

Australian Bio-Investment Forum

July 2007



Forward looking statements

This presentation contains "forward-looking" statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Any statements contained in this presentation that relate to prospective events or developments, including, without limitation, statements made regarding Optiscan's endoscope technology, business and partners are deemed to be forward-looking statements. Words such as "believes," "anticipates," "plans," "expects," "projects," "forecasts," "will" and similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause actual results or events to differ materially from those indicated by these forward-looking statements, including risks related to our available funds or existing funding arrangements, a further downturn in our customers' markets, our failure to introduce new products or technologies in a timely manner, regulatory changes, risks related to our international operations, our inability to integrate acquired businesses and technologies into our existing business and to our competitive advantages, as well as other factors. Subject to the requirements of any applicable legislation or the listing rules of any stock exchange on which our securities are quoted, we disclaim any intention or obligation to update any forward-looking statements as a result of developments occurring after the date of this presentation.

Corporate Structure

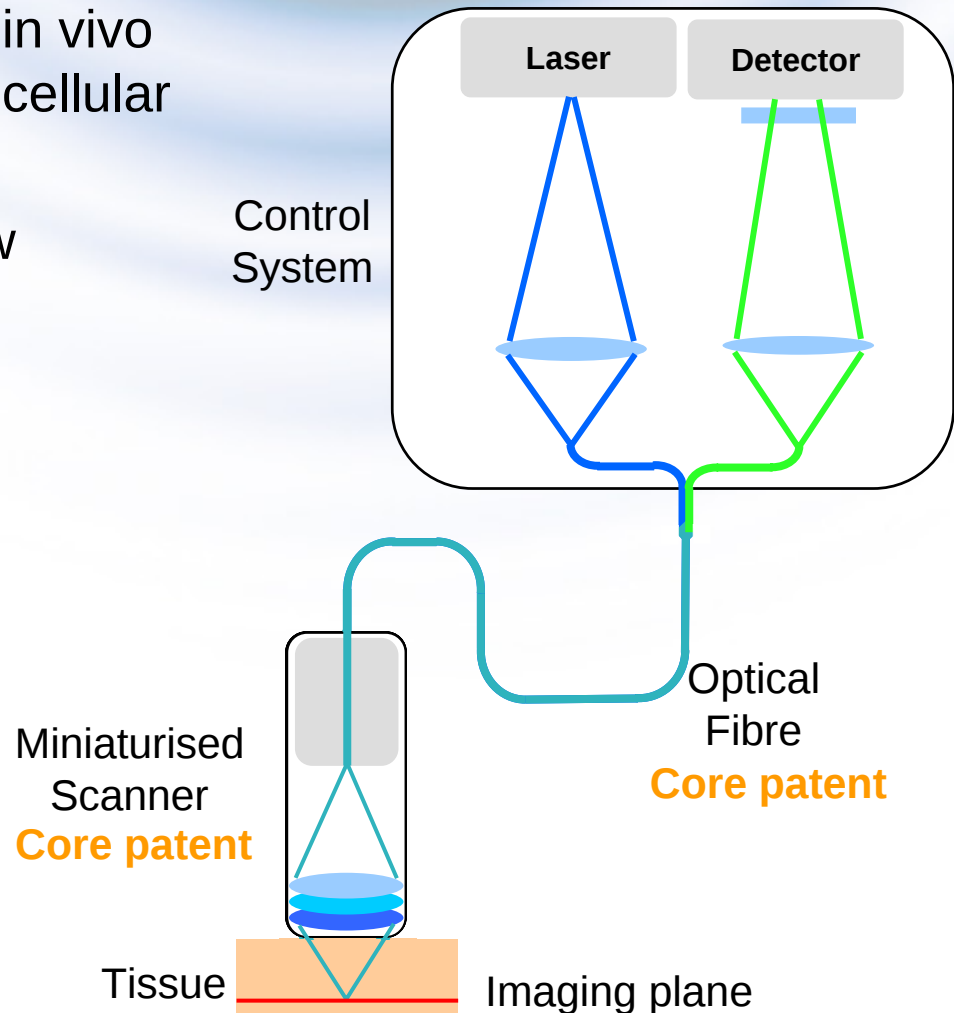
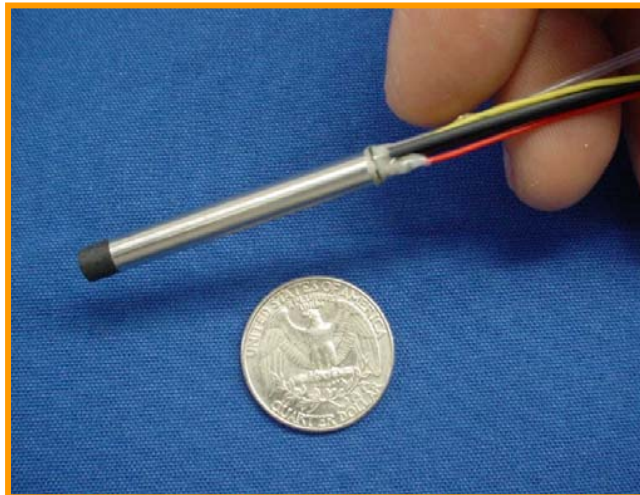
- **Ordinary shares** on issue : 104 million
- **Market capitalisation** 30 Jun 07: A\$ 48 million
- **Cash at bank** as at 31 Dec 06 : A\$ 5.0 million
- **2006/07 Product Sales** A\$ 5.49 million
- **Net Operating Cash Burn** 06/07: A\$ 0.3 million p.m.

Optiscan Overview

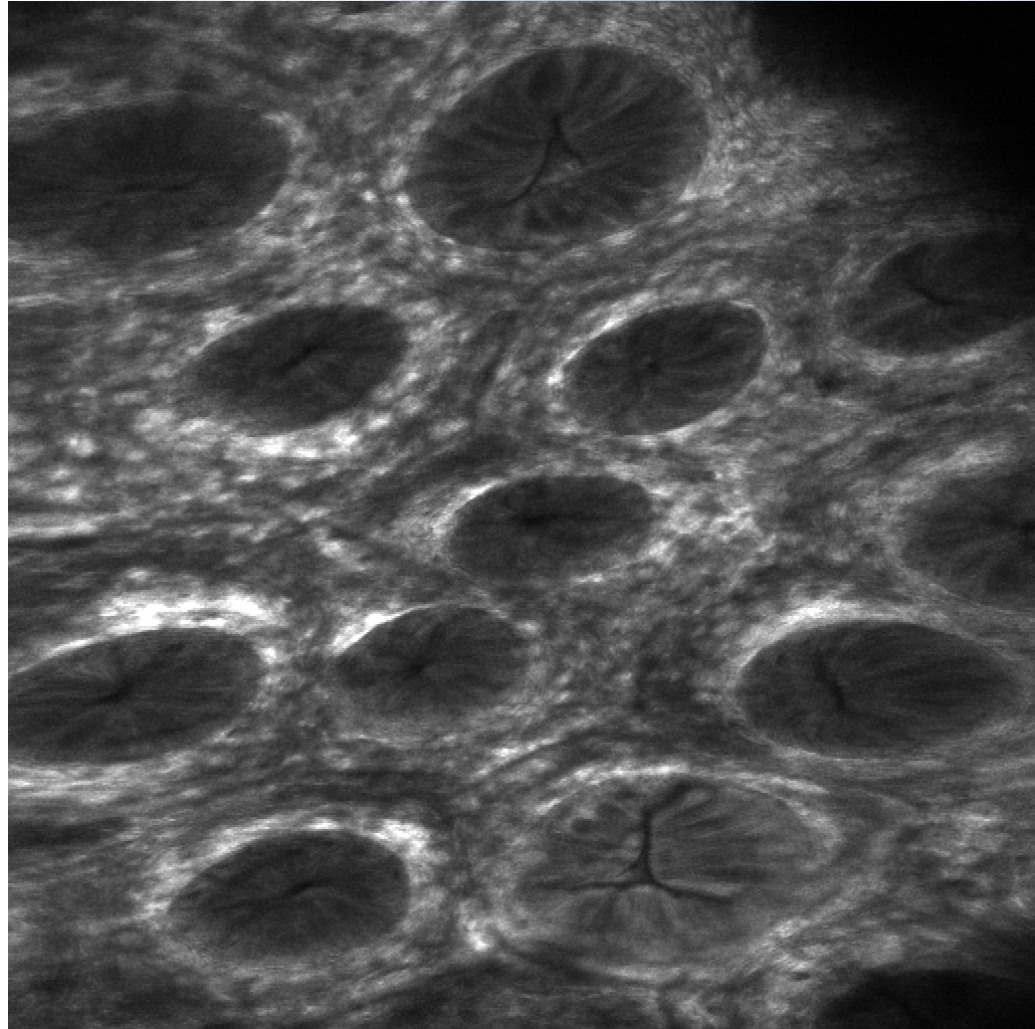
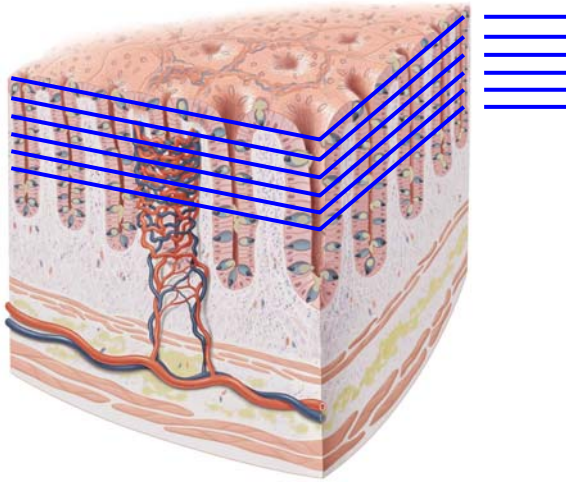
- Developer and quality certified manufacturer of patented miniaturised laser scanning confocal microscopes for medical markets
- Partnership strategy for large global high growth medical markets
 - US\$1.2B pa flexible endoscope market - partner Pentax
 - US\$1.0B pa market for rigid endoscopes – 1st partner Zeiss
- Four current revenue streams
 - Pentax ISC 1000 sales
 - Optiscan FIVE 1 sales
 - Instrument design and development funding
 - Pentax Development Agreement (June 2007)
 - Carl Zeiss Cooperation Agreement (July 2007)
 - Commercial Ready Grant (July 2005)
 - IP licensing to traditional microscope companies

An innovative endomicroscope platform uses patented fibre optic confocal technology

- Optiscan's technology provides in vivo digital histology – live, real time cellular images during procedures:
 - Microscopic sub-cellular view
~1,000x magnification
> 1 micron resolution
 - Surface and subsurface
(controlled to ~250 microns)



Endomicroscope imaging provides virtual biopsies of tissue from inside the patient



Images courtesy of Professor Adrian Polglase, Cabrini Hospital, Australia

Exceptional efficacy has been demonstrated in extensive clinical trials

Study Focus	Sensitivity	Specificity	Accuracy
Neoplasia in ulcerative colitis	94.7%	98.3%	97.8%
Diagnosis of Barrett's esophagus	98.8%	94.4%	97.5%
Neoplasia in Barrett's esophagus	91.7%	99.0%	97.5%
Neoplasia in screening col'scopy	97.4%	99.4%	99.2%
H Pylori diagnosis	90.9%	96.7%	>95%
Gastric cancer diagnosis	84.0%	95.0%	80.0%
Coeliac's diagnosis & grading	100%	85.0%	80.0%
NERD in GERD patients	94.9%	85.4%	91.7 %
Microscopic colitis diagnosis	100%	92.0%	97.5%

- Results are comparable to agreement between pathologists
(>90% is competitive, >95% is unprecedented)

Optiscan's endomicroscopes offer clinicians several key advantages

- Leverages proven histopathology principles of disease diagnosis
- Easily learned by clinicians
- Key advantages:
 - ✓ **real time information**
 - ✓ **non invasive (without biopsy)**
 - ✓ **at low-cost**
- Clinical application areas
 - Improved diagnosis (diagnostic yield)
 - Intra-operative margin assessment
 - Biomarkers
 - Cell therapies

Optiscan Product Portfolio and Pipeline

Product	Use	Research & Dev	Clinical Trials	Regulatory Clearance	Launch	Product-ion	Sales
Pentax ISC 1000	GI non-invasive diagnosis			✓ FDA ✓ CE Mark			
Optiscan FIVE 1	Preclinical research			✓			
Rigid Endo-microscopes	Intra – operative diagnosis		Pilot trials	New Partnership with Carl Zeiss New Pentax agreement to partially fund			
Second generation	All applications & markets	Specs & Requirements					
Broncho-scope	Lung non-invasive diagnosis	Pre-clinical trials					
Multi Photon System	Deeper tissue imaging	Grant received					



Carl Zeiss rigid endo-microscope deal

- Optiscan's first agreement for rigid endo-microscopes
- Carl Zeiss becomes exclusive partner in one segment of rigid endo-microscopes
- Deal financials
 - \$4M in milestone payments over 3 years
 - Anticipated \$16M in product sales over first 5 years
- Optiscan to design and develop the instrument using its unique miniaturised confocal technology platform
- Instrument to be manufactured by Optiscan under the ZEISS brand
- Zeiss responsible for market development and global sales



Carl Zeiss group information

- World renowned market leaders in optical and opto-electrical instruments
- Autonomous businesses generally ranked first or second in their markets
- Core global markets include medical and biomedical research
- Excellent track record of driving sales growth through technical innovation
- Direct sale force in over 30 countries
- Key financial data of Carl Zeiss AG
 - Sales EUR 2.43Bn
 - Total Assets EUR 3.016Bn
 - Net Income EUR 167M

Further commercialisation of rigid endo-microscopes

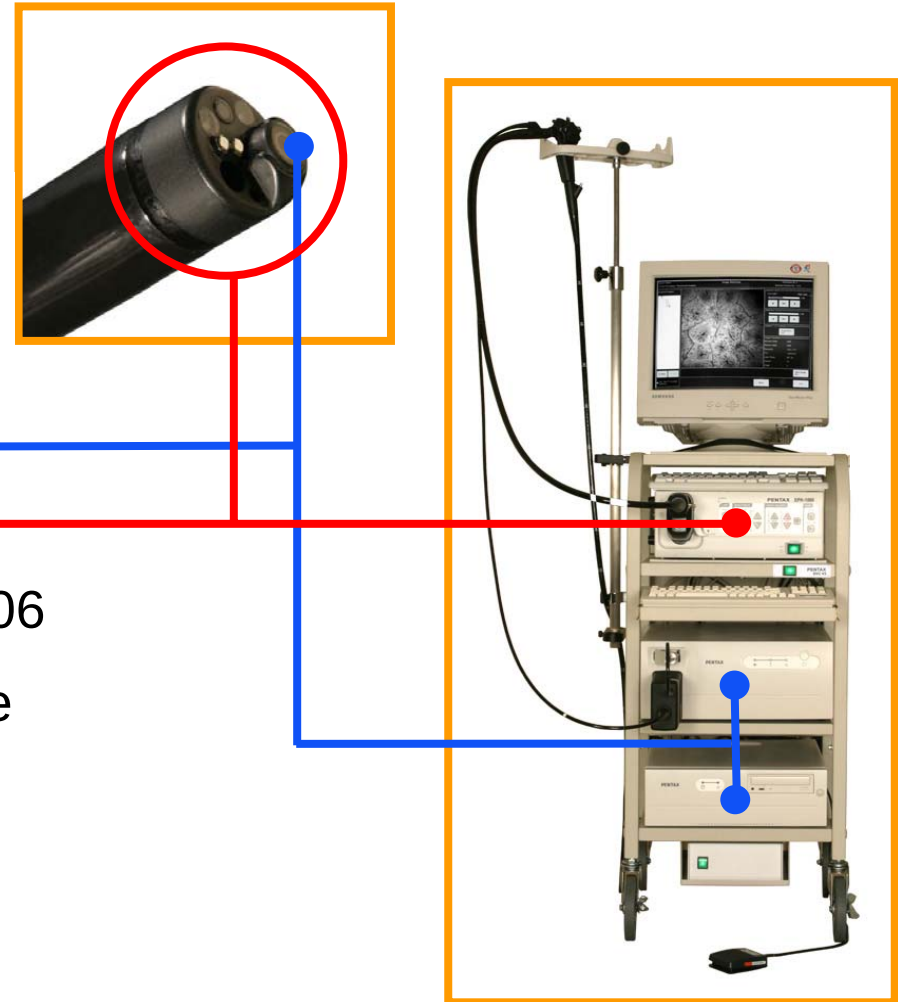
- Many attractive market segments remain open for further commercialisation of rigid-endomicroscopes
 - General Surgery
 - Urology
 - Gynaecology/Women's Health
 - Abdominal and thoracic robotic surgery
 - Orthopaedics
 - Dermatology
- Clinical pilot trials support commercialisation
 - Intra-operative margins, Whipple procedure - Sydney
 - Liver disease diagnosis - Germany
- Optiscan will pursue further partnerships and examine feasibility of Optiscan branded instruments



PENTAX partnered for flexible endoscopes

- Flexible endoscope market, value ~US\$1.2B
- Pentax global share 15-20%
- Optiscan miniaturised confocal scanner integrated into Pentax flexible endoscope
 - Optiscan
 - Pentax
- ISC 1000 sales launch in March 2006
- Optiscan product sales and revenue
 - 47 systems A\$3.2M 2005/06
 - 88 systems >A\$5M 2006/07

Pentax ISC 1000 System



PENTAX \$7M Development Agreement

- A\$4.8M of expenditure to accelerate market penetration
- Target obtaining additional reimbursement for flexible endo-microscope procedures in Europe and USA
- CRO controlled multi-centre studies in Europe and USA
 - Leveraging excellent single centre trial data
e.g. Ulcerative colitis - randomised prospective blind trial*

	Standard procedure (73)	Endomicroscope procedure (80)
Cancers found	5	19
Necessary Biopsies	41	4
Time of Procedure	~ 60 minutes	~ 50 minutes

- Optiscan to have detailed input into trial strategy
- Trials to commence later in 2007
 - Europe first
 - USA second

OptiScan FIVE((1)) is a pre-clinical instrument

- Innovative *in-vivo* research instrument enabling new research
- Target markets in drug development and translational research
- Full Optiscan production and direct sales
 - Second endomicroscope product from the one platform
 - High margin capture
- First sales 2007
- Modest adjunct market with high strategic importance



Optiscan Financial Results

	<u>FY05/06</u>	<u>FY1H06/07</u>
• Product sale revenues	A\$ 3.23M	A\$ 2.48M
• Total revenues	A\$ 5.63M	A\$ 5.45M
• Operating expenses	A\$ 7.00M	A\$ 3.49M
• R&D expense percentage	45%	48%
• Net profit (loss) after tax	A\$ (3.94M)	A\$ 0.10M
• Cash	A\$ 6.65M	A\$ 4.96M
• Other Assets	A\$ 5.33M	A\$ 7.05M
• Liabilities	A\$ 1.66M	A\$ 1.51M

Revenue from design and development is a new element in Optiscan's business

- A strong product development pipeline important for Optiscan partners
- Commitment to building continued market leadership through ongoing design and development
- Pentax to pay \$2.2M to partially fund Optiscan design and development of new instruments
- Carl Zeiss to pay \$4M in design and development based milestones for their initial instrument
- Commercial Ready grant to pay \$1.9M (matched funding) for deeper imaging using multi photon lasers

Continued modest sales growth is required to become profitable

- First half profit of \$0.1M included once off back royalty payments of A\$2.1M
- Progress over the last 4 months has added three new revenue streams to the business for 2007/08
 - Carl Zeiss rigid endo-microscope deal milestone payments
 - Pentax Development Agreement funding design and development work
 - Sales of Optiscan FIVE 1 instruments
- Sales of less than 200 systems pa needed to achieve sustainable profitability
- Pentax forecasts expected to be choppy with an underlying growth trend

Optiscan has a commercially experienced Board and management team



Grant Latta, Chairman : Former MD Pacific Dunlop Foods and Foam&Fibre
2002 Director BTA, Sunrice; Aust Comp Tribunal



Matthew Barnett, CEO : Experienced GM with strong commercialisation
2002 focus; Amcor, Boston Consulting Group, Timken



Keith Daniel, NED : Former CEO Nucleus, 34 years medical devices
2001 experience. Director Milvella



Tony Rogers, NED : Former CEO Smorgon ARC, career with ICI
2002 Director Aust Securities Ltd, Monash Commercial



Peter Delaney, Dir of Technology : Optiscan founder, unique knowledge
1994 of technology and clinical applications



Bruce Andrew CFO : Extensive commercial and financial experience in
listed companies



John Allen IP & Bus Dev Mgr : Wide ranging and highly relevant
experience in biology, technology & IP



Rob Pattie R&D Mgr : Background in optical engineering with Telstra,
PhD in Photonics

Optiscan Summary

- Commercialisation of unique endomicroscope technology underway
 - Pentax partnership flexible endo-microscopes
 - Carl Zeiss partnership for segment of rigid endo-microscopes
 - Optiscan FIVE1 pre-clinical endo-microscopes
- Market penetration to accelerate with Pentax input
- Significant further upside available from other rigid endo-microscope segments through
 - Further partnerships
 - Optiscan instrument
- Product pipeline funding for second generation instruments
- Experienced Board and management
- Sound financial position



The global leader in microscopic
imaging technologies for medical
markets