

Optiscan Imaging Limited

Annual General Meeting 8th Nov 2001

Managing Director's Address

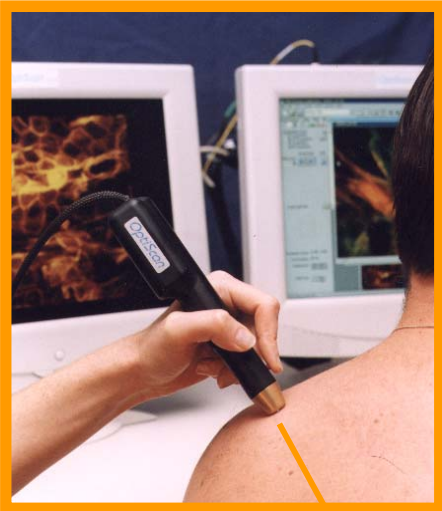


Unlocking the world of **Live Micro Imaging (LMI) technology**

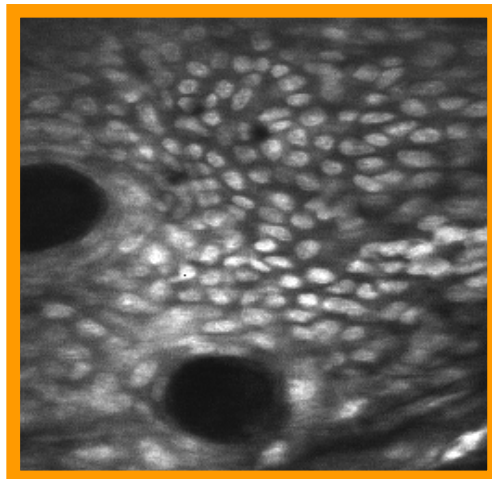
TODAYS PRESENTATION WILL COVER

- A brief review of our products and how they will be developed and brought to market
- Market information and current marketing activities
- A brief update on our continuing development activities
- A review and update on corporate issues

Live Micro Imaging (LMI)

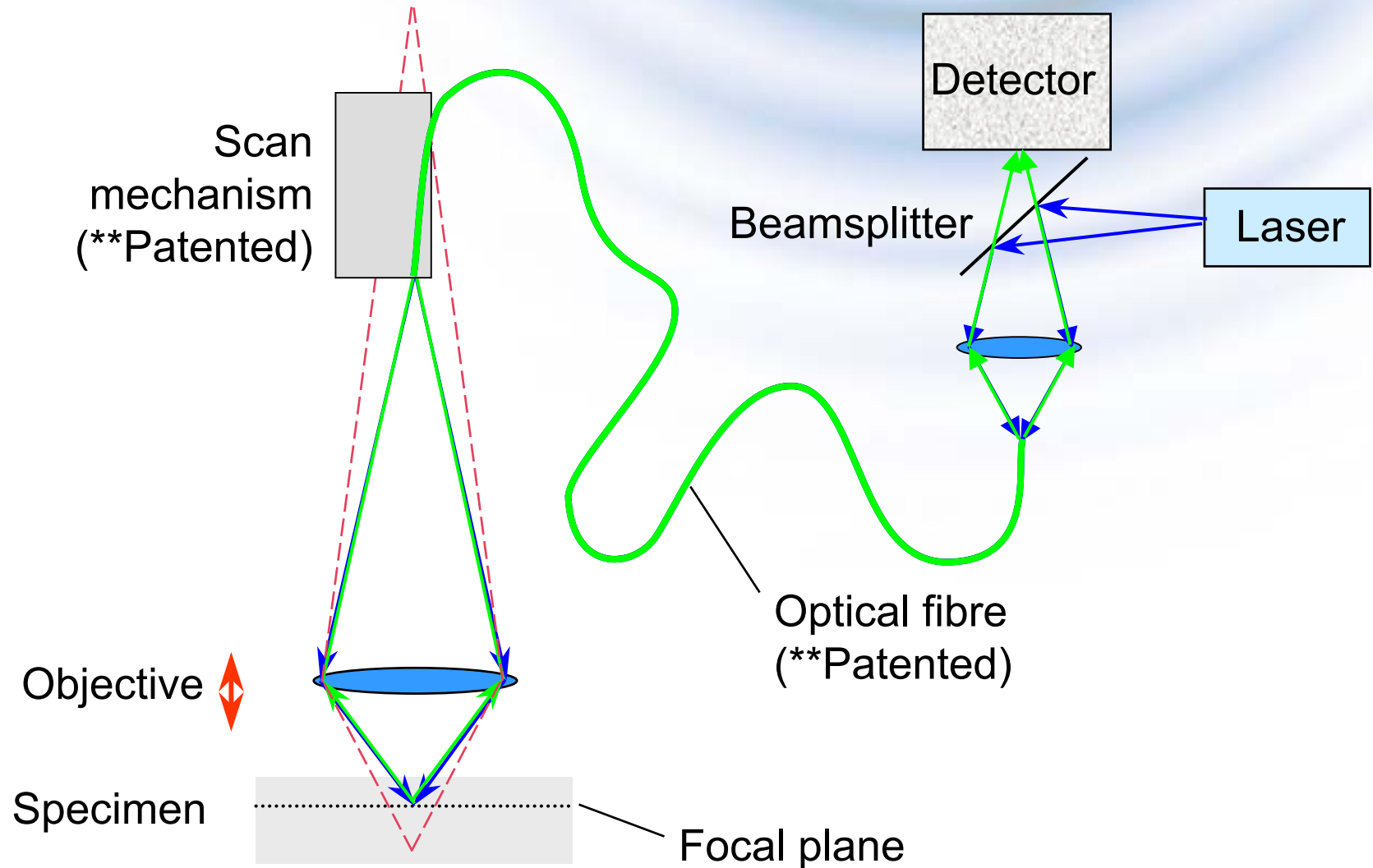


- *In vivo* microscopy
- Miniaturised devices
- Immediate imaging of live cells
- Microscopic, sub-cellular view (~1000x)
- Non-invasive: no surgical removal of tissue



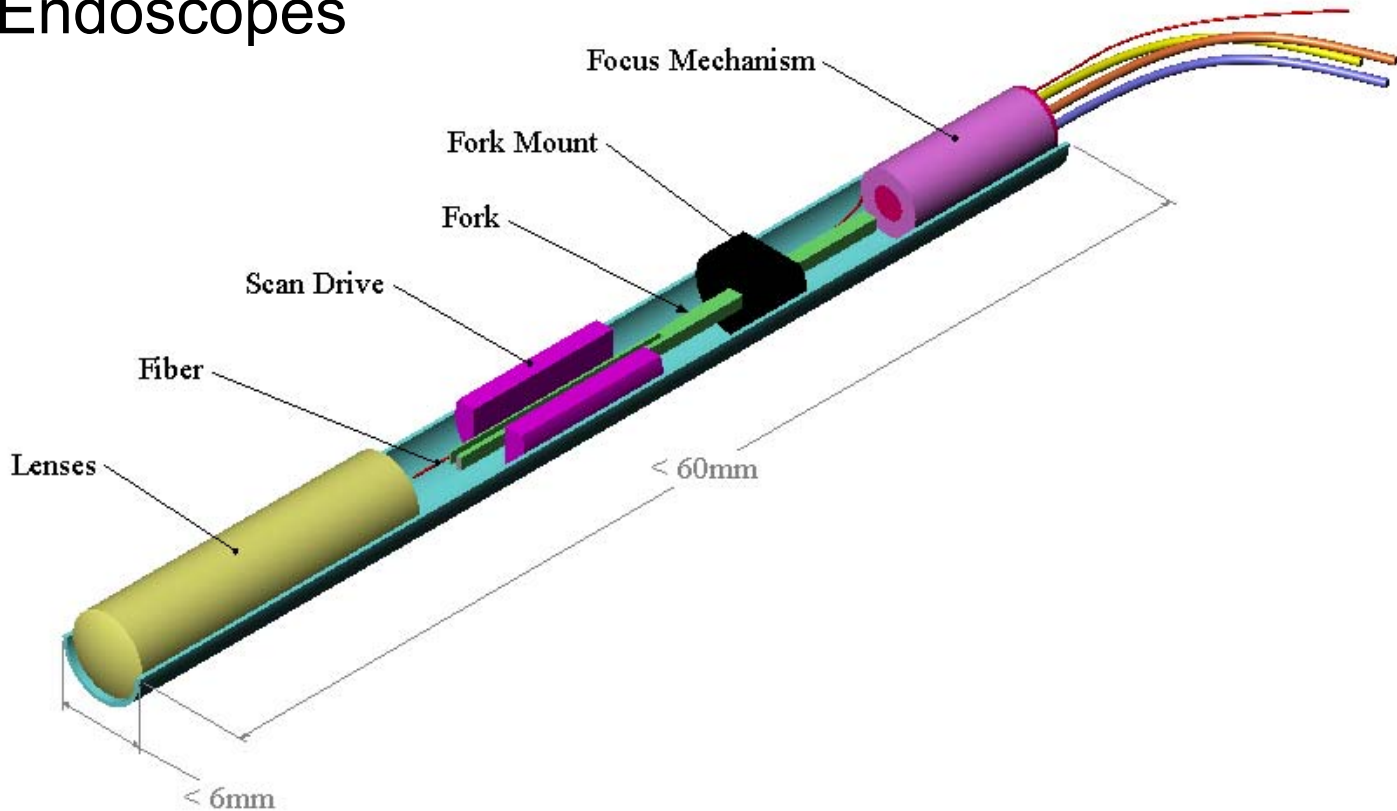
- Live computer screen image
- Internet ready
- Anticipated long term cost savings

Patented Fibre Optic Confocal System

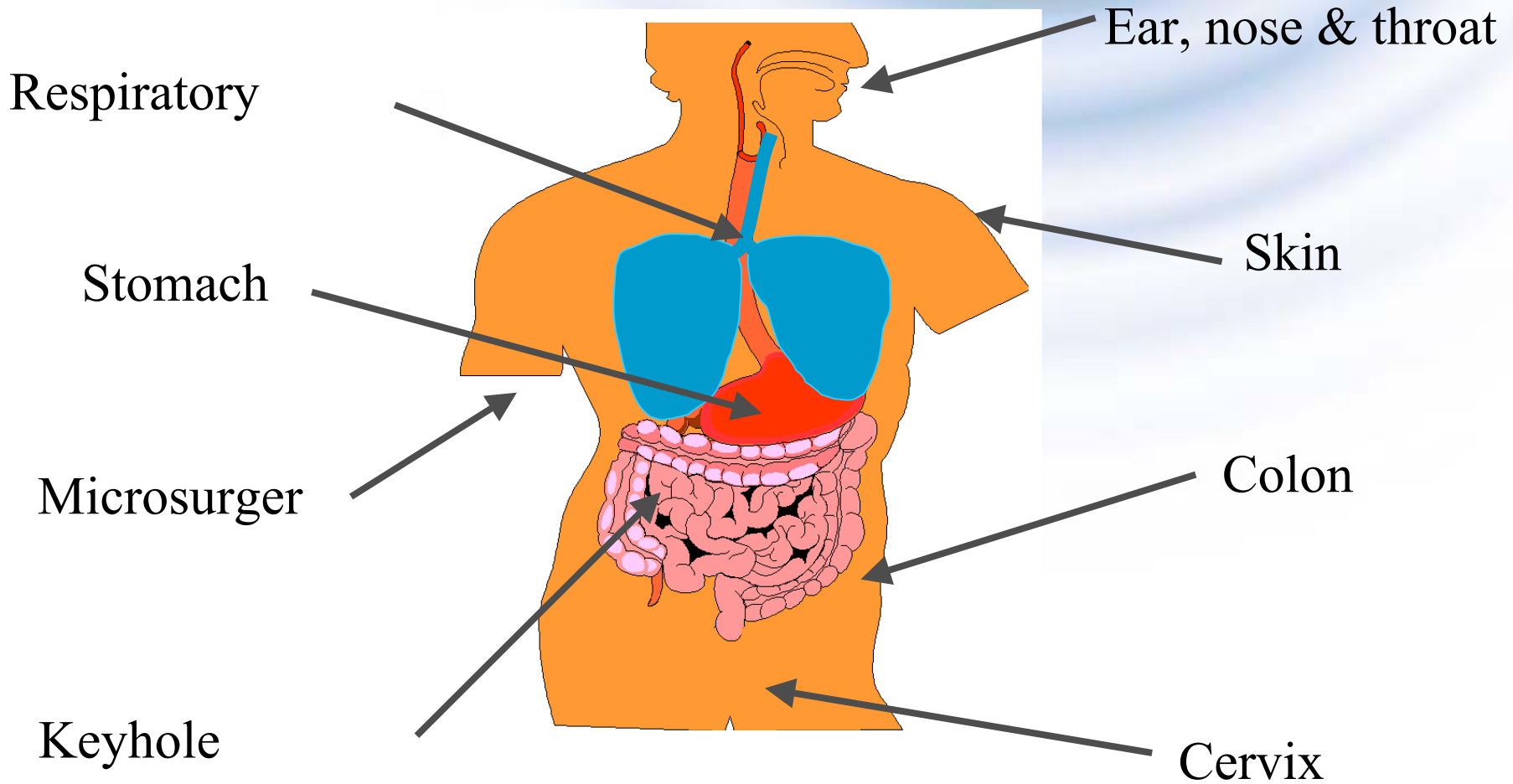


Patented Miniaturised Scanner

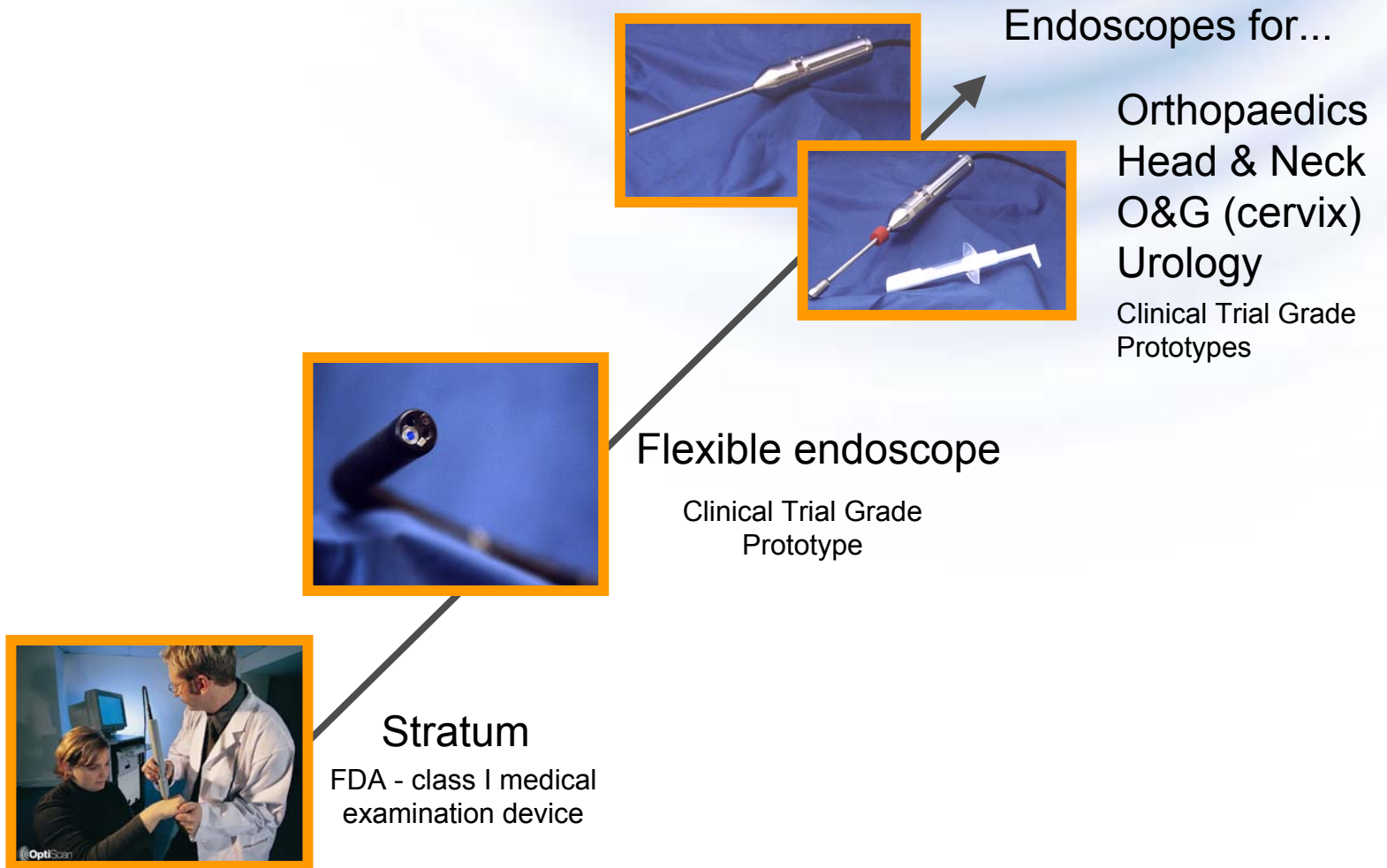
- Key to Flexible Endoscopes



Medical Applications



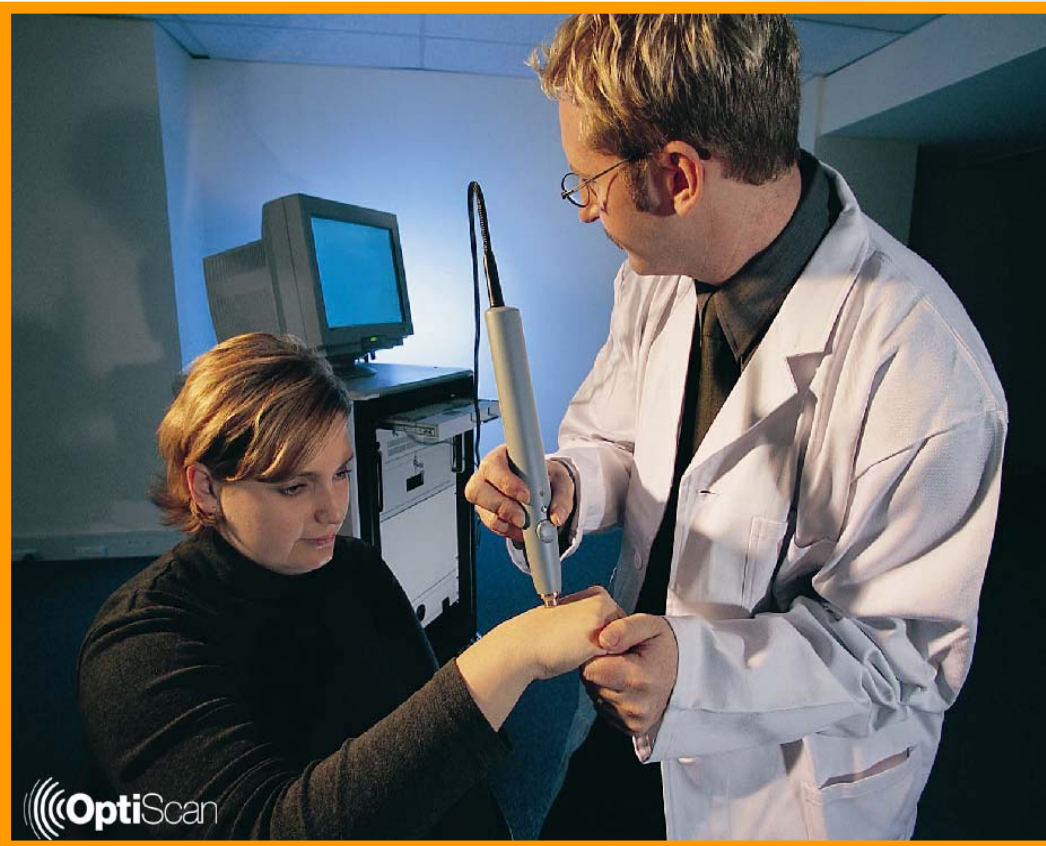
Instrument Development Pipeline



Introduction of new medical devices

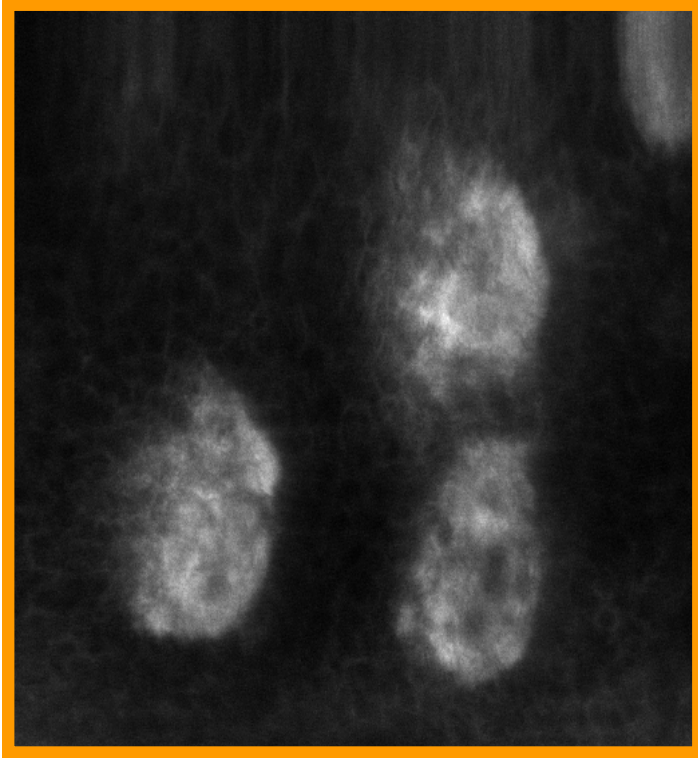
- Step 1 - Preliminary clinical work & Pre-marketing
- Step 2 - Regulatory approvals (FDA)
- Step 3 - Establishment with market leaders
- Step 4 - Initial sales (early adopters)
- Step 5 - Maturation of applications
- Step 6 - Mainstream sales and marketing to broader market

Optiscan Stratum

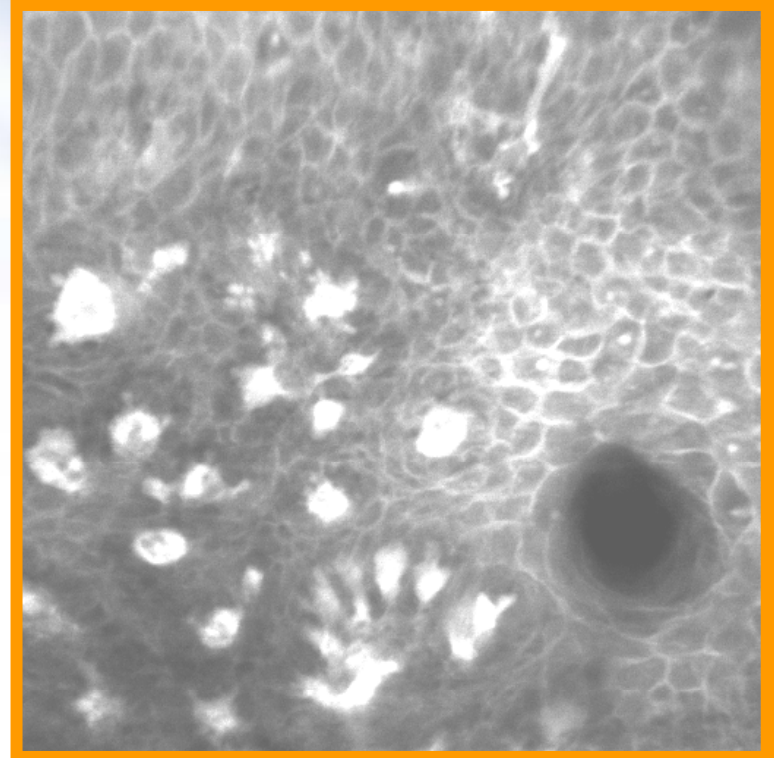


- Skin Cancer
 - Psoriasis
 - Inflammatory Lesions
 - Pharmaceuticals
 - Cosmetics
 - Dermatology research
-
- FDA exempt -
class I medical examination device
 - List Price -
approx. US \$75,000

LMI of Intact Human Skin



Papillary Dermis



**Dysplastic Junctional Naevus
(a pre-cancerous mole)**

Clinical Dermatology Atlas

- Benign Naevi (moles) – both compound & junctional
- Dysplastic Naevi (moles) – both compound & junctional
- Basal Cell Carcinomas (BCCs)
- Squamous Cell Carcinomas (SCCs)
- Melanoma – levels 1 & 2
- Hutchinson's Melanotic Freckle
- Lentigo
- Seborrheic Keratosis
- Intra-Epidermal Carcinoma

- All confirmed by conventional pathology

Clinical & Research Partners

- USA
 - Memorial Sloan-Kettering Cancer Center (NY)
 - Medical College of Wisconsin (WI)
 - University of California, Davis (CA)
 - University of Pittsburgh (PA)
- Australia
 - Gold Coast Skin Centre (QLD)

STRATUM MARKET INFO

- Initial market comprises “early adopters” & clinical researchers
- Leading dermatology research institutes
- Pharmaceutical companies
- Cosmetics companies
- Sales expected to be modest for 1 to 2 years.

STRATUM MARKET INFO

	USA *	Australia
New skin cancers cases pa (melanoma) **	1.3 million pa (51,400)	270,000 (8,366)
Skin cancer deaths pa (melanoma) **	9,800 (7,800)	1,100 pa (900)
Direct cost of skin cancers	US \$2.7 billion	~AUD \$300 million
Indirect costs of skin cancers	US \$2.6 billion	~AUD \$300 million
Number of psoriasis sufferers	> 7 million ***	>700K ****
Direct cost of psoriasis	US \$2.9 billion	~AUD \$320 million
# Dermatologists	13,700	327
Skin examinations	75.5 million	-

* Estimated by US Dept of Health and Human Services for 1999.

** Comprised mainly of melanoma, basal cell carcinoma and squamous cell carcinoma

*** National Psoriasis Foundation (USA)

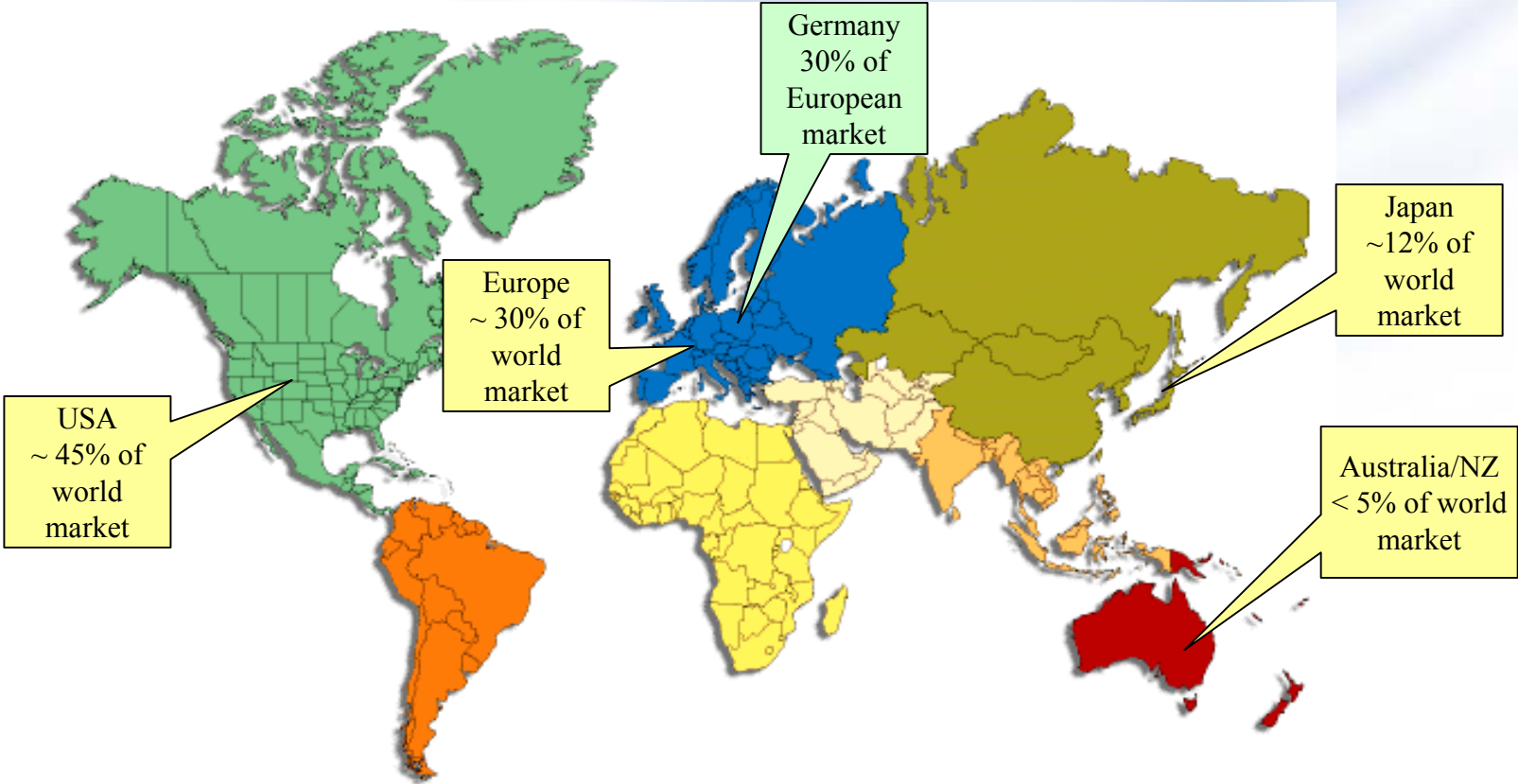
**** Psoriasis Association of Australia

Production Status

- Initially 13 Stratums built
- Presently building further 8
 - Future runs - 8 to 25 (based on need for next 1 to 2 years)
- Capacity is ~200 per year (present design & staff)
- Increased capacity is manageable as demand rises



World Medical Devices Markets



Stratum Sales & Distribution



- Australia/NZ
 - Direct from Optiscan HQ
- USA
 - Optiscan Inc.
- Germany, Austria, Switzerland
 - Distributor appointed - Lawrenz

Flexible Endomicroscope



- Colon Cancer
- Crohns Disease
- Ulcerative Colitis
- Barrett's Oesophagus
- Gastric Cancer

Flexible Endomicroscope

Rigid Endoscopes



Arthroscope

- Gynaecology
- Urology
- Keyhole surgery

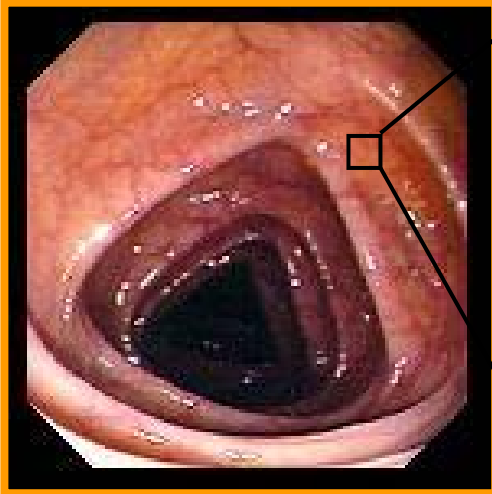
- Head and Neck
- Ear, Nose & Throat
- Orthopaedics



Proctoscope

LMI of Human Colon

Conventional Endoscope



LMI of Normal Human Colon

ENDO-MICROSCOPE MARKET INFO

	USA	Australia
New cases of colorectal cancers pa (mainly colon carcinoma)	143,080 pa*	10,020 pa**
Colorectal cancer deaths pa*	57,400 pa*	4,600 pa**
Direct cost of colorectal cancer	US \$3.97 billion*	~AUD \$160 million**
Annual Sales of Gastro-Endoscopes (No. of Units)	8,100***	900***
Annual Sales of Gastro-Endoscopes (Dollar amounts)	US \$357 million***	~AUD \$36 million***
Total sales of all endoscopic/MIS devices	US \$2 billion	-

* Compiled by US Surveill., Epidemiol. and End Results (SEER) Report 1973-1998.

** Compiled by Dept. of Health and Family Services, National Health Priority Areas Report 1998.

*** Derived from Theta Report No. 711. (where country specific figures were not provided, US and Australian

markets were estimated as 45% and 5% respectively of global endoscopy market.)

Flexible Endoscopes - Path to Market



- Optiscan retrofits “insert” into conventional endoscope
- Method utilises standard endoscope repair techniques
- Optiscan is seeking a partnership with an endoscope manufacturer
 - Most efficient for endoscope manufacturer to perform integration
 - Better to team with existing player as markets are well defined
 - Limits market entry costs
 - Successful marketing of prototypes has attracted interest
- Optiscan will continue with clinical trials to prove technology

Rigid Endoscopes - Path to Market



- Most recent consideration for product development
- Optiscan can manufacture
 - Can develop scanners for fitting to Stratum platform
 - Does not require integration with existing scope
- Partnering options are presently not defined
 - Partnering for marketing and distribution would be desirable
 - Need to better define application and market segments first
- Optiscan will continue with clinical trials to prove applications

Medical Advisory Board

USA

- Allan C Halpern, MD
Service Chief, Dermatology Service,
Memorial Sloan-Kettering Cancer Center,
New York, NY
- Janet Fairley, MD
Professor, Department of Dermatology
Medical College of Wisconsin,
Milwaukee, Wisconsin
- R Rivkah Isseroff, MD
Professor, Dept. of Dermatology,
University of California, Davis
Davis, CA
- Simon Watkins, MD
Associate Professor, Director
Center for Biologic Imaging,
University of Pittsburgh,
Pittsburgh, PA

AUSTRALIA

- Michael Freeman, MD
Dermatologist,
Gold Coast Hospital, QLD.
- Prof. Paul O'Brien
Department Head, Surgery,
Alfred Hospital, VIC.

Competition

Optiscan Product	Competing products	Comments
Stratum	Vivascope by Lucid	Not miniaturised; Complementary in market development.
Flexible endomicroscope	None	Others are researching fibre confocal probes; we believe that patent infringement = barrier to entry.
Rigid endomicroscope	None	As above

Consumables & Disposables

- **Contrast Agents**

- Fluorescent Agents which increase contrast
- So far, using common clinical agents
- Would be packaged for single procedure
- Under consideration with dye manufacturers
- Not yet a product

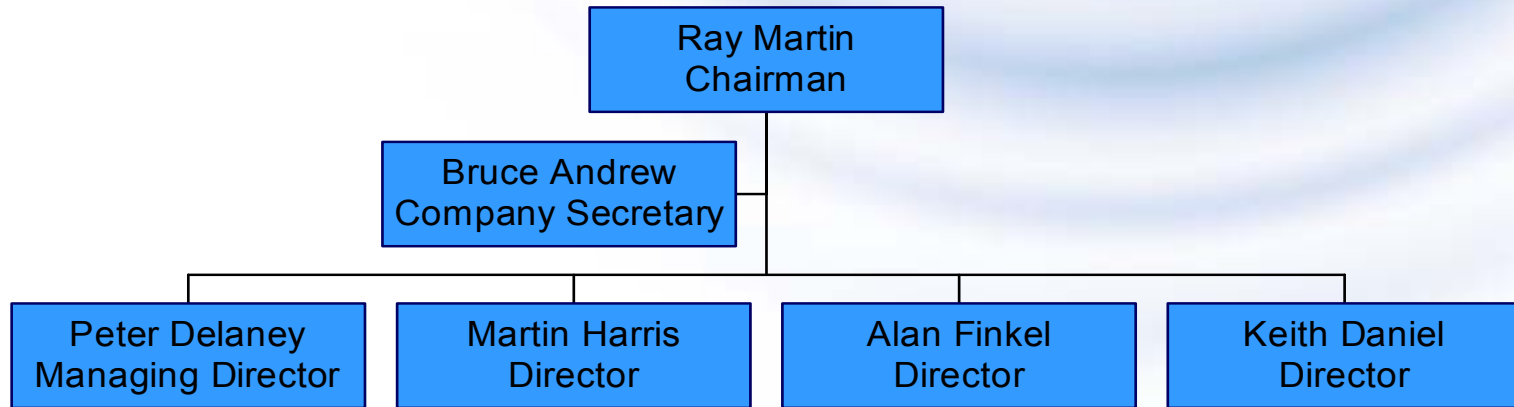
- Potential for links with therapies

- **Sheaths/tips**

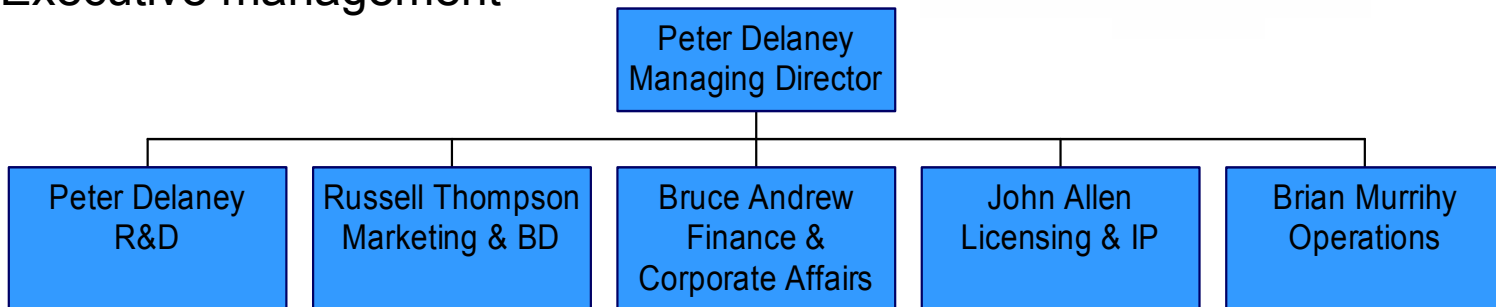
- Some procedures require sterile tips
- e.g. Rigid endomicroscope has removable sheath

Board and Management

- Board



- Executive management



Financial Outlook

- June 2001 balance - AUD\$7m
- Present cash - AUD\$6.4m with receipt of \$1M final START grant payment
- Projected losses ~AUD\$5.3M
- Royalty income from licences expected to be at least AUD \$500K (historically \$800K)
- AUD \$2.5M expected from option exercise
- Income from Stratum sales in 2002 is difficult to project (immature market)

Summary

- **Stratum is underway**
 - Relationships established with multiple US reference sites
 - First sales
 - Distribution in five countries to support early adopter market
 - Positive signs that skin microscopy figures strongly in future of dermatology
- **Rich product pipeline**
 - Flexible endscopes are now a reality and can enter formal clinicals
 - Miniature rigid scopes of clinical grade have also been built
 - Next phase of product pipeline is becoming clear
- **Strong position for partnering**
 - Broad patent coverage
 - Barrier to entry for miniaturised *in vivo* microscopy
 - Proof of concept in flexible endoscopy
 - Upcoming clinicals for rigid endoscopy
- **Low accumulated losses**

www.Optiscan.com



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