

## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Optiscan Imaging Limited (**'Company'**) will be held at the offices of the Company, 15-17 Normanby Road, Notting Hill, Victoria on Wednesday, 13 November, 2002 at 3.00pm.

Business

### Ordinary Resolutions

To consider and, if thought fit, to pass (with or without modification) the following resolutions as ordinary resolutions:

1. 'That the statement of financial position as at 30 June 2002, the statement of financial performance for the year ended on that date of the company, and the consolidated accounts of the company and its controlled entities as at and for the year ended on that date, together with the reports of the directors and the auditors thereon, be received and adopted.'
2. 'That Grant Latta, a director appointed on 5 August 2002, retiring at this meeting in accordance with the Company's constitution, being eligible and having signified his candidature for the office, be re-elected a director of the Company.'
3. 'That Tony Rogers, a director appointed on 29 August 2002, retiring at this meeting in accordance with the Company's constitution, being eligible and having signified his candidature for the office, be re-elected a director of the Company.'
4. 'That Martin Harris, a director retiring by rotation in accordance with the Company's constitution, being eligible and having signified his candidature for the office, be re-elected a director of the Company.'
5. 'That, in accordance with Listing Rule 10.11 of the Australian Stock Exchange Listing Rules, the shareholders approve the issue to a Non-Executive Director of the Company, Mr Grant Latta, a total of 500,000 options to subscribe for a like number of fully paid ordinary shares in the capital of the Company on the dates and at the exercise prices set out in the table below subject to the Terms and Conditions of Options accompanying this Notice of General Meeting.'

Phone (61 3) 9538 3333

Fax (61 3) 9562 7742

Website [www.optiscan.com](http://www.optiscan.com)

PO Box 1066, Mt Waverley MDC VIC 3149 Australia

15-17 Normanby Rd, Notting Hill VIC 3168 Australia

Earliest Exercise Date	Number of Options	Exercise Price
5 August 2003	166,667	\$0.62
5 August 2004	166,666	\$0.70
5 August 2005	166,667	\$0.80
Total	500,000	

6. 'That, in accordance with Listing Rule 10.11 of the Australian Stock Exchange Listing Rules, the shareholders approve the issue to a Non-Executive Director of the Company, Mr Tony Rogers, a total of 200,000 options to subscribe for a like number of fully paid ordinary shares in the capital of the Company on the dates and at the exercise prices set out in the table below subject to the Terms and Conditions of Options accompanying this Notice of General Meeting.'

Earliest Exercise Date	Number of Options	Exercise Price
29 August 2003	66,666	\$0.62
29 August 2004	66,667	\$0.70
29 August 2005	66,666	\$0.80
Total	200,000	

7. 'That Ernst & Young, having consented in writing to act as auditors, be appointed as auditors of the company.'

Dated 17 September, 2002.

By Order of the Board

Bruce R. Andrew  
Company Secretary

## **Explanatory notes to the Notice of Annual General Meeting:**

### **Purpose of Information**

The purpose of this Explanatory Memorandum (which is included in and forms part of the Notice of Annual General Meeting dated 17 September 2002) is to provide Shareholders with an explanation of the business of the meeting and of the resolutions to be proposed and considered at the Annual General Meeting on 13 November 2002 and to assist Shareholders to determine how they wish to vote on these resolutions.

#### Resolution 1 : Annual Financial Report

The Corporations Act requires the reports of the directors and auditors, and the annual financial statements to be tabled at the annual general meeting. There is no requirement to vote on a resolution, but shareholders will be invited to raise any questions on these reports at the meeting.

#### Resolutions 2, 3 and 4 : Election of Directors

Profiles of the candidates offering themselves for election are set out below.

Grant Latta is Executive Chairman of GCMCorp, Chairman of the Grains Research and Development Corporation, Deputy Chairman of the National Dryland Salinity Program and Director of Vision Systems Limited, Ricegrowers' Co-operative Limited, Food Science Australia and Venture Capital Partners Trustee Board. In 1998 Mr Latta was appointed to the Federal Court as a Member of the Australian Competition Tribunal. From 1985-1991 Mr Latta was employed by Pacific Dunlop Limited as Managing Director of their Industrial Foam & Fibre Group and from 1991-1995 as Managing Director of their Food Operations. He was Chief Executive of the Camerlin Consortium from 1995-1998, Deputy Chairman of the Export Finance & Insurance Corporation (EFIC) 1995-2002, Director of Austrade 1994-2000 and Past President of the Australian Chamber of Manufactures 1994-1996.

Tony Rogers is Deputy Chairman of Monash Institute of Reproduction & Development, Director of Australian Securities Limited, Director of Copy Rat Pty Ltd and Ingenko Pty Ltd (Monash start up companies). From 1963 to 1993 Mr Rogers was employed by I.C.I. Australia Limited holding a variety of management roles. In 1987, he was appointed General Manager, Industrial Chemicals Group; in 1989 he became General Manager of Plastics Group, and in 1991, General Manager, Chemicals & Plastics Group. During this period he also served as a director of I.C.I. Finance, Vinidex/Tubemakers, I.A.C.C. Thailand and was National President of the Plastics Institute of Australia for 4 years. He also served on the Federal Government's Waterfront Commission. From 1993 to 1997, Mr Rogers was C.E.O. of Smorgon ARC and served on the Smorgon Steel board and Smorgon Group Operations Executive.

Martin Harris, Director of Fundamental Research, has an honours degree in science from Melbourne University and is a member of the Australian Institute of Physics and the Optical Society of America. He was elected as a Fellow of the Royal Society of Victoria in 2001. Previously, he was Managing Director of HBH Technological Industries Pty Ltd. He became a director of Optiscan Pty Ltd in March 1994. He has been co-supervisor for a number of MSc and PhD Science and Engineering postgraduate students at Melbourne, Monash and Swinburne Universities and was appointed as an Adjunct Professor at Swinburne University from 1998 to 2000. He is the inventor of the key patents in the Optiscan portfolios, and is highly regarded in the field of confocal microscopy.

## Resolutions 5 and 6 : Approval of Issue of Options To Mr Grant Latta and Mr Tony Rogers

**Details of Issue:**

Shareholder approval is sought to issue to The Chairman of the Company, Mr Grant Latta, a total of 500,000 options, and to issue to a Non-Executive Director of the Company, Mr Tony Rogers, a total of 200,000 options, to subscribe for a like number of fully paid ordinary shares in the capital of the Company on the following basis and otherwise subject to the Terms and Conditions of Options accompanying this Explanatory Memorandum:

The options will be granted on the following basis:

Options to Mr Grant Latta	Vesting Date	Exercise Price	Option Term
166,667	5 August 2003	\$0.62	4 August 2005
166,666	5 August 2004	\$0.70	4 August 2006
166,667	5 August 2005	\$0.80	4 August 2007

Options to Mr Tony Rogers	Vesting Date	Exercise Price	Option Term
66,666	29 August 2003	\$0.62	28 August 2005
66,667	29 August 2004	\$0.70	28 August 2006
66,666	29 August 2005	\$0.80	28 August 2007

Any options unexercised at the time Mr Latta and or Mr Rogers cease to be a Director of the Company will lapse.

**Reasons for and Benefits of Issue:**

The offer of options to Mr Latta and Mr Rogers is to provide them with the opportunity to participate in the success of the Company and to provide them with further incentive to ensure wealth is created in the Company for the benefit of all shareholders.

Aside from any dilution of shareholdings which may occur upon exercise of the options, the current directors do not believe that there are any disadvantages to shareholders that arise from the approval of the issue of options, which are the subject of the resolution.

**Proposed Date of Issue:**

The options will be issued not later than 13 December 2002, being 1 month after the date of the meeting.

**Shareholder Approval:**

The Company's approval for the issue of securities is sought in accordance with Australian Stock Exchange ('ASX') Listing Rule 10.11, which provides that an entity must not issue equity securities to a related party, such as a director, without the approval of holders of ordinary securities. ASX Listing Rule 10.11 also operates as an exception to ASX Listing Rule 7.1, 'Issues exceeding 15% of capital'. Accordingly, if approval is given by holders of ordinary securities under ASX Listing Rule 10.11, approval under ASX Listing Rule 7.1 is not required.

**Effect of Shareholder Approval:**

The resolution, if approved, will allow the Company to rely on Australian Stock Exchange Listing Rule 10.11 to issue options to subscribe for fully paid ordinary shares to a Non-Executive Director in accordance with the terms and conditions set out in the attached Terms and Conditions of Options.

**Use of Funds:**

No funds will be raised by the issue of the options. Funds raised by any exercise of options will be used for the Company's working capital.

**Voting Exclusion Statement**

The Company will disregard any votes cast on resolution 5 by:

- Mr Latta; and
- Any associates of Mr Latta.

The Company will disregard any votes cast on resolution 6 by:

- Mr Rogers; and
- Any associates of Mr Rogers.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
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**Entitlement to Vote**

In accordance with regulation 7.11.37 of the Corporations Regulations, all securities of the Company that are quoted securities at the close of business on Monday, 11 November 2002 are taken, for the purposes of the above meeting, to be held by the persons who held them at that time. Only those persons will be entitled to vote at the General Meeting on 13 November 2002.

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint no more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified position of the member(s) voting rights. Neither proxy is entitled to vote on a show of hands.
2. A proxy need not be a member of the Company.
3. If the form of proxy is signed but is blank in all other material aspects, it will be taken to mean that it is in favour of the chairman of the Meeting for full voting rights.
4. If a representative of a corporation is to attend the meeting, the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the office of Optiscan Imaging Limited.

**CONDITIONS OF OPTIONS**

Each option to take up unissued shares ('Option') will entitle the holder of the Option ('Option Holder') to subscribe for and be allotted one fully paid ordinary share of 20 cents ('Share') in Optiscan Imaging Limited ('Company') on the terms and conditions set out below:

- 1. Subject to paragraphs 3 and 16, each Option is exercisable at any time in the period ending on 5.00 pm Melbourne legal time 12 August 2006.
- 2. The Options may be exercised wholly or in part by giving notice in writing ('Notice of Exercise') to Optiscan at any time during the Option Period.
- 3. The exercise price for each Option (which is payable immediately on exercise) is set out in the following table:

Options proposed to be issued to Mr Grant Latta

Earliest Exercise Date	Number of Options	Exercise Price
5 August 2003	166,667	\$0.62
5 August 2004	166,666	\$0.70
5 August 2005	166,667	\$0.80

Options proposed to be issued to Mr Tony Rogers

Earliest Exercise Date	Number of Options	Exercise Price
29 August 2003	66,666	\$0.62
29 August 2004	66,667	\$0.70
29 August 2005	66,666	\$0.80

- 4. On receipt by Optiscan of the Notice of Exercise and payment of the relevant Exercise Price, Optiscan must, within 14 days, allot to the Option Holder the number of Shares in respect of which the Option is exercised and despatch the relevant share certificate or other appropriate acknowledgement as soon as reasonably practicable thereafter.
- 5. Shares allotted on the exercise of any Options will rank equally in all respects with the then existing issued ordinary fully paid shares in Optiscan and will be subject to the provisions of the Constitution of Optiscan.
- 6. Adjustments to the number of shares over which Options exist and/or the Exercise Price may be made as described in paragraph 8 to take account of changes to the capital structure of Optiscan by way of pro rata bonus and cash issues. Optiscan agrees to notify all Option Holders and its Home Branch (as defined in the Listing Rules of Australian Stock Exchange Limited) within 1 month after the record date for a pro rata bonus or cash issue, of any adjustment to the number of shares over which the Options exist and/or any adjustment to the Exercise Price.
- 7. Subject to paragraphs 6 and 8, options do not confer rights to participate in new issues of securities of Optiscan.
- 8. The method of adjustment for the purpose of paragraph 6 shall be in accordance with Listing Rule 6.22.2 and 6.22.3 of the Official Listing Rules of the Australian Stock Exchange Limited as it currently exists and which provides:

(a) Pro-Rata Cash issues

Where a pro-rata issue is made, the Exercise Price of an Option may be reduced according to the following formula:

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

where:

O' = the new exercise price of the option. In the case of an option over a share, the new exercise price may not be reduced below the par value of the share.

O = the old exercise price of the option.

E = the number of underlying securities into which one option is Exercisable.

P = the average market Price per share (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the Subscription price for a security under the pro rata issue.

D = the Dividend (in the case of a trust, Distribution) due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the Number of securities with rights or entitlements that must be held to receive a right to one new security.

(b) Pro-Rata Bonus Issues

On exercise of any Options, the number of shares received will include the number of bonus shares that would have been issued if the Options had been exercised prior to the record date for bonus issues. The Exercise Price will not change.

- 9. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of Optiscan:
  - (a) the number of Options or the Exercise Price or both shall be reconstructed (as appropriate) in a manner which will not result in any benefit being conferred on the Option Holders which are not conferred on shareholders of Optiscan; and
  - (b) Optiscan may round up the number of securities to be received on conversion of the Options if the rounding up is approved at a meeting of shareholders which approves the reorganisation.
- 10. In any reconstruction as referred to in paragraph 9, Options will be treated in the following manner:
  - (a) in the event of a consolidation of the share capital of Optiscan, the number of Options will be consolidated in the same ratio as the ordinary share capital of Optiscan and the Exercise Price will be amended in inverse proportion to that ratio;
  - (b) in the event of a subdivision of the share capital of Optiscan, the number of Options will be subdivided in the same ratio as the ordinary share capital of Optiscan and the Exercise Price will be amended in inverse proportion to that ratio;
  - (c) in the event of a reduction of par value by return of share capital of Optiscan, the number of Options will remain the same and the Exercise Price will be reduced by the same amount as the reduction of that par value of each ordinary share;
  - (d) in the event of a reduction of par value of each share in Optiscan by a cancellation of share capital that is either lost or not represented by available assets, the number of Options and the Exercise Price will remain unaltered;
  - (e) in the event of a pro rata cancellation of shares in Optiscan, the number of Options will be reduced in the same ratio as the ordinary share capital of Optiscan and the Exercise Price will be amended in inverse proportion to that ratio; and
  - (f) in the event of any other reconstruction of the issued capital of Optiscan, the number of options or the Exercise Price or both will be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Option Holders which are not conferred on shareholders.
- 11. At all times while the Options are capable of exercise Optiscan will keep available sufficient authorised capital to satisfy the exercise of the full extent of all Options which have neither lapsed nor been fully exercised, taking account of any other obligations of Optiscan to issue Shares.
- 12. All unexercised Options will lapse in the event of the liquidation of Optiscan.
- 13. Subject to the *Corporations Act (2001)* and the Listing Rules of ASX, the Options may be transferred by the Option Holder as if they were shares in Optiscan.
- 14. The Company will apply to Australian Stock Exchange Limited (and any other stock exchange on which the shares in the Company are quoted and listed) for, and will use its best endeavours to obtain, quotation and listing of all Shares allotted on the exercise of any Options.

The Company will not apply for quotation or listing of the options on any stock exchange.

- 15. Notwithstanding anything herein contained relating to reorganisations of capital, if there is any inconsistency between such terms and conditions of this option and the Listing Rules of Australian Stock Exchange Limited, the provisions of the Listing Rules of Australian Stock Exchange Limited will prevail to the extent of such inconsistency. In such event, the terms and conditions of this option will by force of that inconsistency be amended to reflect the provisions of the Listing Rules of Australian Stock Exchange Limited.
- 16. Any Options unexercised at the time the Option Holder ceases to be a director of Optiscan will lapse.