OptiScan Imaging Limited
ABN 81 077 771 987

14 January 2005

Dear Shareholder

Invitation to Participate in Share Purchase Plan

The Board of Directors of Optiscan Imaging Limited announced on 15 December 2004 that a Share Purchase Plan would be introduced for shareholders of the Company. The purpose of this letter is to invite your participation in the plan.

Shareholders may be aware that Optiscan recently concluded an institutional placement of 11.8 million shares, raising approximately $3.9 million. The placement was made at $0.33 per share, and secured significant participation from four Australian institutions and a European specialist biopharmaceutical investment fund.

The Board decided to provide all shareholders with the opportunity to participate in a Shareholder Share Purchase Plan ("SPP") on the same basis as the capital raising, offering shares at the placement issue price of $0.33 per share.

The funds raised will be used for working capital, particularly the funding of inventory required to commence product supply to Pentax, and to strengthen the balance sheet during forthcoming negotiations with potential rigid endoscope partners.

Optiscan is poised to make significant advances in the process of commercialising its world first technology during 2005. In the coming year, the company will move into full production of the flexible endo-microscope, which is being marketed internationally by Pentax. It will also continue the current round of negotiations for licensing of its technology for rigid endoscopy with the potential to create a second commercial market for its technology.

The Board invites shareholders to participate in the SPP at this exciting stage in the company's development.

Outline of the SPP

The plan entitles eligible shareholders to purchase up to $5,000 of fully paid ordinary shares, free from brokerage and commissions, at a price which represents a discount to the market price. The offer is made to all eligible shareholders, irrespective of the number of shares they hold. The offer is non-renounceable and cannot be transferred to other parties and participation is optional.

Shareholders eligible to participate
The right to participate in this offer is available exclusively to shareholders who are registered as holders of fully paid ordinary shares as at the record date of 24 December 2004, being a date seven business days after announcement of the SPP.

Price of shares
Shares will be issued under the Plan at the issue price of $0.33 per share (which is the issue price under the share placement to institutional investors announced on 15 December 2004). The issue price is equivalent to the opening market price of ordinary shares in Optiscan on the Australian Stock Exchange

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("ASX") on 15 December 2005, less 15%. Eligible shareholders should be aware that the market price may change between the Record Date and the date when the shares are issued to participants. This may result in an increase or decrease in the price or value of the shares which the participant may receive.

Acceptance of offers
An offer to participate in the Plan may be accepted by an eligible shareholder only by completing and returning the Entitlement and Acceptance Form enclosed with this letter, together with the appropriate payment for the amount to which the acceptance relates, by no later than the offer closing date, 11 February 2005.

Payment may be made only by cheque in Australian dollars drawn on an Australian bank. An offer will be taken to have been accepted by an eligible shareholder only if the cheque which accompanies the shareholder's acceptance form is paid in full on first presentation.

If one or more acceptance forms are received by an eligible shareholder in relation to shares with a value greater than $5,000, the shareholder will be issued with the maximum number of shares permitted by the Plan and the excess subscription monies will be refunded.

If an eligible shareholder subscribes for an amount which is not exactly divisible by the issue price for the shares, in calculating the number of shares to be issued, all fractional entitlements will be rounded down to the nearest whole number. Optiscan will not refund any resulting small excess in subscription monies which will be deemed to form part of the aggregate subscription price of the shares.

Issue of shares
Optiscan will issue shares pursuant to this offer as soon as reasonably practicable after the closing date and will promptly apply for those shares to be quoted on the ASX. The company will, within the period required by the ASX Listing Rules, send each participant a holding statement in respect of any shares issued under the Plan.

Shares issued under the Plan will rank equally with all other ordinary shares in Optiscan and will therefore carry the same voting rights, dividend rights and other entitlements as those shares.

Oversubscription
The directors of Optiscan have determined that the capital requirements of the company are such that the total proceeds from the SPP will not exceed $2.5 million. Although the company reserves the right to accept oversubscriptions, should the directors determine that in this instance, oversubscriptions will not be accepted, shares will be allocated to applicants on a pro rata basis.

Timetable

Record Date	24 December 2004
Offer opens	24 January 2005
Closing Date	11 February 2005
Allotment of shares	21 February 2005
Quotation of shares on ASX	28 February 2005

These dates are indicative only. The company may vary the dates without notice. All queries and enquiries relating to this matter should be referred to the Company Secretary, Mr Bruce Andrew.

Yours faithfully

Matthew Barnett
Chief Executive Officer

OPTISCAN IMAGING LIMITED

ACN 077 771 987

SHARE PURCHASE PLAN TERMS AND CONDITIONS

Purpose
The purpose of the Optiscan Shareholder Share Purchase Plan is to offer existing shareholders the opportunity to acquire additional fully paid ordinary shares in the company in accordance applicable laws and regulations.

Participation
Participation in the Plan is open to all persons who, as at the record date, are registered as holders of ordinary shares in Optiscan, except those shareholders whose registered address is outside Australia or New Zealand (because it is unlawful or impractical for Optiscan to issue offers under the Plan to the extremely small number of holders involved).

Participation in the Plan is optional and is subject to these terms and conditions.

Offers
Offers under the Plan are non-renounceable and shares will be issued only to the shareholder to whom they are offered.

Each offer is made on the same terms and conditions. All eligible shareholders of Optiscan receive the same offer, irrespective of the number of shares which they hold on the Record Date.

The maximum value of shares for which each eligible shareholder may subscribe under each offer is $5,000 in any 12 month period. This limit applies to each shareholder even if that person holds shares in more than one capacity – for example, as a sole holder and as a first (or subsequent) named holder of two or more joint holders.

The directors of Optiscan may determine in their absolute discretion the minimum amount for participation, the multiples to be offered under the plan and the period the offer is available to shareholders.

Issue price
Shares will be issued under the Plan at a price determined by calculating a discount to the weighted average market price of Optiscan shares quoted on the ASX during the five trading days immediately prior to announcement.

Eligible shareholders should be aware that the market price may change between the Record Date and the date when the shares are issued to participants. This may result in an increase or decrease in the price or value of the shares which the participant may receive.

Costs of participation
No brokerage, commission, stamp duty or other transaction cost will be payable by a shareholder in respect of an issue of shares under the Plan.

Acceptance of offers
An offer to participate in the Plan may be accepted by an eligible shareholder only by completing and returning the acceptance form provided by Optiscan, together with the appropriate payment for the amount to which the acceptance relates, by no later than the offer closing date.

Payment may be made only by cheque in Australian dollars drawn on an Australian bank.

An offer will be taken to have been accepted by an eligible shareholder only if the cheque which accompanies the shareholder's acceptance form is paid in full on first presentation.

If one or more acceptance forms are received by an eligible shareholder in relation to shares with a value greater than $5,000, the shareholder will be issued with the maximum number of shares permitted by the Plan and the excess subscription monies will be refunded.If an eligible shareholder subscribes for an amount which is not exactly divisible by the issue price for the shares, in calculating the number of shares to be issued, all fractional entitlements will be rounded down to the nearest whole number. Optiscan will not refund any resulting small excess in subscription monies which will be deemed to form part of the aggregate subscription price of the shares.

Optiscan Shareholders resident in Australia may be subject to Australian capital gains tax upon the sale of shares purchased under the Plan. Shareholders should consult their taxation or investment advisers to clarify the financial and taxation implications for them of subscribing for shares under the Plan.

Issue of shares
Optiscan will issue shares pursuant to an offer as soon as reasonably practicable after the closing date and will promptly apply for those shares to be quoted on the ASX.

Optiscan will, within the period required by the ASX Listing Rules, send each participant a holding statement in respect of any shares issued under the Plan.

Shares issued under the Plan will rank equally with all other ordinary shares in Optiscan and will therefore carry the same voting rights, dividend rights and other entitlements as those shares.

Amendment of the Plan
The directors of Optiscan may, in their discretion, amend the Plan at any time (including, without limitation, by extending the offer closing date). Optiscan will notify ASX of any amendment of the Plan, but failure to do so will not invalidate the amendment.

Administration and dispute resolution
Optiscan's principal objective in administering the Plan is to facilitate maximum participation consistent with compliance with ASIC Class Order CO 02/831 and all applicable laws and efficient administrative practices.

Optiscan may adopt any administrative procedures it thinks appropriate in relation to the Plan.

Optiscan may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the Plan, whether generally or in relation to any participant or class of participants, offer, acceptance or shares, and the decision of Optiscan will be conclusive and binding on all participants and other persons to whom the determination relates. Optiscan reserves the right to waive compliance with any provision of these terms and conditions.

Notices
Notices and statements to participating shareholders may be given in any manner determined by Optiscan.

Further Information
Enquiries should be directed to the Company Secretary on 03 9538 3333.