



15 December 2004

Funding for Pentax product shipment

Optiscan announced today the successful conclusion of an institutional placement of 11.8 million shares, raising approximately \$3.9 million.

The placement was arranged by Intersuisse Corporate Pty Ltd, at \$0.33 per share, securing significant participation from four Australian institutions and a European specialist biopharmaceutical investment fund.

Optiscan advised shareholders at its Annual General Meeting in November that a modest capital raising was under consideration, in view of the imminent requirement for supply of product to Pentax.

Following receipt of FDA and CE Mark regulatory clearances in October, Pentax is planning sales release of the jointly developed flexible endo-microscope in the first quarter of 2005.

Optiscan is the sole supplier to Pentax of the core components of the confocal endo-microscope system, and will be required to ship this product for inclusion in the Pentax production process prior to market release of the endo-microscope. This will require a once off investment in inventory to be made by Optiscan, the extent of which will be determined by the size of Pentax's follow up orders.

Optiscan has modeled a number of scenarios, and is moving forward on the expectation of funding the supply of between 40 and 80 units to Pentax during the first year of product release. A Pentax requirement for product at the upper end of this range could entail the investment of up to \$4 million in inventory prior to receipt of sale proceeds from Pentax.

At the end of November Optiscan held cash reserves of \$7.2 million (pre placement). This will be reduced by the once off inventory investment required for supply of product to Pentax and ongoing expenditure of approximately \$0.5 million per month.

The Board believes it is prudent for the company to undertake this placement at this time in order to ensure it has sound cash reserves moving forward, particularly in view of the expected forthcoming negotiations concerning licensing of the Optiscan technology for rigid endoscopy.

In addition, the Board has decided to provide all shareholders with the opportunity to participate in a Shareholder Share Purchase Plan ("SPP") offering shares at the placement issue price of \$0.33 per share. Offers under the SPP, together with the plan rules, will be despatched to shareholders in early January with a closing date for acceptances of Friday 11 February 2005.

The Board has determined that the company's capital requirements are such that the total proceeds from the SPP will not exceed \$2.5M.

The record date for the SPP will be 24 December 2004.

Further information:

Matthew Barnett, CEO
Tel (613) 9538 3347
matthewb@optiscan.com

Bruce Andrew, CFO
Tel (613) 9538 3398
brucea@optiscan.com