

Optiscan Imaging Limited

Annual General Meeting 13th Nov 2002



Unlocking the world of Live Micro Imaging (LMI) technology

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Managing Director's Address



Unlocking the world of Live Micro Imaging (LMI) technology

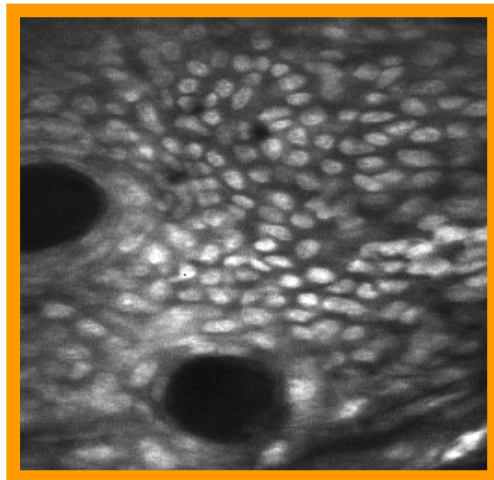
TODAYS PRESENTATION WILL COVER

- A brief review of our technology and products
- Review of operations by product group
- Financial Outlook

Live Micro Imaging (LMI)

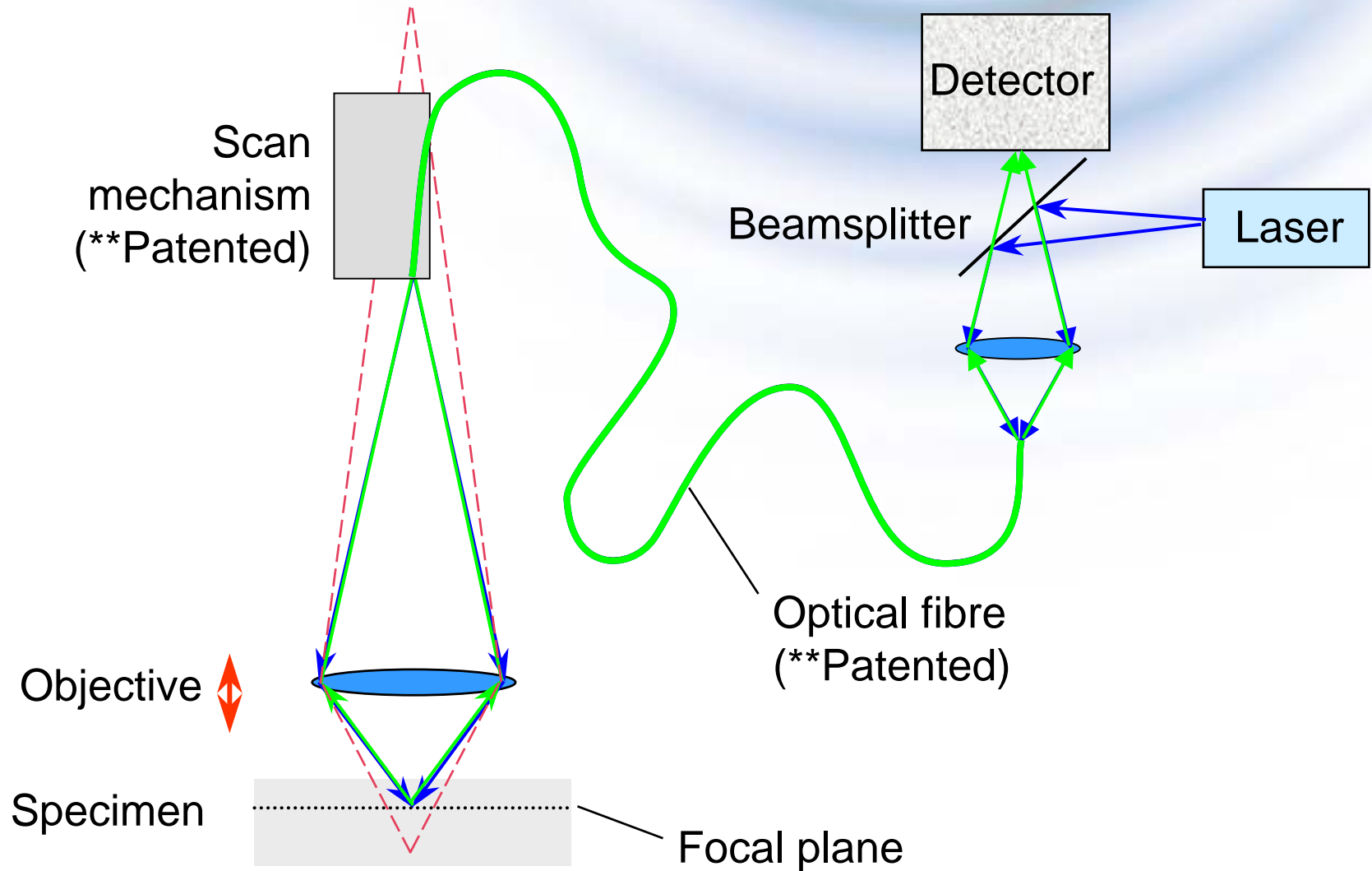


- *In vivo* microscopy
- Miniaturised devices
- Immediate imaging of live cells
- Microscopic, sub-cellular view (~1000x)
- Non-invasive: no surgical removal of tissue



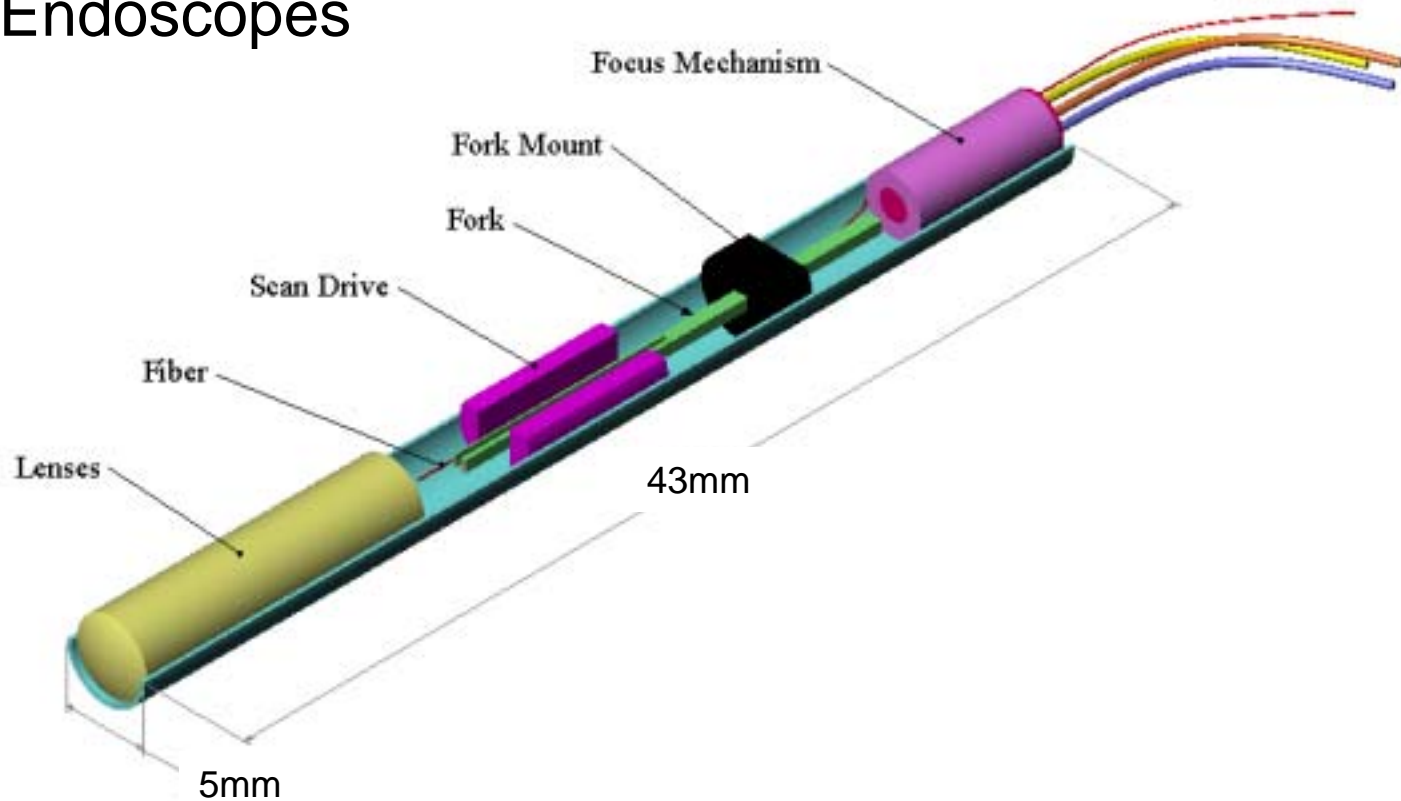
- Live computer screen image
- Internet ready
- Anticipated long term cost savings

Patented Fibre Optic Confocal System

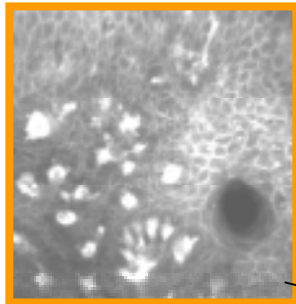


Patented Miniaturised Scanner

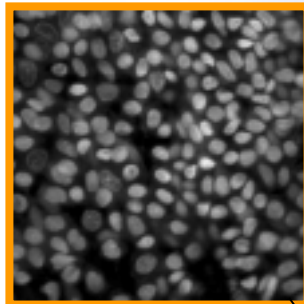
- Key to Flexible Endoscopes



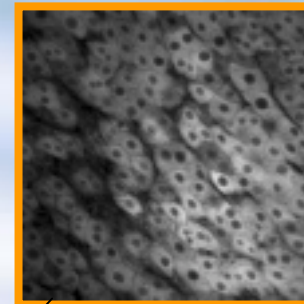
Confocal Imaging Applications



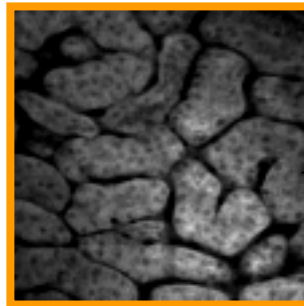
Skin Lesions



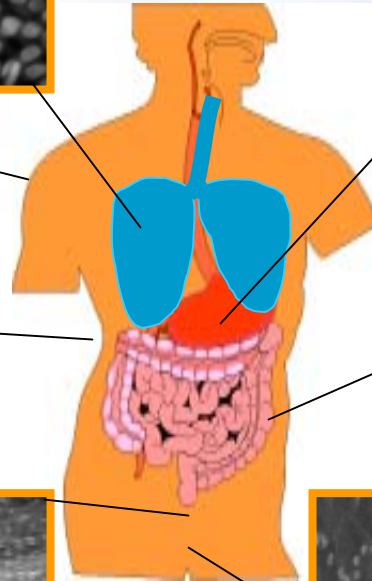
Trachea
Respiratory epithelium



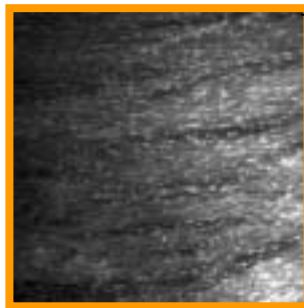
Liver
Hepatocytes



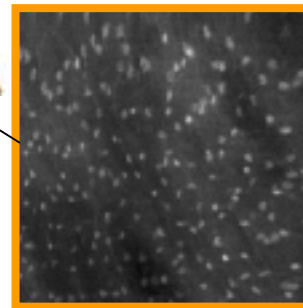
Kidney
Cortex



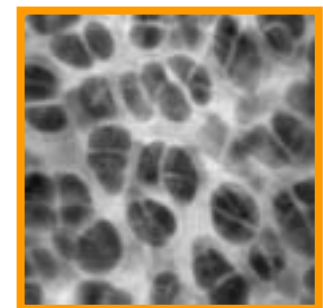
Colon
Crypt Abnormalities



Bladder
Epithelium and connective tissue

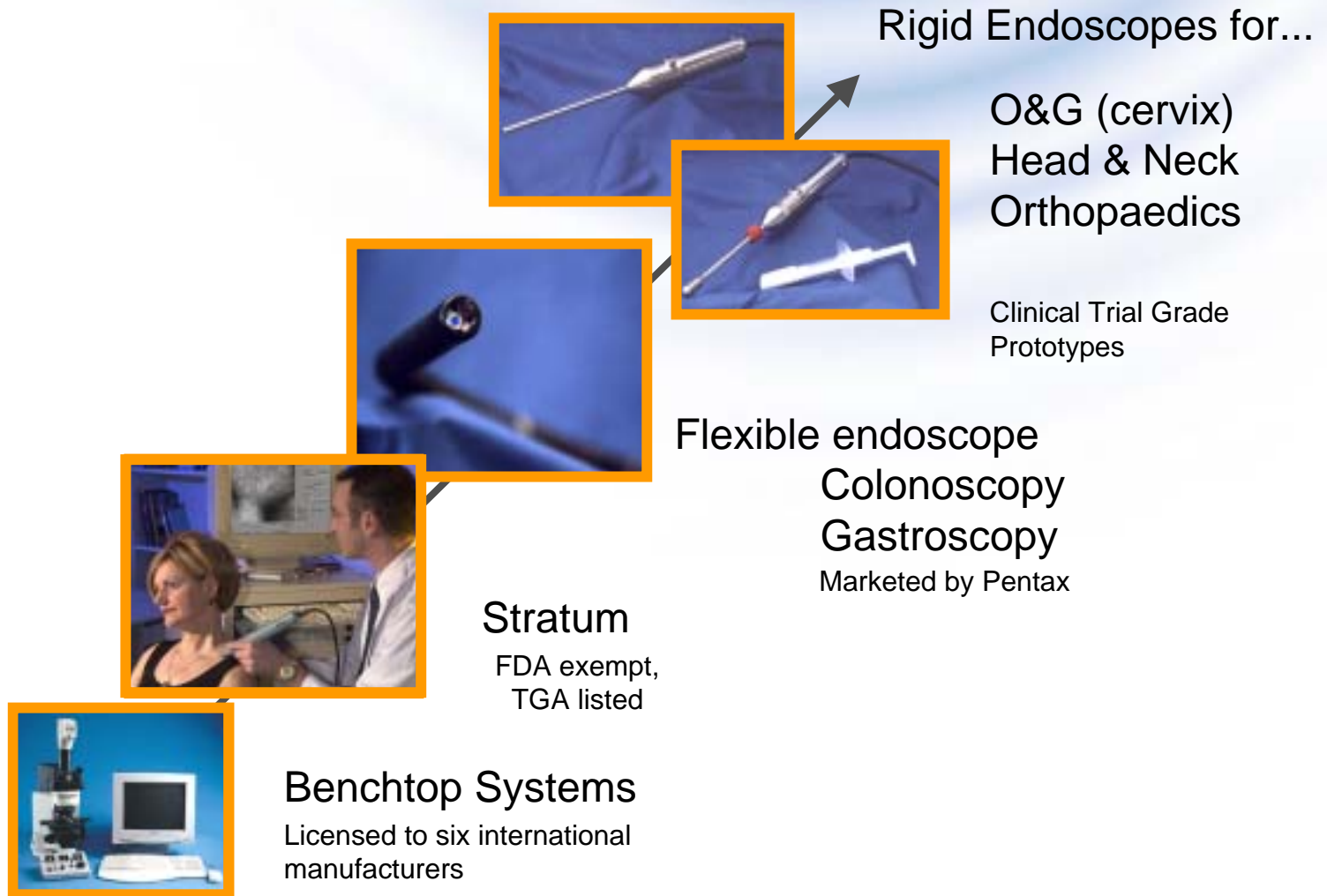


Cervix
Squamous epithelium



Orthopaedics/Joints
Knee Cartilage: Chondrocytes

Instrument Development Pipeline



Introduction of new medical devices

- Step 1 – Pre-sales marketing and preliminary “proof of concept” clinical work
- Step 2 - Regulatory clearance (FDA)
- Step 3 - Establishment with market opinion leaders
- Step 4 - Initial sales to early adopters
- Step 5 - Maturation of applications and promotion of results by users
- Step 6 - Mainstream sales and marketing to broader market

Strategic Priorities

1. Flexible endoscopy

- Via Pentax partnership

2. Rigid endoscopy

- Partnering for commercialisation

3. Stratum

- Focus on sales into research market

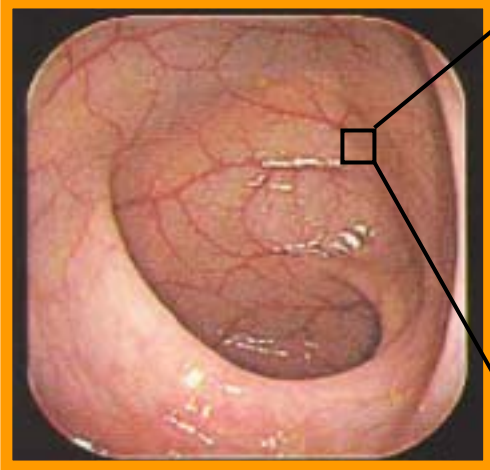
Flexible Endomicroscope



- Subject of Pentax Agreement
- **PENTAX**
- Colon Cancer
- Ulcerative Colitis
- Gastric Cancer
- No change in user workflow
- Unique capability

LMI of Human Colon

Conventional Endoscope



LMI of Normal Human Colon

Pentax Joint Venture

- Optiscan and Pentax to jointly develop flexible endoscope with integrated microscope
- Pentax will exclusively market the system world-wide
- Optiscan supplies key components, Pentax will perform the final manufacturing
- Rigid endoscopes and hand-held skin endoscopes are not covered

Pentax Joint Venture

- Initial payment - A\$6.5 million (banked).
- Placement - A\$6.5 million for 3.33 million shares in Optiscan at A\$1.92 (US \$1.00). Completed in April.
- Milestone – A\$6.5 million on successful completion of the development phase.
- Significant ongoing royalties and manufacturing returns after the product reaches the market.

Rigid Endoscopes



Arthroscope

- Head and Neck
- Urology
- Keyhole surgery

- Gynaecology
- Ear, Nose & Throat
- Orthopaedics

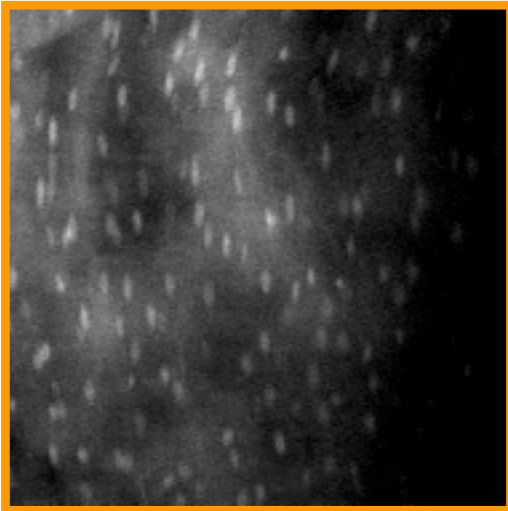


Proctoscope

LMI of Normal and Diseased Cervix

- **Royal Women's Hospital Clinical Evaluation:**

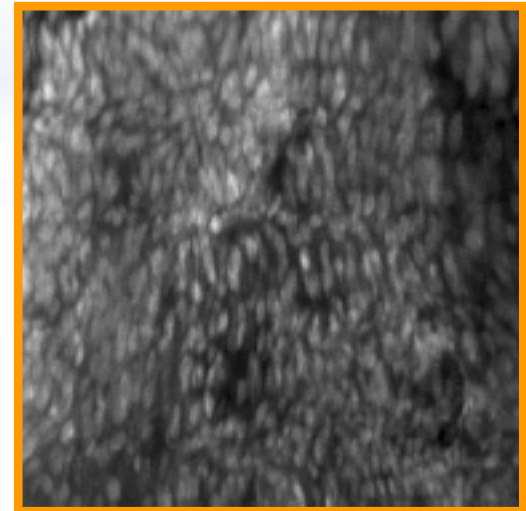
- Associate Professor Michael Quinn
- Dr Jeffrey Tan



Normal Epithelium



Cervical Neoplasia



FOV = 400 μ m

Other Active Rigid Endoscopy App's

- **Head and Neck – National Cancer Centre, Singapore**

- Professor Soo Khee Chee (Head, Department of Surgery)
- Dr Malini Olivo (Photobiologist)
- Initiated clinical evaluation this month

- **Orthopaedics – University of Western Australia**

- Professor David Wood (orthopaedic surgeon)
- Associate Professor Ming Zheng (pathologist)
- Associate Professor Brett Kirk (biomechanical engineer)
- Clinical evaluation to begin in calendar 2003

Rigid Endoscopes - Commercialisation

- Continue clinical evaluations
- Utilise clinical data to interest key partners in relevant market segments
- Partner for sales, distribution and possibly manufacturing



Optiscan Stratum



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

Clinical & Research Partners

- Reference Sites

- USA

- Memorial Sloan-Kettering Cancer Center (NY)

- Medical College of Wisconsin (WI)

- University of California, Davis (CA)

- University of Pittsburgh (PA)

- Europe

- Linköping University Hospital, (Sweden)

- Australia

- Gold Coast Skin Centre (QLD)

- Cutaneous Confocal Imaging Group

Competition in Tissue Microscopy

Optiscan Product	Competing products	Comments
Stratum	Vivascope by Lucid	Not highly 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

- **Sheaths/tips**

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

Operating Result & Outlook

- Net loss before tax 30 June 2002: \$1.817M
 - Improvement of \$2.873M (61%) on 2201 loss of \$4.69M
- June 2002 balance - AUD\$16m
- Final Pentax Payment AUD \$6.5M achievable
- Royalty income from licenses expected to be \$800K
- Have budgeted 11 sales to Pentax
- Have budgeted 5 sales of Stratum
- Projected losses ~\$0 (break even or better)

Share price performance

- Factors

- Re-rating of biotech stocks
- Optiscan's performance is comparable with decline of biotechs on NASDAQ
- Stratum sales have been disappointing

- What are we doing to improve it?

- Perform
- Pentax
- Communicate

Summary

- **Flexible Endoscopy & Pentax Partnership**
 - Joint development resources
 - Access to global sales and marketing network
 - Secured sound financial position
 - Further AUD\$6 Million milestone payment to come
- **Rigid Endoscopy – a third product group**
 - 2 new areas of application in clinical evaluation, a 3rd planned for 2003
 - We will target established rigid players for partnering
- **Stratum**
 - Slow market development
 - Lack of clear partnering opportunities
 - Have established high calibre reference sites in USA and Europe
 - We will conserve resources by lowering priority
- **Possibility of break even or better result in 2003.**



www.Optiscan.com



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