

AUSTRALIAN

RESEARCH



Contents

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Optiscan Imaging Limited (OIL)



Sector	Industry Group	Sub Industry	Disease Target
Life Sciences	Healthcare Equipment	Microscopy	Cancer, Endoscopy, Diagnosis

Company Overview

Optiscan Imaging Limited is a Melbourne-based, publicly listed Australian medical device company. The Optiscan Technology is a patented combination of optical fibre and laser technologies incorporated into miniaturised confocal microscopes. Optiscan's microscopes are small enough to fit inside the body and produce unique high magnification, high resolution, digital images of intact living tissue in real time for the detection of pathological changes. These images assist clinicians with the identification of treatment options and enable improved patient outcomes.

Optiscan has developed a range of products, charting a strategic progression from scientific laboratory instrument for ex-vivo analysis to miniaturised clinical tool for in-vivo Live Micro Imaging. The goal is to achieve commercialisation of breakthrough clinical diagnostic and imaging systems for use in a range of conditions, including inflammatory bowel disease and cancer diagnosis.

Strategy

The high cost of curative medicine presents opportunities for Optiscan. Its technology is targeted at cost saving in a variety of ways, including early detection of diseases at stages when they can be treated easily and effectively. It also provides a means to monitor responses at the cellular level so as to enable improvement of treatment outcomes, e.g., effectiveness of cancer treatment on reduction of tumour size. Optiscan's strategy is to pursue a focused commercialisation of its Intellectual Property, enhancing it and bringing it to market through partners with leading positions in their respective fields.

Key Executives

Matthew Barnett, Chief Executive Officer: Matthew has a technical engineering background and substantial general management experience gained from several business leadership roles with Amcor Limited and the Boston Consulting Group.

John Allen, Licensing IP Manager: Originally a Veterinarian, John has worked in the field of patenting and licensing for the Victoria University and Pig Research Development Corporation in Canberra before joining Optiscan.

Bruce Andrew, Chief Financial Officer: Bruce has extensive listed company experience and has worked in a number of corporate accounting and finance roles in both public and private companies.

Peter Delaney, Director of Technology: Peter has a background in Pharmacology and plays an instrumental role in the development of Optiscan's technology and identification of potential new applications.

Dr Robert Pattie, R&D Manager: Robert has a PhD in photonics, and prior to joining Optiscan in 2001, spent much of his career with Telstra. He was engaged in a range of photonics roles, including design, fabrication and patenting of bulk optics devices. His experience with Telstra also included a period in corporate strategy and business modelling.

Key investment information

Market Cap: \$52.0M

Capital Structure (M)

Ord shares on issue: 100.0
Options (fully diluted): 5.0
Convertible notes/other: 0.0

Price as at 28-Apr: \$0.52

12 month H/L: \$0.28 - \$0.55

Market turnover (pa): \$10.2M

Official listing date: Aug-97

Substantial Shareholders

Fibre Optics Aust (Circadian) 6.4%
Ixohoxi Pty Ltd (Inventor) 5.7%

Cash Position

Cash (as at Dec-05): \$8.5M
Years with planned expenditure: 2.5
R&D as % expenditure: 44%

Company contact



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Main Company R&D Projects - Major Technology & Market

1: Confocal Flexible Endomicroscope

Target Market: Endoscopy Market
>US\$900M
Stage: Commercial Sales
Target Date: 2006

OIL's miniaturised confocal technology has been incorporated by Pentax into its colonoscopes to produce the world's first confocal endomicroscope. It is used to identify changes in cellular structure in-vivo for the early detection and treatment of diseases such as colon cancer or ulcerative colitis. The Pentax agreement was worth nearly \$20M in up-front payments to OIL, and now generates margins from product supply and royalties from sales to end users. Worldwide clinical trials have achieved outstanding results for the diagnosis of colon cancers. Regulatory clearance (FDA and CE Mark) has been received, and Pentax released the product in March 2006 through its substantial international selling and distribution network.

2: Rigid Endomicroscope

Target Market: >US\$750M
Stage: Early Clinical Trials, Seeking Partner
Target Date: 2006

The market for rigid endoscopes is more fragmented than that for flexible endoscopes. OIL's prototype rigid endomicroscopes have potential applications in orthopaedics, gynaecology, laparoscopy, ophthalmology, neurology, ear, nose and throat (ENT) and more. Optiscan is commencing human pilot trials to advance the commercialisation process, while continuing to engage with potential partners for development of rigid endo-microscopes.

3: Research Confocal Microscopes

Target Market: >US\$375M
Stage: Seeking Partner
Target Date: 2006

OIL's unique miniaturised scanner offers new opportunities in the substantial international market for research confocal microscopes, especially in the area of drug development. Optiscan is currently introducing a new research instrument known as 'Optiscan FIVE 1', with first sales expected mid-2006.

Aegis Equities Comments

Market Position: OIL is a world leader in packaging miniaturised confocal microscopic imaging into medical devices. The confocal process is a remarkable advance where lasers allow the microscope to focus at a desired depth in the upper layers of tissue, much like a CAT scan shows 'cuts' through the body at different levels. Miniaturised confocals increase the power and utility of existing endoscopes. OIL has a strategic partnership with Pentax for flexible endoscopes.

Milestone Record: The Mar-06 quarter was highly significant for OIL as Pentax announced the formal sales release of its ISC 1000 endo-microscope. Pentax has committed to ordering a minimum of 80+ confocal endo-microscope systems from OIL in the first year of release, worth at least \$5M to OIL. In 3Q FY06, OIL reported product sales of 23 systems amounting to \$1.3M. OIL has also introduced a new research endo-microscope product, which received enthusiastic response from its target drug development market in Nov-05 at an industry conference and is due to go on sale in mid-CY06.

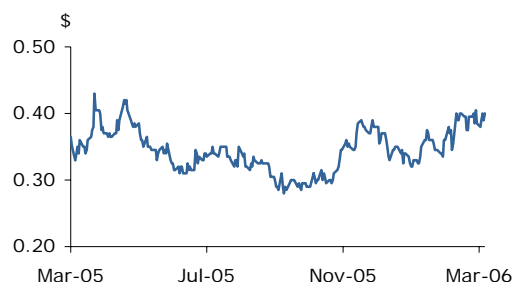
Risk Profile: OIL's Pentax deal offers great potential. Pentax appears committed to OIL's technology, as shown by the growing number of trial sites and aggressive sales growth targets for the endoscope business, including OIL's endo-microscopes. Market acceptance risks will decline with repeat orders from Pentax in CY06. OIL's cash should allow it to meet Pentax's product supply expectations and to pursue licensing negotiations with potential partners for rigid endoscopes.

Photo of the flexible Endomicroscope



Source: Optiscan Imaging

Share price performance



Source: IRESS



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