



29 April 2010

MARCH QUARTER 2010 UPDATE

Executive Chairman - Angus Holt

Optiscan recorded an unaudited net loss after tax for the March quarter of \$583,000 resulting in a loss for the nine months to the end of March of \$1.181m. Net cash outflow for the March quarter was \$431,000, resulting in an end of quarter cash balance of \$1.921m.

The March quarter loss includes a contractual payout to former CEO Ms Vicki Tutungi of approximately \$137,000. Ms Tutungi was also granted 850,000 shares in accordance with her contract of employment.

Gross operating cash costs are now approximately \$160,000 per month. These costs consist of a highly skilled product and intellectual property development team of 8 (including 1 executive director) and two executive directors (Chairman and CFO). The collective cash remuneration of the Company's three executive directors has been reduced to \$325,000 (i.e. an average of \$108,000 per executive director) in conjunction with equity incentives in the form of options. Options packages for directors have not yet been finalised, save for an exercise price of 10 cents per share and an expiry date of 31 December 2011. Shareholders will be notified upon finalisation of the terms and quantum of options proposed to be issued to directors with shareholder approval to be sought thereafter.

Revenue generated during the March quarter included:

- Neurosurgery trial services provided under collaboration with Zeiss;
- Service fees and parts supplies to Hoya;
- Two further FIVE-1 sales;
- Patent Infringement royalties.

Neurosurgery Trials (Zeiss)

Neurosurgery trials being conducted in the US continue to progress well and are likely to provide material benefits to the Company this year. Confidentiality obligations restrict us from commenting further at this stage of the project. We are currently in discussions with Zeiss around the form of continued cooperation between our companies.

Generation 2 Flexible Endomicroscope

As previously reported the Company's second generation scanner is ready to advance to clinical evaluation. The accompanying second generation processing unit (or control box) is currently going through late stage software debugging. Subject to a timely debugging process, we expect to have two second generation high definition endomicroscope systems ready for clinical evaluation in the latter stages of this half.



Support Services to Hoya

Optiscan's formal service arrangements with Hoya came to an end on 31 March 2010. Since that time Optiscan has continued to provide support services to Hoya through the supply of parts and services on an at will basis.

Five-1

Two Five-1 units were sold during the March quarter bringing the total number of units sold in the nine months to the end of March to four. While we expect at least one further FIVE-1 sale this financial year, the often long lead time from expression of interest to fulfilment of sale makes projections difficult. Optiscan has sufficient stock of finished FIVE-1 units for the next 12 months based on current demand. Consequently the cash flow from these sales is almost equivalent to Optiscan's selling price.

The March quarter sales were into China and Japan.

Other Developments

Over the past few months our focus has intensified around enhancing our already strong intellectual property portfolio and better leveraging the expertise and many years of experience that resides within our core product and intellectual property development team.

Along with several significant enhancements around the protection of existing IP, our team has developed probe based solutions around both our generation 2 platform and also around further miniaturisation concepts.

Probe based endomicroscopy acts as an accessory to existing endoscopes rather than a completely integrated endomicroscope. The probe based endomicroscope is fed into the working channel of existing endoscopes in much the same way as other accessories such as miniaturised forceps. Consequently, the probe based endomicroscope follows much broader pathways to market and can be used as an accessory to endoscopes made by many manufacturers. While the probe based solution necessarily involves compromises over image quality and functionality, Optiscan's team has demonstrated that these compromises can be minimised to deliver a highly efficacious probe based endomicroscope using its second generation platform.

Probe based endomicroscopy is a complementary offering to the fully integrated endomicroscope, with the latter providing superior performance in terms of image quality and functionality. The continued development and refinement of Optiscan's probe based endomicroscopy solutions is a priority.

Digestive Diseases Week (DDW)

DDW is the world's largest gathering of physicians and researchers in gastroenterology, hepatology, endoscopy and gastrointestinal surgery. DDW will take place from 1-5 May in New Orleans and will be attended by Peter Delaney and myself. Along with several relevant scientific and medical presentations around endomicroscopy, we have many prearranged meetings with key corporate players within this space.

Summary

Over the past quarter we have continued to analyse and address our infrastructure requirements and priorities not only in light of operational efficiency but also in an effort to appropriately leverage our market leading technology and skill base in an intensely risk



managed framework. Such efforts have resulted in pleasing product and IP developments and importantly resulted in no imminent need to raise cash for our operations.

I am hopeful that as we continue to make progress in coming months the somewhat negative psyche surrounding our company will become positive or at least neutral, and that will lead to a worthy re-rating of our stock. I have sufficient confidence in our financial markets that should we continue to make progress, that progress will be duly recognised in our stock price over time.

In the meantime, I appreciate the patience and support of our many shareholders and we will continue to work hard to create value.

Angus Holt

Executive Chairman

Background

Optiscan is a global leader in microscopic imaging technologies for medical markets. Optiscan's unique and patented technologies enable high-powered microscopes to be miniaturised and used inside the body. The technology enables microscopic imaging of up to 1000 times magnification to be achieved. Doctors can use the technology to instantly see cellular level details of tissue without the requirement to surgically remove tissue (biopsy).

Optiscan's patented miniaturised microscope technology is being used in the field of flexible endo-microscopes.

Optiscan has also entered into a collaboration with the Carl Zeiss Group in Germany for the use of its patented miniaturised microscope technology in rigid endoscopes in key Zeiss markets.

Further information:

Gus Holt, Chairman
Tel (613) 9538 3347
GusH@optiscan.com

Bruce Andrew, CFO
Tel (613) 9538 3398
brucea@optiscan.com