Non-Audit Services

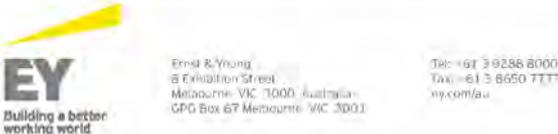
The following non-audit services were provided by Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received the following amount for the provision of non-audit services:

R&D tax services - \$12,980

Auditor Independence

The directors received the following declaration from the auditor of Optiscan Imaging Limited.



EY
Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Optiscan Imaging Limited

As lead auditor for the audit of Optiscan Imaging Limited for the financial year ended 30 June 2016, I declare 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.

This declaration is in respect of Optiscan Imaging Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Joanne Loneragan

Joanne Loneragan
Partner
27 September 2016

This report has been made in accordance with a resolution of directors on Friday 23rd September 2016.



Alan Hoffman
Chairman
27 September 2016

Corporate Governance Statement

Optiscan is committed to ensuring that its policies and practices reflect good corporate governance.

This statement reports against the key governance principles as outlined in the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

The Board of Directors of Optiscan Imaging Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Optiscan Imaging Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Details of the directors, current at the time of this report, and their term in office are:

<u>Director</u>	<u>Status</u>	<u>Term in office</u>
Alan Hoffman	Non Executive	5 months
Ian Mann	Non Executive	9 months
Peter Francis	Non Executive	5 months
Ian Griffiths	Non Executive	5 months

The skills, experience and expertise of each director is included in the Directors' Report. Directors of Optiscan Imaging Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their independent judgement.

A consequence of this small board is that there is no meaningful case for board committees, so there is no Nomination, Audit, Risk or Remuneration Committee in place at present, and these roles are performed by the full board. The directors will regularly monitor the issues of the board composition, skills, diversity and independence.

The Corporate Governance Policy Statement covers issues such as the procedure for nomination, selection and appointment of new directors, performance evaluation and the re-election of directors. An evaluation of the Board did not take place during the period.

The functions reserved to the Board, and those delegated to senior executives are clearly distinguished and set out in the Corporate Governance Policy Statement. Prior to the appointment of the Chief Executive Officer in May 2016, matters otherwise delegated to that role were assumed by the board. The process for evaluating the performance of senior executives is also set out in the Corporate Governance Policy Statement. An evaluation of senior executives did not take place during the year due to the restructuring within the Group.

Diversity

The company has not established a policy on diversity at this time and the company has not established measurable objectives for achieving gender diversity. The board considers that adoption of a policy on diversity at this time is impractical for a small organisation comprising less than ten full time equivalent (FTE) staff. The company's policy on equal opportunity provides relevant guidance on issues of diversity in the current circumstances of the company.

Remuneration

The Board is responsible for determining and reviewing compensation arrangements for the directors, management and staff. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. Full details of the remuneration of key management personnel and all directors are included in the Directors' Report.

Statement of Financial Position

AS AT 30 JUNE 2016

	<i>Notes</i>	<i>CONSOLIDATED</i>	
		<i>2016</i>	<i>2015</i>
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	9	954,805	268,893
Trade and other receivables	10	780,792	693,004
Inventories	11	28,500	28,500
Prepayments		37,048	829
Total Current Assets		<u>1,801,145</u>	<u>991,226</u>
Non-current Assets			
Plant and equipment	12	19,691	26,985
Total Non-current Assets		<u>19,691</u>	<u>26,985</u>
TOTAL ASSETS		<u>1,820,836</u>	<u>1,018,211</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,211,810	420,553
Interest bearing loans and borrowings	14	1,124,358	510,533
Provisions	16	231,477	242,824
Total Current Liabilities		<u>2,567,645</u>	<u>1,173,910</u>
Non-current Liabilities			
Provisions	16	2,841	19,512
Total Non-current Liabilities		<u>2,841</u>	<u>19,512</u>
TOTAL LIABILITIES		<u>2,570,486</u>	<u>1,193,422</u>
NET LIABILITIES		<u>(749,650)</u>	<u>(175,211)</u>
EQUITY			
Contributed equity	17	49,362,778	48,684,716
Accumulated losses	17	(51,687,388)	(50,350,332)
Reserves	17	1,574,960	1,490,405
TOTAL DEFICIENCY		<u>(749,650)</u>	<u>(175,211)</u>

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		2016 \$	2015 \$
Sale of goods		309,697	46,092
Other revenue	6(a)	3,702	12,030
Revenue		313,399	58,122
Cost of sales		(94,826)	(12,835)
Gross Profit		218,573	45,287
Other income	6(b)	1,054,716	983,717
Research & development expenses		(1,265,884)	(1,070,373)
Administrative expenses		(1,331,357)	(1,315,783)
Other expenses		(13,104)	(38,247)
Loss before income tax		(1,337,056)	(1,395,399)
Income tax expense	7	-	-
Net profit (loss) for the year		(1,337,056)	(1,395,399)
Other comprehensive income			
Items that may be subsequently recycled through profit and loss:			
Foreign currency translation of net investment in foreign subsidiary		44	27
Other comprehensive income for the period net of tax		44	27
TOTAL COMPREHENSIVE INCOME (LOSS) FOR PERIOD		(1,337,012)	(1,395,372)
Earnings (loss) per share (cents per share)	8		
- basic earnings (loss) per share for the year		(0.61)	(0.72)
- diluted earnings (loss) per share for the year		(0.61)	(0.72)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2016

	CONSOLIDATED				
	Ordinary shares \$	Accumulated Losses \$	Share Based Payments \$	Foreign Currency Translation Reserve \$	Total \$
At 1 July 2015	48,684,716	(50,350,332)	1,485,661	4,744	(175,211)
Loss for the year	-	(1,337,056)	-	-	(1,337,056)
Other comprehensive income	-	-	-	44	44
Total comprehensive income (loss) for the year	-	(1,337,056)	-	44	(1,337,012)
Transactions with owners in their capacity as owners:					
Loan facility fee settled by issue of shares	111,000	-	-	-	111,000
Shares issued for cash	690,073	-	-	-	690,073
Underwriting fee settled by issue of options	(84,510)	-	84,510	-	-
Transaction costs of share issues	(38,500)	-	-	-	(38,500)
At 30 June 2016	49,362,779	(51,687,388)	1,570,171	4,788	(749,650)
At 1 July 2014	47,279,893	(48,954,933)	1,485,661	4,717	(184,662)
Loss for the year	-	(1,395,399)	-	-	(1,395,399)
Other comprehensive income	-	-	-	27	27
Total comprehensive income (loss) for the year	-	(1,395,399)	-	27	(1,395,372)
Transactions with owners in their capacity as owners:					
Shares based payments	15,000	-	-	-	15,000
Shares issued for cash	574,500	-	-	-	574,500
Shares issued on conversion of notes	849,199	-	-	-	849,199
Transaction costs of share issues	(33,876)	-	-	-	(33,876)
At 30 June 2015	48,684,716	(50,350,332)	1,485,661	4,744	(175,211)

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

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		2016	2015
		\$	\$
Cash flows from operating activities			
Receipts from customers		604,375	306,654
Payments to suppliers and employees		(1,801,308)	(2,490,057)
Royalties received		4,094	6,500
Interest received		3,918	5,569
Receipt of government grants		679,675	711,690
Net cash used in operating activities	9	<u>(509,246)</u>	<u>(1,459,644)</u>
Cash flows from investing activities			
Purchase of plant and equipment	12	<u>(2,757)</u>	<u>(14,507)</u>
Net cash used in investing activities		<u>(2,757)</u>	<u>(14,507)</u>
Cash flows from financing activities			
Proceeds from issue of shares	17	690,074	574,500
Proceeds from issue of convertible notes, net of transaction costs	14	-	754,196
Proceeds from short term loan	14	1,100,000	500,000
Transaction costs relating to share issues	6	(38,500)	(33,876)
Repayment of short term loan and interest	14	(553,539)	-
Repayment of convertible notes	14	-	(126,466)
Net cash flows from financing activities		<u>1,198,035</u>	<u>1,668,354</u>
Net decrease in cash and cash equivalents		686,032	194,203
Net foreign exchange differences		(120)	(252)
Cash and cash equivalents at beginning of period		<u>268,893</u>	<u>74,942</u>
Cash and cash equivalents at end of period	9	<u>954,805</u>	<u>268,893</u>

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2016

1 CORPORATE INFORMATION

The consolidated financial statements of Optiscan Imaging Limited and its subsidiaries (collectively the Group) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 23 September 2016.

Optiscan Imaging Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operations and principal activities of the Group are described in the directors' report. Information on the Group's structure is provided in Note 19.

The Group's functional and presentational currency is Australian Dollars (AUD\$).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Table of contents

- a) Basis of preparation
- b) Changes in accounting policy, disclosures, standards and interpretations
- c) Basis of consolidation
- d) Revenue recognition
- e) Government grants
- f) Leases
- g) Cash and cash equivalents
- h) Trade and other receivables
- i) Inventories
- j) Derivative financial instruments and hedging
- k) Foreign currency translation
- l) Income tax
- m) Other taxes
- n) Plant and equipment
- o) Investments and other financial assets
- p) Intangible assets
- q) Trade and other payables
- r) Interest bearing loans and borrowings
- s) Provisions and employee leave benefits
- t) Share-based payment transactions
- u) Contributed equity
- v) Earnings (Loss) per share
- w) Segment reporting

a) Basis of preparation

The financial report is a general-purpose financial report, which has 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. The financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. Optiscan Imaging Limited is, for the purposes of preparing these financial statements, a for-profit entity.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of preparation (continued)

Going Concern (Significant Uncertainty as at 30 June 2016)

In common with many entities in the medical technology sector, the company's operations are subject to an element of risk due to the nature of the development and commercialisation being undertaken. A part of this risk relates to funding of the Company's activities and related issues including the conditions prevailing in local and international financial markets. In the context of this operating environment, the company may need to raise additional capital in order to execute its near term and medium term plans for expansion of its product portfolio. Whilst there is an element of risk surrounding the Company's ability to continue as a going concern without additional capital, the directors believe the Company has the ability to raise additional capital should it be required and has a successful track record in doing so.

With the aim of improving the Company's performance, a new board was appointed on 2 May 2016, bringing with it a significant level of expertise and a newfound confidence of the ability of the Company to trade its way into a positive profit and earnings environment, with sufficient cash flows available to meet working capital requirements and the group's obligations and liabilities as they fall due.

As at 30 June 2016, the financial position of the consolidated entity as disclosed in the financial statements reflects a net asset deficiency position of \$749,650 (2015: net asset deficiency position of \$175,211). This balance has been determined after a consolidated net loss for the year of \$1,337,012 (2015: \$1,395,399), and a net cash outflow from operations of \$509,246 (2015: \$1,459,644).

The accounts have been prepared on a going concern basis, which includes the presumption that sufficient funds will be available to finance the operations of the consolidated entity. In adopting this position, the directors have had regard to:

- Cash on hand at 30 June 2016 is \$954,805 (2015: \$268,893);
- Additional fundraising in subsequent to balance date as highlighted in Note 22;
- Additional cashflow is expected to be received in the 2016 financial year under the agreement with Carl Zeiss;
- Revenue is expected to increase from the sale of systems to Carl Zeiss and the sale of second generation pre-clinical research product;
- The directors believe the Company has the ability to raise additional capital from existing and new investors;
- The Company has a successful track record in raising capital to fund its operations;
- The Company may have the ability to raise additional income, or accelerate forecasted cash flows if required.

The directors plan to continue the Company and the consolidated entity's operations on the basis outlined above, and believe there will be sufficient funds for the Group to meet its obligations and liability for at least twelve months from the date of this report.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Changes in accounting policy, disclosures, standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2015.

- AASB 2012 – 3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013 -4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 1031 Materiality
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual

Framework, Materiality and Financial Instruments

- AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle
- AASB 2014-1 Part A -Annual Improvements 2011–2013 Cycle
- AASB CF 2013-1 Amendments to the Australian Conceptual Framework

The above new and amended Australian Accounting Standards and AASB Interpretation did not have any material impact on the accounting policies, financial position or performance of the Group.

The following new Australian Accounting Standards have been issued by the AASB but are not yet effective for the period ended 30 June 2016. They have not been adopted by the Group for the year ended 30 June 2016.

- AASB 9 Financial instruments: this replaces AASB 139. AASB 9 is effective for annual periods beginning on or after 1 January 2018.
- AASB 15 Revenue from Contracts with Customers: this replaces the existing revenue recognition standards. AASB 15 is effective for annual reporting periods commencing on or after 1 January 2018.
- AASB 16 Leases: supersedes AASB 117. AASB 16 will be effective for annual periods beginning on or after 1 January 2019.
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The potential effects of adoption of the above standards are currently being assessed. The Company has not decided whether to early adopt any or all of these standards at this point in time.

In addition, the following amendments to existing standards (issued but not yet effective) are not expected to result in significant changes to the Company's accounting policies in the future:

- AASB 2014-4 - Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from service and product support activities is recognised by reference to the stage of completion of a contract. Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Royalty revenue

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant licensing agreement.

(iv) Interest revenue

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.

e) Government grants

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.

f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as lessor

Leases in which the Group retains substantially all the risks and benefits of ownership are classified as operating leases. Rental income is recognised in profit or loss in accordance with the term of the lease.

(ii) Group as lessee

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity 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. Cash and short term deposits are stated at nominal values.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

h) Trade and other receivables

Trade receivables and other receivables, both of which generally have 30 to 60 day terms, are non interest bearing and are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Impairment of receivables is assessed by reference to ageing of receivables and the Group's knowledge of the profile and status of the debtors.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

i) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis; cost comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to acquisition
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Derivative financial instruments and hedging

The Group sometimes uses derivative financial instruments in the form of forward currency contracts to economically hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

As the Group economically hedges but does not meet the strict criteria for hedge accounting under AASB 139 *Financial Instruments: Recognition and Measurement*, any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss for the year. For information on the Group's financial risk management objectives and policies with respect to its economic hedging program, refer to Note 3.

k) Foreign currency translation

Both the functional and presentation currency of Optiscan Imaging Limited and its Australian subsidiary is Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date.

All transactional exchange differences are recognised in profit or loss. Exchange variations arising on consolidation from the translation of the net investment in foreign subsidiaries, including loans forming part of the net investment, are recognised in the foreign currency translation reserve in equity.

l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance date.

Deferred income tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at balance date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of 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 profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised. Exceptions to this position arise:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date to determine whether it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The carrying amount of deferred tax assets is reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

If deferred tax assets and deferred tax liabilities are recorded in the accounts, they are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation

Optiscan Imaging Limited and its 100% owned Australian resident subsidiary have elected not to form a tax consolidated group.

m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Other taxes (continued)

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

n) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

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:

<u>Class of plant and equipment</u>	<u>Depreciation rate</u>
Office furniture & equipment	20% - 40%
Production equipment	20%
R&D equipment	30% - 40%

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

o) Investments and other financial assets

Other financial assets consist of investments in controlled entities, which are carried at cost less any impairment in the parent company's financial statements.

The carrying values of investments in controlled entities are reviewed for impairment at each reporting date.

p) Intangible assets

The only intangible assets recognised by the group are software assets. The amounts capitalised represent the acquisition cost of software used in the design, development and administrative activities of the group. These amounts are amortised over a period of no more than three years, and are assessed for impairment on an annual basis. At present intangible software assets are fully written down, with zero carrying value.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Intangible assets (continued)

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, a review of activity will be conducted on a project by project basis, and the cost model will be applied, requiring the development asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is to be amortised over the period of expected benefits from the related project. No such expenditure has yet been capitalised by the Group.

q) Trade and other payables

Trade payables and other payables are non interest bearing and are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are generally paid on 30 day terms.

r) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, the carrying value of interest bearing loans and borrowings are approximate fair value. Any fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings. Costs of borrowing facilities are treated as prepayments and allocated over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

The consideration received from the issue of convertible notes is allocated between equity and liabilities. The equity component is that part of the consideration that relates to the value of the option to convert to equity. The balance of the consideration received is the fair value of the convertible note liability.

s) Provisions and employee leave benefits

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Provisions and employee benefits (continued)

Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date using a discounted cashflow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee leave benefits

(i) Wages, salaries, superannuation, and annual leave

Liabilities for wages and salaries, including non-monetary benefits, superannuation and annual leave expected to be settled within 12 months of the reporting dates are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Warranty

A provision for warranty at the rate of 3% of sales has been provided and the incidence of warranty claims is monitored on an ongoing basis to assess adequacy of the provision.

t) Share-based payment transactions

(i) Equity settled transactions with employees

The Group provides benefits to employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is an Employee Share Option Plan (ESOP) in place, which provides benefits to employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black Scholes valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Optiscan Imaging Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). At each reporting date until vesting the cumulative charge to profit or loss is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of equity instruments that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period, and the likelihood of non market performance conditions being met, and (iii) the expired portion of the vesting period. The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Share-based payment transactions (continued)

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided all other conditions are satisfied. If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(ii) *Equity settled transactions with parties other than employees*

The Group may from time to time enter into arrangements with parties other than employees which involve consideration in the form of equity-settled transactions by way of allotment of shares and or options.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the service is provided.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings / (loss) per share (see note 8).

u) Contributed equity

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 from the proceeds (net of tax).

The consideration received from the issue of convertible notes is allocated between equity and liabilities. The equity component is that part of the consideration that relates to the value of the option to convert to equity.

v) Earnings (Loss) per share

Basic earnings (loss) per share is calculated as net profit (loss) attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares.

Diluted earnings (loss) per share is calculated as net profit (loss) attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the board of directors.

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's borrowings and 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.

At balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated	
	2016	2015
<u>Financial Assets</u>	\$	\$
Cash and cash equivalents *	951,963	255,435
<u>Financial Liabilities</u>	-	-
Net exposure	<u>951,963</u>	<u>255,435</u>

*These amounts differ from the balance sheet due to non-interest bearing cash on hand and foreign currency balances and loans with fixed interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance date:

At 30 June 2016, if interest rates had moved throughout the year, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements in interest rates:	Net Profit		Other Comprehensive Income	
	Higher (Lower)		Higher (Lower)	
	2016	2015	2016	2015
	\$	\$	\$	\$
Consolidated				
+0.50% (50 basis points)	4,760	1,062	-	-
-0.25% (25 basis points)	(2,380)	(531)	-	-

Interest rates during 2015/2016 continued a downward trend, with official rates remaining at historical lows at year end. At balance date, the economic outlook in Australia is similarly steady, with sentiment on future interest rates remaining flat, suggesting the prospect of modest increases in the medium term. On this basis, a possible movement in rates from -0.25% to +0.50% has been adopted as a reasonably possible movement in rates. The movements in net loss are due to higher and lower amounts of interest received from interest bearing cash balances. There is no movement in other comprehensive income as there are no derivative instruments designated as cash flow hedges.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

As nearly all of the Group's sales revenue, 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 2016, 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 2016, the Group had the following exposure to foreign currency (US\$ and Euro) that is not designated in cash flow hedges:

<u>Consolidated</u>	2016	2015
	\$	\$
<u>Financial Assets</u>		
Cash and cash equivalents US\$	2,197	1,452
Cash and cash equivalents Euro	10	3,941
Trade and other receivables US\$	4,077	3,390
Trade and other receivables Euro	-	-
<u>Financial Liabilities</u>		
Trade and other payables US\$	-	(2,171)
Net exposure US\$	<u>6,274</u>	<u>2,671</u>
Net exposure Euro	<u>10</u>	<u>3,941</u>

^ Not hedged at balance date as no bank facility available

The following sensitivity is based on the foreign currency risk exposures in existence at balance date:

At 30 June 2016, 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:

Judgements of reasonably possible movements in A\$ exchange rates:	Net Loss		Equity	
	(Higher)	Lower	Higher	(Lower)
<u>Consolidated</u>	2016	2015	2016	2015
	\$	\$	\$	\$
AUD/USD +10.0%, (2015, 10%)	(627)	(316)	-	-
AUD/USD -10.0%, (2015, 10%)	627	316	-	-
AUD/EURO + 0.6% (2015, 0.6%)	-	33	-	-
AUD/EURO - 0.6% (2015, 0.6%)	-	(33)	-	-
<u>Parent Entity</u>				
AUD/USD +1.5%	-	-	-	-
AUD/USD - 1.5%	-	-	-	-

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. 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. There is no significant concentration of credit risk in the Group's current trading position. 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.

Liquidity risk and capital management

The Group's objective is to maintain adequate funding of its activities. Prior to May 2009, all capital financing has been derived from issues of equity. Since May 2009, the Group has from time to time, issued convertible notes, introducing debt finance to the funding mix. Capital management is a process of monitoring cash reserves and forecast cash requirements, and there are no externally imposed capital requirements. The table below reflects all contractually fixed pay-offs and receivables for settlement from recognised financial assets and liabilities, as of 30 June 2016. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

	<6 months	Consolidated 1-5 years	Total
Year ended 30 June 2016			
<u>Liquid financial assets</u>			
Cash and cash equivalents	954,805	-	954,805
Trade and other receivables	780,792	-	780,792
<u>Financial liabilities</u>			
Trade and other payables	(1,211,810)	-	(1,211,810)
Short term loans	(1,124,358)	-	(1,124,358)
Callable bank guarantee	(45,500)	-	(45,500)
Net maturity	(646,071)	-	(646,071)
Year ended 30 June 2015			
<u>Liquid financial assets</u>			
Cash and cash equivalents	268,893	-	268,893
Trade and other receivables	693,004	-	693,004
<u>Financial liabilities</u>			
Trade and other payables	(420,553)	-	(420,553)
Convertible notes	(510,533)	-	(510,533)
Callable bank guarantee	(45,500)	-	(45,500)
Net maturity	(14,689)	-	(14,689)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk and capital management (continued)

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 risk implied from the values in the table reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from investments in working capital, principally inventories and trade receivables. These 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 cash and cash equivalent balance classified as being capable of settlement within 90 days includes term deposits which are secured by the bank (refer note 15). These amounts could be released within six months upon cancellation of the underlying bank facilities, or upon a re-negotiation of the security arrangements, for example, by providing a charge over assets other than cash.

The Group's activities are funded from its cash reserves and convertible notes. There are no unused credit facilities. Bank facilities are non credit lines, details of which are disclosed in note 15.

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.

Fair value measurement of convertible notes (2015)

Convertible notes are carried at fair value. The valuation at balance date was based on an exit price established by reference to significant observable units (level 2 under AASB 13), being the note paid shortly after balance date to extinguish the liability (refer note 15).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on historical experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. The more significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Net realisable value of inventory

Most of the inventory held by the Group is materials for second generation processors, scanners and probes. Inventory relating to the first generation confocal imaging platform, including FIVE 1 products and accessories, remains on hand but is carried at zero value. The rate of future sales and the usage of parts for service and support are uncertain, and as a consequence the Group's ability to realise the carrying value of inventory is similarly uncertain.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of services provided by all employees up to balance date. In determining the present value of the liability, years of service, attrition rates, future pay increases and inflation have been taken into account. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as practicable, the estimated future cash outflows.

Recognition of grant receivable for R&D Tax Incentive

The Group has established a precedent for entitlement to grant income from the R&D Tax incentive in prior periods. This experience supports the assumption that eligibility for the grant will continue on the same basis, and accordingly, it is appropriate to recognise entitlement to the income in the current period.

Capitalisation of research and development expenditure

The group expenses all research and development expenditure (refer note 2(p)). The group's development activities are at a stage where there is not yet adequate probability that the tests for capitalisation can be met. The matter is kept under regular review.

Recognition of deferred tax assets

The carrying amount of deferred tax assets is dependent upon a judgment as to whether it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. In the light of the continuing expenditure on R&D there is not yet adequate probability of taxable profit in the future that will enable the utilisation of these deductible temporary differences, which include tax losses (refer note 2 (l)).

Useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and management judgment. In addition, the condition of assets is assessed annually and considered in the context of remaining useful life, and adjustments to useful life are made where necessary. Depreciation charges are disclosed in note 6(c). Details of useful lives by major asset category are included in note 2(n).

Fair value of financial liabilities

When the fair values of financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility and other external inputs. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

5 SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by management and the board (the chief decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on the activities undertaken. Financial information about each of these operating activities is reported to management on a monthly basis. The group has two separate business segments, being product realisation (trading), where activities comprise manufacturing and sales of confocal imaging products, and research and development, where activities include design and development of new products and technologies, including related income from customers. Unallocated amounts relate mainly to central costs and overheads, and include unallocated revenues and other income. The accounting policies used by the group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

Major customers

There is no significant concentration of customers in the Group's trading activities, which are limited in scope at present. The major customer in the Group's primary activity, research and development, is Carl Zeiss, where income is received under the terms of a collaboration agreement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

5 SEGMENT INFORMATION (continued)

	<i>Trading</i>	<i>R&D</i>	<i>Unallocated</i>	<i>Total</i>
	\$	\$	\$	\$
Year ended 30 June 2016				
Revenue				
Sales to external customers	309,697	-	-	309,697
Inter segment revenue	-	-	-	-
Total segment revenue	309,697	-	-	309,697
Other revenues	-	-	3,702	3,702
Total consolidated revenue	309,697	-	3,702	313,399
Result				
Net profit (loss) for year by segment	9,565	(15,657)	-	(6,092)
Unallocated items	-	-	(1,330,964)	(1,330,964)
Consolidated net profit (loss)	9,565	(15,657)	(1,330,964)	(1,337,056)
Assets and liabilities				
Segment assets *	28,500	726,504	1,065,832	1,820,836
Segment liabilities	(13,638)	(149,930)	(2,406,918)	(2,570,486)
Segment net liabilities	14,862	576,574	(1,341,086)	(749,650)
Cash flow				
Segment net cash flow from operating activities	591,512	(91,884)	(1,008,874)	(509,246)
Investing cash flows	-	-	(2,757)	(2,757)
Financing cash flows	-	-	1,198,035	1,198,035
Net cash flow for year	591,512	(91,884)	186,404	686,032
Other Segment information				
Non cash expenses				
Depreciation and amortisation	-	-	(10,052)	(10,052)
Loan facility fees settled by issue of shares	-	-	111,000	111,000
Share based payment to Chief Executive Officer	-	-	7,571	7,571
Foreign exchange differences	-	-	44	44
Revenue by geographic segment (location of customer)				
Asia	-	-	-	-
Australia	-	-	3,702	3,702
Europe	309,697	-	-	309,697
USA & Canada	-	-	-	-
Total	309,697	-	3,702	313,399

* Unallocated segment assets include cash balances unrelated to the operating segments

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

5 SEGMENT INFORMATION (continued)

	<i>Trading</i>	<i>R&D</i>	<i>Unallocated</i>	<i>Total</i>
	\$	\$	\$	\$
Year ended 30 June 2015				
Revenue				
Sales to external customers	46,092	-	-	46,092
Total segment revenue	46,092	-	-	46,092
Other revenues	-	-	12,030	12,030
Total consolidated revenue	46,092	-	12,030	58,122
Result				
Net profit (loss) for year by segment	9,565	(86,655)	-	(77,090)
Unallocated items	-	-	(1,318,309)	(1,318,309)
Consolidated net profit (loss)	9,565	(86,655)	(1,318,309)	(1,395,399)
Assets and liabilities				
Segment assets *	34,179	663,800	320,232	1,018,211
Segment liabilities	(41,716)	(149,889)	(1,001,817)	(1,193,422)
Segment net liabilities	(7,537)	513,911	(681,585)	(175,211)
Cash flow				
Segment net cash flow from operating activities	38,266	(98,128)	(1,399,782)	(1,459,644)
Investing cash flows	-	-	(14,507)	(14,507)
Financing cash flows	-	-	1,668,354	1,668,354
Net cash flow for year	38,266	(98,128)	254,065	194,203
Other Segment information				
Non cash expenses				
Depreciation and amortisation	-	-	12,144	12,144
Amortised cost adjustment of convertible notes	-	-	59,732	59,732
Impairment of inventory	23,692	-	-	23,692
Share based payments	-	-	15,000	15,000
Foreign exchange differences	-	-	279	279
Revenue by geographic segment (location of customer)				
Asia	-	-	6,500	6,500
Australia	23,659	-	5,530	29,189
Europe	5,561	-	-	5,561
USA & Canada	16,872	-	-	16,872
Total	46,092	-	12,030	58,122

* Unallocated segment assets include cash balances unrelated to the operating segments

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

6 REVENUE AND EXPENSES

	<i>CONSOLIDATED</i>	
	2016	2015
	\$	\$
(a) Other revenue		
Royalty revenue	-	6,500
Finance revenue – bank interest received	3,702	5,530
Total Other revenue	<u>3,702</u>	<u>12,030</u>
(b) Other income		
Design and development income	312,337	260,643
Government grants – R&D Tax incentive	742,379	723,074
Total Other income	<u>1,054,716</u>	<u>983,717</u>
(c) Depreciation and amortisation		
Depreciation included in administration expenses	10,052	12,144
	<u>10,052</u>	<u>12,144</u>
(d) Employee benefits expense		
Wages and salaries	1,088,922	1,028,515
Workers' compensation costs	4,693	9,960
Superannuation contribution expense	96,365	97,753
Annual leave (credit)/expense	(9,999)	15,084
Long service leave expense	10,063	17,328
	<u>1,190,044</u>	<u>1,168,640</u>
(e) Cost of inventories recognised as an expense		
Consumed in R&D	94,826	-
Write down inventory to net realisable value	-	23,692
	<u>94,826</u>	<u>23,692</u>
(f) Finance costs		
Shares issued on deferred settlement of loan	84,510	-
Fair value adjustment of loans and convertible notes	43,006	95,003
Amortised cost adjustment on short term loan	24,358	10,533
Other interest costs	2,420	5,481
	<u>154,294</u>	<u>111,017</u>
(g) Share based payment expense		
Share-based payments expense – non-employees		
– funding facility costs	38,500	15,000
	<u>38,500</u>	<u>15,000</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

7 INCOME TAX

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$</i>	<i>\$</i>
	<hr/>	<hr/>
The components of income tax expense are:		
Income Statement		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year:	-	-
Withholding tax deducted from royalty revenue	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax (expense) benefit reported in the income statement	<hr/> <hr/>	<hr/> <hr/>

Tax Losses

The Group has unconfirmed, unrecouped tax losses in Australia of \$41,044,477 (2015: \$40,693,930) which have not been brought to account. The ability to be able to recognise a deferred tax asset in respect of these tax losses will be dependent upon the probability that future taxable profit will be available against which the unused tax losses can be utilised and the conditions for deductibility imposed by Australian tax authorities will be complied with.

Tax Consolidation

Optiscan Imaging Limited and its 100% owned Australian resident subsidiary have elected not to form a tax consolidated group.

Notes to the Financial Statements (continued) FOR THE YEAR ENDED 30 JUNE 2016

7 INCOME TAX (continued)

	<i>CONSOLIDATED</i>	
	2016	2015
	\$	\$
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting loss before income tax	(1,337,012)	(1,395,399)
Prima facie income tax (benefit) at the Parent entity's statutory income tax rate of 30% (2015: 30%)	(401,104)	(418,620)
Adjustments in respect of current income tax of previous years	-	39,516
Non assessable gains	(222,714)	(216,922)
Share based payments not deductible	5,625	5,625
R&D Tax Incentive deductions foregone for tax offset	484,336	451,449
Expenditure not allowable for income tax purposes	23,171	16,794
Other deductible expenditure	4,576	(21,240)
Deferred tax assets recognised /(not recognised)	106,110	143,398
Income tax expense	-	-

<i>Statement of financial position</i>		<i>Statement of comprehensive income</i>	
2016	2015	2016	2015
\$	\$	\$	\$

Deferred income tax - not brought to account

Deferred income tax at 30 June relates to the following items and has not been brought to account Refer note 2(l):

CONSOLIDATED

Deferred tax assets

Undeducted patent costs	223,979	214,658	9,320	465
Employee benefit & warranty provisions	70,295	78,701	(8,406)	9,723
Expenses not yet deductible	9,930	9,900	32	540
Inventory impairment provision	468,296	468,296	-	201
Tax Losses available	12,313,343	12,208,179	105,164	132,469
Foreign tax credits	-	-	-	-
Gross deferred income tax assets	<u>13,085,843</u>	<u>12,979,734</u>		
Less amounts not recognised in accounts	<u>(13,085,843)</u>	<u>(12,979,734)</u>		
Gross deferred income tax assets	-	-		
Deferred tax income/ (expense) incurred			106,110	143,398
Less deferred income tax (expense) not recognised in accounts			(106,110)	(143,398)
Deferred tax income/ (expense)			-	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

8 EARNINGS (LOSS) PER SHARE

The following reflects the income and share data used in the basic and diluted loss per share computations:

	<i>CONSOLIDATED</i>	
	<u>2016</u>	<u>2015</u>
	\$	\$
Net loss	<u>(1,337,012)</u>	<u>(1,395,399)</u>
	<u>2016</u>	<u>2015</u>
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares for basic earnings per share	220,999,687	193,843,018
Effects of dilution:		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	<u>220,999,687</u>	<u>193,843,018</u>
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

Options on issue have been determined to be not dilutive, as the exercise prices exceed current market price, making the prospect of exercise highly unlikely.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, other than:

- A placement of share capital in July 2016
- The issuance of shares in respect of a loan facility fee in July 2016 and
- A rights issue undertaken in August 2016

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

9 CASH AND CASH EQUIVALENTS

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. At balance date the bank balance interest rate is between 0.0% and 1.25% (2015: 2.45%), and the balances are at call. The fair value of cash at bank approximates the carrying amount.

At balance date the term deposit interest rate is 2.25%, and the weighted average term to maturity is 36 days. The fair value of cash deposit approximates the carrying amount, in view of the short term to maturity. Term deposits amounting to \$65,500 are subject to a charge which secures banking facilities made available to the group (refer note 15).

Reconciliation to Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	<i>CONSOLIDATED</i>	
	2016	2015
	\$	\$
Cash at bank and in hand	889,305	203,393
Short-term deposits	65,500	65,500
	954,805	268,893

Reconciliation of net profit (loss) after tax to net cash flows from operations

Net profit (loss)	(1,337,012)	(1,395,399)
<i>Adjustments for:</i>		
Depreciation and amortisation	10,052	12,144
Fair value adjustment of loans and convertible notes	43,006	105,536
Impairment of assets	-	23,692
Net exchange differences	117	279
Shares based payments expensed	92,352	15,000
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(87,788)	(35,840)
(Increase)/decrease in inventories	-	(8,492)
(Increase)/decrease in prepayments	(36,219)	15,095
(Decrease)/increase in trade and other payables	834,264	(224,071)
(Decrease)/increase in provisions	(28,018)	32,412
Net cash used in operating activities	(509,246)	(1,459,644)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

10 TRADE AND OTHER RECEIVABLES

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	\$	\$
CURRENT		
Trade receivables	17,893	5,679
GST refund receivable	28,895	23,310
Interest receivable	-	215
R&D Tax incentive grant receivable	726,504	663,800
Other	<u>7,500</u>	<u>-</u>
Net carrying amount	<u>780,792</u>	<u>693,004</u>

Ageing Analysis of Receivables

	Total	0-30 Days	31-60 Days	61-90 Days PDNI*	90+ Days PDNI*
Consolidated – 2016	780,792	762,899	-	-	17,893
Consolidated – 2015	693,004	688,590	-	-	4,414

* Past due not impaired ("PDNI")

(i) All receivables shown as past due are the subject of follow up action by the company.

(ii) Trade receivables are non-interest bearing and are generally on 30-60 day terms. An allowance for doubtful debts will be made if there is objective evidence that a trade receivable is impaired. No such allowance has yet been made. Receivables other than cash on term deposit are also non-interest bearing.

(iii) The fair value of receivables approximates the carrying amount, in view of the short term nature of the trading terms.

(iv) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer or on sell receivables to special purpose vehicles.

(v) Details regarding foreign exchange risk exposure of current receivables are disclosed in note 3.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

11 INVENTORIES

	<i>CONSOLIDATED</i>	
	2016 \$	2015 \$
Raw materials (at net realisable value)	28,500	28,500
Total inventories at net realisable value	<u>28,500</u>	<u>28,500</u>
Write down to net realisable value	-	23,692

12 PLANT AND EQUIPMENT

YEAR ENDED 30 JUNE 2016	<i>Office Furniture & Equipment 2016 \$</i>	<i>Production Equipment 2016 \$</i>	<i>R&D Equipment 2016 \$</i>	<i>Total Plant & Equipment 2016 \$</i>
Opening balance, net of accumulated depreciation	26,985	-	-	26,985
Additions	2,758	-	-	2,758
Disposals	-	-	-	-
Depreciation charge for the year	(10,052)	-	-	(10,052)
At 30 June 2016, net of accumulated depreciation	<u>19,691</u>	<u>-</u>	<u>-</u>	<u>19,691</u>
At 30 June 2016				
Cost	701,593	258,483	364,905	1,324,981
Accumulated depreciation	(681,902)	(258,483)	(364,905)	(1,305,290)
Net carrying amount	<u>19,691</u>	<u>-</u>	<u>-</u>	<u>19,691</u>
At 1 July 2015				
Cost	698,835	258,483	364,905	1,322,223
Accumulated depreciation	(671,850)	(258,483)	(364,905)	(1,295,238)
Net carrying amount	<u>26,985</u>	<u>-</u>	<u>-</u>	<u>26,985</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

12 PLANT AND EQUIPMENT (continued)

YEAR ENDED 30 JUNE 2015	Office Furniture & Equipment	Production Equipment	R&D Equipment	Total Plant & Equipment
	2015 \$	2015 \$	2015 \$	2015 \$
Opening balance, net of accumulated depreciation	24,622	-	-	24,622
Additions	14,507	-	-	14,507
Disposals	-	-	-	-
Depreciation charge for the year	(12,144)	-	-	(12,144)
At 30 June 2015, net of accumulated depreciation	26,985	-	-	26,985
At 30 June 2015				
Cost	698,835	258,483	364,905	1,322,223
Accumulated depreciation	(671,850)	(258,483)	(364,905)	(1,295,238)
Net carrying amount	26,985	-	-	26,985
At 1 July 2014				
Cost	684,327	258,483	364,905	1,307,715
Accumulated depreciation	(659,705)	(258,483)	(364,905)	(1,283,093)
Net carrying amount	24,622	-	-	24,622

13 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2016 \$	2015 \$
Current		
Trade payables (i)	252,405	213,165
Accrued expenses	129,818	201,617
Share subscriptions received in advance (ii)	662,000	-
Deferred income	166,786	-
Other creditors	801	5,771
	1,211,810	420,553

- (i) Trade payables are non-interest bearing and are normally settled on 30-day terms. The fair value of trade payables approximates the carrying amount due to the short term nature of the trading terms.
- (ii) Share subscriptions received in advance relates to cash received in respect of the share placement that was concluded on 6 July 2016 and the shares issued on that date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

14 INTEREST BEARING LOANS AND BORROWINGS

	<i>CONSOLIDATED</i>	
	2016	2015
	\$	\$
Current		
Short term loans	1,124,358	510,533
	<u>1,124,358</u>	<u>510,533</u>
Movement in interest bearing loans and borrowings was as follows:		
Short term loan		
Opening balance	510,533	-
Payment of loan principal and capitalized interest	(510,533)	-
Proceeds from short term loans	1,100,000	500,000
Amortised cost adjustment	24,358	10,533
Closing balance	<u>1,124,358</u>	<u>510,533</u>

Short term loans are summarised as follows:

		2016	2015
	Reference	\$	\$
External loan facility	(Loan 1)	-	510,533
External loan facility	(Loan 2)	495,456	-
Other short term loan	(Loan 3)	628,902	-
		<u>1,124,358</u>	<u>510,533</u>

- (a) Fair value
Short term loans on issue are accounted for at fair value.
- (b) Interest rate
Details regarding interest rate and liquidity risk are detailed in Note 3. The interest rate on loan 1 and loan 2 was 15% and loan 3 was 10%.
- (c) Assets pledged as security
For loan 2, the loan is secured by a charge over the assets of Optiscan Imaging Ltd and by a first charge over the R&D Tax Incentive government rebate.
- (d) Terms and conditions of short term loan
- Loan 1**
The short term loan was drawn on 9 June 2015, and was repayable on 30 November 2015. A facility fee by way of the allotment of 1,000,000 shares was expensed in July 2015 for a value \$50,000. In the event of late repayment of the loan, Optiscan was liable for a further facility fee of 1,000,000 shares per month until repayment was made. The outstanding loan was repaid in full in January 2016 and a total of 2,000,000 shares for a value of \$84,510 was expensed in the period.
- Loan 2**
The external loan is in the amount of \$500,000 and was drawn on 29 April 2016. It is repayable on the earlier of the R&D Tax Incentive government rebate (the Rebate) and 30 December 2016. The interest rate on the loan is 15% pa, and the loan is secured by a registered charge over Optiscan Imaging Limited and by a first charge over the Rebate. A facility fee of 1,000,000 shares was settled in July 2016 by the allotment of these shares for a value of \$25,000. In the event of late repayment of the loan, Optiscan will incur a further monthly facility fee of 1,000,000 shares until repayment is made.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

14 INTEREST BEARING LOANS AND BORROWINGS (continued)

Loan 3

The third short term loan is in the amount of \$600,000 and is payable to parties associated with a director of the entity, Mr Ian Mann. Directors have announced their intent, subject to shareholder approval, to convert this loan to equity at the company's annual general meeting. Refer to note 22.

15 FINANCING FACILITIES

	<i>CONSOLIDATED</i>	
	2016	2015
	\$	\$
Bank Facilities		
- credit cards	20,000	20,000
- bank guarantees and indemnities	45,500	45,500
	<u>65,500</u>	<u>65,500</u>
Facilities used at reporting date:		
- credit cards	801	2,766
- bank guarantees and indemnities	45,500	45,500
	<u>46,301</u>	<u>48,266</u>
Facilities unused at reporting date:		
- credit cards	19,199	17,234
- bank guarantees and indemnities	-	-
	<u>19,199</u>	<u>17,234</u>
Total bank facilities	65,500	65,500
Facilities used at reporting date	46,301	48,266
Facilities unused at reporting date	<u>19,199</u>	<u>17,234</u>
Assets pledged as security		
The bank facilities are secured by charges over specific term deposits	<u>65,500</u>	<u>65,500</u>

These facilities have no specific expiry date.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

16 PROVISIONS

	<i>Annual Leave</i> \$	<i>Long Service Leave</i> \$	<i>Warranty</i> \$	<i>Total</i> \$
At 30 June 2015	92,090	142,162	28,084	262,336
Arising during the year	88,584	10,065	(28,084)	70,565
Utilised	(98,583)	-	-	(98,583)
At 30 June 2016	<u>82,091</u>	<u>152,227</u>	<u>-</u>	<u>234,318</u>
Current 2016	82,091	149,386	-	231,477
Non-current 2016	-	2,841	-	2,841
	<u>82,091</u>	<u>152,227</u>	<u>-</u>	<u>234,318</u>
Current 2015	92,090	122,650	28,084	242,824
Non-current 2015	-	19,512	-	19,512
	<u>92,090</u>	<u>142,162</u>	<u>28,084</u>	<u>262,336</u>

Annual Leave Provision

The annual leave provision is for the unused entitlements to annual leave for employees. Staff are encouraged to take leave when due or entitled, but workflow considerations sometimes prevent all entitlements being utilised.

Long Service Leave

Long service leave provision provides for the future entitlements of employees to long service leave or, where sanctioned by legislation, entitlement to pro rata payment upon termination. Some employees have reached entitlement to pro rata payment upon termination.

Warranty

A provision for warranty at the rate of 3% of sales has been provided and the incidence of warranty claims is monitored on an ongoing basis to assess adequacy of the provision. This provision has been released in the current year as all warranties have expired.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

17 CONTRIBUTED EQUITY AND RESERVES

CONSOLIDATED

	<i>No of Shares</i>	<i>\$</i>
<i>Movement in ordinary shares on issue</i>		
At 1 July 2014	167,225,501	47,279,893
Issued for cash in placement	19,991,938	574,500
Shares issued upon conversion of notes	18,554,950	849,199
Shares issued for facility costs and interest	1,250,000	37,500
Transaction costs of share issues	-	(56,376)
At 30 June 2015	207,022,389	48,684,716
Issued for cash in placement	13,801,493	690,074
Loan facility fees settled by issue of shares	3,000,000	111,000
Transaction costs of share issues	-	(123,011)
At 30 June 2016	223,823,882	49,362,778

Issuance of ordinary shares

1,000,000 shares, equating to \$25,000, were issued on 6 July 2016 in respect of a loan facility fee.

Ordinary shares

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value of shares. Accordingly, the Parent does not have authorised capital or par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options

The company has a share based payment option plan under which options to subscribe for the company's shares have been granted to employees (refer note 20).

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$</i>	<i>\$</i>
<u><i>Accumulated losses</i></u>		
Movements in accumulated losses were as follows:		
Balance 1 July	(50,350,332)	(48,954,933)
Net loss for the year	(1,337,056)	(1,395,399)
Balance 30 June	(51,687,388)	(50,350,332)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

17 CONTRIBUTED EQUITY AND RESERVES (continued)

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
<u>Reserves</u>	<u>\$</u>	<u>\$</u>
Movements in reserves were as follows:		
Share Based Payments Reserve		
Balance 1 July	1,485,661	1,485,661
Underwriting fee settled by issue of option	84,510	-
Balance 30 June	<u>1,570,171</u>	<u>1,485,661</u>
Foreign Currency Translation Reserve		
Balance 1 July	4,744	4,717
Foreign currency translation difference	44	27
Balance 30 June	<u>4,788</u>	<u>4,744</u>
Total reserves	<u>1,574,959</u>	<u>1,490,405</u>

Nature and purpose of reserves

Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and other parties in consideration for services rendered. Refer to note 20 for further details of the employee share option plan and other share based payments.

Foreign currency translation reserve

This reserve is used for foreign currency translation differences arising on the consolidation of the USA subsidiary, Optiscan Inc.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

18 PARENT ENTITY INFORMATION

	2016 \$	2015 \$
Information relating to Optiscan Imaging Ltd:		
Current assets	879,236	3,889
Total assets	1,044,558	383,822
Current liabilities	1,794,208	559,033
Total liabilities	1,794,208	559,033
Issued capital	49,362,779	48,684,716
Accumulated losses	(51,687,388)	(50,345,588)
Share based payments reserve	1,574,959	1,485,661
Total deficiency	<u>(749,650)</u>	<u>(175,211)</u>
Loss of the parent entity	(1,344,585)	(1,395,372)
Other comprehensive income of the parent entity		
Total comprehensive income of the parent entity	<u>(1,344,585)</u>	<u>(1,395,372)</u>
Parent entity guarantees for debts of subsidiaries	-	-
Contingent liabilities of parent entity	-	-
Contractual commitments of parent entity	-	-

19 RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Optiscan Imaging Limited and the subsidiaries listed in the following table:

Name	Country of incorporation	% Equity interest		Investment \$	
		2016	2015	2016	2015
At cost:					
Optiscan Pty Ltd	Australia	100	100	6,605,396	6,605,396
Optiscan Inc	United States	100	100	2,002	2,002
Accumulated impairment				<u>(6,607,398)</u>	<u>(6,607,398)</u>
				-	-

Optiscan Imaging Limited is the ultimate Australian parent entity.

Transactions with Subsidiaries

Inter-company transactions between the parent entity, Optiscan Imaging Limited and subsidiary, Optiscan Pty Ltd amounted to \$1,554,388 (2015: \$1,554,388). Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. The balances are classified current by the parent entity. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiaries to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, an impairment loss is recognised.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

19 RELATED PARTY DISCLOSURE (continued)

Transactions with Directors

In December 2015, an entity associated with Non-executive Director, Mr. Ian Mann, provided a loan of \$300,000 having a first charge over the company and interest charge of 15% which was subsequently restructured on 29 February 2016. Another entity, also associated with Mr Ian Mann, refinanced that loan at 10% on 29th February 2016, injected an additional \$200,000 on that date with a further \$100,000 advanced on 27 April 2016. The first charge over the company of the second facility was made subordinate to the 29 April 2016 R&D facility. No establishment, penalty or any other kind of fees were charged on either related party loan.

FAL Lawyers, a law firm of which Director Mr. Peter Francis is a principal, has received fees for the provision of legal services to the entity totaling \$2,700 for the period between Mr. Francis' appointment as a Director and the end of the reporting period. The underlying services were provided at arms' length terms.

Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel for the year ended 30 June 2016

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	<i>\$</i>	<i>\$</i>
Short term employee benefits	376,093	328,417
Post Employment benefits	27,894	30,083
Other short term benefits	4,545	-
Severance pay	32,418	-
Other long term benefits	305	4,243
	<u>441,255</u>	<u>362,743</u>

Apart from those matters referred to above, there were no transactions and balances with Key Management Personnel

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

20 SHARE-BASED PAYMENTS

Types of share based payments

Issue of shares in relation to Finance Facilities

The following costs associated with finance facilities were settled by way of share based payments:

	CONSOLIDATED	
	2016	2015
	\$	\$
Finance facility fees	111,000	37,500
Interest	-	17,948
	<u>111,000</u>	<u>55,448</u>

Finance facility fees include the costs associated with the 1,000,000 shares issued on 6 July 2016

The following table illustrates the movement in the number and weighted average exercise prices (WAEP) of share options issued to parties other than employees during the year:

Options issued to parties other than employees

	No. Options		WAEP	
	2016	2016	2015	2015
Outstanding at the beginning of the year	-	-	1,900,000	0.166
Granted during the year	3,000,000	-	-	-
Expired during the year	-	-	(1,900,000)	-
Outstanding at the end of the year	<u>3,000,000</u>	-	-	-
Exercisable at the end of the year	3,000,000	-	-	-

On 13 July 2015, the company issued 3,000,000 options over fully paid ordinary shares at an exercise price of ten cents per option, and an expiry date of 12 June 2017 in part consideration of the underwriting of a rights issue.

(a) 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.

On 13 May 2016, the company announced its commitment to issue 7,500,000 options over fully paid ordinary shares to incoming Chief Executive Officer, Mr Archie Fraser, at an exercise price to be determined and as explained in Note 20(b).

The expense recognised in the Statement of Comprehensive Income for the years ended 30 June 2016 and 30 June 2015 were \$7,571 and \$NIL, respectively.

(b) Share-Based Payments for the year ended 30 June 2016

During the 2016 financial year, on 13 May 2016, an options package comprising 4 tranches of 875,000 options and 2 tranches of 2,000,000 share options (a total of 7,500,000 options), were granted to the CEO, Mr Archie Fraser, pursuant to the terms of his employment contract.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

20 SHARE-BASED PAYMENTS (continued)

No other share option plans were issued to Directors or other Key Management Personnel during the period or in the year to 30 June 2015.

Vesting is subject to Mr Fraser's continued employment with the Company. The exercise price is calculated as \$0.025 plus the 10 day volume weighted average price of the Company's ordinary shares on the Australian Securities Exchange from the period commencing on the first day of trading after the Company is removed from its Suspension from Official Quotation that commenced on 19 February, 2016.

The expense relating to the incentive scheme shares during the 2016 financial year was \$7,571. The options will expire and not be capable of being exercised on the date three years from the vesting date.

2016	Balance at 1 July 2015	Granted as compensation	Options exercised	Net change (forfeited, lapsed, expired)	Balance at 30 June 2016	Total vested at end of the year	Total exercisable at end of the year	Total not exercisable at end of the year	Total vested during the year	Share based payment expense
Archie Fraser	-	7,500,000	-	-	7,500,000	-	-	7,500,000	-	\$7,571

The fair value of options granted during the year, as included in the above table, was determined using a bi-nominal simulation based model. A bi-nominal simulation based model simulates the path of the share price according to a probability distribution assumption. After a large number of simulations, the arithmetic average of the outcomes, discounted to the valuation date, is calculated to represent the option value. This model can accommodate complex exercise conditions when the number of options exercised depends on some function of the whole path followed by the share price.

The following table list the inputs to the binominal model used for the above share option plan during the year ended 30 June 2016:

	30 June 2016
Dividend yield (%)	0%
Expected volatility (%)	80%
Risk-free interest rate (%)	2%
Expected life of share options (years)	3 years
Weighted average share price (\$)	\$0.025

The expected volatility used was based on market based factors and stage of development of the Group. The risk free rate was based on the yields available on High Quality Corporate Bonds with a similar life as the options.

21 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

The previous property lease over the premises occupied by the Group expired in September 2007. The Group currently occupies the premises on a monthly tenancy. There are no future minimum rentals payable under non-cancellable operating leases as at 30 June 2016.

Capital commitments

At 30 June 2016 there were no material capital commitments outstanding (2015: Nil).

Contingent Liabilities

The group has contingent liabilities in relation to bank guarantees on issue at balance date amounting to \$45,500 (2015: \$45,500).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2016

22 EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any events after balance date that would have a material impact on the financial statements at 30 June 2016, other than:

- On 6 July, 2016, the company issued 29,980,000 new shares in respect of a capital placement, raising \$749,500 from this placement
- On 6 July 2016, 1,000,000 additional new shares were issued for the costs of the loan facility drawn down on 29 April 2016.
- On 28 June 2016, the company announced its intention to raise approx \$1.4 million through the issue of 56.6 million shares through a fully underwritten 2 for 9 rights issue. This issue was completed and shares issued on 8 September 2016.
- On 22 July 2016, the company announced its intention, subject to shareholder approval, to convert a \$600,000 loan from parties associated with director Mr Ian Mann to equity through the issuance of 24 million shares at a price of \$0.025 per share.

23 AUDITORS' REMUNERATION

The auditor of Optiscan Imaging Limited is Ernst & Young (Australia).

	<i>CONSOLIDATED</i>	
	<i>2016</i>	<i>2015</i>
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
• An audit or review of the financial report of the entity and any other entity in the consolidated group	63,051	53,385
• Other services in relation to the entity and any other entity in the consolidated group		
- R&D tax services	12,500	12,875
	<u>75,551</u>	<u>66,260</u>

Directors' Declaration

In accordance with a resolution of the directors of Optiscan Imaging Limited, I state that:

- 1 In the opinion of the directors:
 - (a) the financial report, and remuneration report included in the directors' report of the company and of the group are in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the company's and group's financial position as at 30 June 2016 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and *Corporations Regulations 2001* and International Financial Reporting Standards (IFRS) as disclosed in note 2(a) of the financial statements; and
 - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2 This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the *Corporations Act 2001* for the financial year ended 30 June 2016.

On behalf of the Board

A handwritten signature in dark ink, appearing to be "A. Hoffman", written in a cursive style.

Alan Hoffman
Chairman
27 September 2016

Independent auditor's report to the members of Optiscan Imaging Limited

Report on the financial report

We have audited the accompanying financial report of Optiscan Imaging Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Optiscan Imaging Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material uncertainty regarding continuation as a going concern

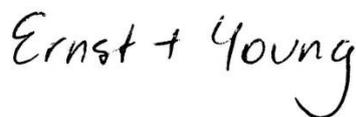
Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 2 'Going Concern' to the financial report, there is material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 19 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Optiscan Imaging Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Joanne Lonergan
Partner
Melbourne
27 September 2016

Patent Information

Summary of Key Optiscan Patents

Patent Title	Countries Pending Applications	Countries Granted Patents	Expiry Date
Scanning Microscope with Miniature Head	Germany 19882512.9	UK 2340332 USA 6967772	15 Jul 2018 16 Jul 2018
Compact Confocal Endoscope and Endomicroscope	Germany 19940421.6	UK 2341943 USA 8047985	25 Aug 2019 3 Aug 2024
Electrically Operated Tuning Fork		Australia 759742 USA 7010978 France 1192497 UK 1192497 Italy 1192497 Germany 60040223.1 Japan 4171597	8 Jun 2020
Z Sharpening for Fibre Confocal Microscopes		UK 2363025 USA 6567585	3 Apr 2021
Objective Lens Unit For Endoscope *		USA 7695431	1 Apr 2025
Scanning Method & Apparatus	Germany 10393608.4	UK 2411071 USA 7123790 Japan 4718184 Japan 5044027	29 Oct 2023
Light Scanning Device *		USA 7248390	10 Jun 2023
Condensing Optical System, Confocal Optical System and Scanning Type Confocal System *	USA 2005/0052753	Japan 4475912	17 Oct 2023
Laser Scanning Confocal Microscope with Fibre Bundle Return		USA 7330305	15 Jan 2024
Method & Apparatus for Providing Depth Control for Z Actuation *	Germany 102004018110.1	USA 7294102 Japan 4842518	13 Apr 2024 14 Apr 2024
Tuning Fork-Type Scanning Apparatus with a Counterweight	Germany 11200500322.2	USA 7532375	23 Sep 2025
Optical Fibre Scanning Apparatus	Japan 2012-262961 Hong Kong 11108509.4 Europe 07116499.0 Europe 10185839.7	USA 7920312 Japan 5371222	17 Nov 2028 13 Sep 2027
Fibre Bundle Confocal Endomicroscope	Europe 06704775.3	USA 8057083	29 March 2027
Optical Connector *	Germany 102004024396.4	USA 7401984 Japan 4603816 Japan 5232826	23 Mar 2026 14 May 2024 14 May 2024
Objective Lens Unit *	Japan 4320184	USA 7695431	13 April 2024
Confocal Optical Systems *	Japan P2003-314204 Japan P2003-357896 Germany 102004043049.7	USA 7338439	11 Feb 2030
Confocal Endoscope *	Japan 2005-182150		
Optical Element	USA 10/585565		
A scanner for an Endoscope	Australia 2011316479 Europe 11831848.4 Japan 2013-533054 USA 13/878729		

* Indicates patents that have been filed in the joint names of Optiscan Pty Ltd and Pentax Corporation. Patent applications that are in earlier stages of filing or where the specifications have not been published have not been included in the above list.

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 22 September 2016.

(a) Distribution of equity securities

311,428,800 fully paid ordinary shares are held by 3,507 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The numbers of shareholders, by size of holding, in each class are:

	Total Holders	No of Fully paid ordinary shares
1 – 1,000	762	433,024
1,001 – 5,000	1,069	2,999,017
5,001 – 10,000	389	3,188,354
10,001 – 100,000	932	33,853,570
100,001 – and over	355	270,954,835
	3,507	311,428,800
<u>Holding less than a marketable parcel</u>	<u>2,469</u>	<u>9,951,273</u>

(b) Substantial shareholders

Name	Number	Percentage
None	-	-

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully Paid	
	Number	Percentage
1. Ibsen Pty Ltd <Narula Family Set No3 A/>	15,472,000	4.97
2. Peters Investments Pty Ltd	15,031,112	4.83
3. Mr Chris Graham & Mrs Diane Graham <C&D Graham Super Fund A/c>	11,000,000	3.53
4. Circadian Technologies Limited	8,285,151	2.66
5. Dixon Trust Pty Limited	8,279,850	2.66
6. Mr Alfred Winkelmeier & Mrs Christine Winkelmeier <Winkelmeier Super Fund A/c>	6,111,112	1.96
7. Project Management Pty Ltd <D&K Corps Family S/F A/c>	5,891,112	1.89
8. Citycastle Pty Ltd	5,703,705	1.83
9. Scintilla Strategic Investments Limited	5,700,000	1.83
10. Mr Peter Maxwell Delaney	5,451,259	1.75
11. Portorose Pty Ltd <R J Porter Family Fund A/c>	5,380,767	1.73
12. Kebin Nominees Pty Ltd	4,330,405	1.39
13. Mr Andrew John Fisher	4,200,000	1.35
14. IT IS Consulting Pty Ltd <The Wymant Family>	4,000,000	1.28
15. Sash Pty Ltd <Knezevic Super Fund A/c>	3,422,223	1.10
16. National Nominees Limited	3,330,000	1.07
17. Carlisle Lavelle Pty Ltd	3,327,695	1.07
18. Semblance Pty Ltd <Graeme Mutton Retirement Super Fund>	3,300,000	1.06
19. CGS Holdings Pty Ltd	3,200,000	1.03
20. Harech Pty Ltd <Porter Super Fund A/c>	3,055,556	0.98
	124,471,947	39.97