

03 April 2018

Q&A with Executive Chairman – Alan Hoffman

Following recent announcements there has been an increase in volume and range of shareholder queries. Today I am sharing this question and answer document with you in response to these queries.

Given the broad ranging but also detailed nature of the information included in this document, we have lodged it with the ASX to provide equivalence of access for all our shareholders and interested stakeholders.

I hope this document provides you with appropriate clarity and I look forward to sharing further updates with you soon.

Employee Changes

- **Why did former CEO Archie Fraser resign? Was he pushed?**

The former CEO Archie Fraser resigned with immediate effect on 22 January 2018. The company had no discussions with Mr Fraser about his tenure prior to his decision to resign so, no, he was not pushed. Mr Fraser has since been a co-signatory to a requisition notice seeking significant change to the composition of the Optiscan Board and to appoint himself as a Director of the company.

- **Did Archie Fraser get all his entitlements when he left Optiscan?**

Archie Fraser received all his entitlements including the conversion of 4.5million share options and 6 months' salary in lieu of notice.

- **Did you have any performance concerns about Archie Fraser in his role as CEO?**

We are not in position where we are able to discuss this matter.

- **Can you provide more details on the resignations announced to the market on 27 March 2018?**

Up until 27 March, we had been in internal negotiations with some contractors and staff who had expressed their concerns to the board about uncertainty and future direction. We had been in constant contact with the ASX and our legal advisers who agreed that these discussions represented incomplete negotiations under Listing Rule 3.1A. When it became absolutely clear there was no chance of reversing the employee and contractor concerns, we announced the resignations to the market. The Q&A points below provides more details on those personnel.

- **Why did Peter Delaney resign?**

Peter is also a co-signatory to the first requisition notice (dated 15 March 2018) which seeks significant change to the composition of the Optiscan Board. This is the same requisition notice co-signed by the former CEO, Mr Archie Fraser.

- **When did Peter Delaney tender his resignation?**

Peter tendered his resignation on March 15 – interestingly, this was the same day the first requisition notice mentioned above was received to which he is a signatory. When it became absolutely clear there was no chance of reversing his decision to resign, we accepted Peter's resignation on 27 March and announced it to the ASX that same day.

- **How many other resignations have there been recently? What did these people do?**

We have also received a resignation from:

- Peter Pavlicek (QA and Regulatory Affairs Manager): We have a succession plan in place for this role which we are in the process of implementing, enabling a smooth and seamless handover.

We have also received indications from people operating under contract that they intend withdrawing their services from Optiscan as follows:

- Andrew Froude (General Manager - Preclinical Research Products): Andrew Froude is responsible for ViewnVivo. Whilst sales in this area have been well below expectations, we believe there is a strong market for this product so we have commenced discussions with replacements.
- Tony Dobson (Accountant): Tony Dobson linked his withdrawal of services to the outcomes of the General Meeting. However, our CFO remains in place. We are in discussion with a highly experienced replacement accountant and expect a quick and seamless handover.
- Rob Pattie (R&D Manager). Rob Pattie linked his withdrawal of services to the outcomes of the General Meeting. We have a succession plan and structural changes in place for this role which takes into account that Optiscan has moved into a production phase (see below).

- **How will Optiscan survive without these people?**

From a management perspective, at half the cost of the previous CEO, I have stepped into the Executive Chairman role until we appoint a new CEO – the process for which is well under way. Peter Delaney has provided three months' notice as the Chief Technology Officer and we are very confident of attracting a high calibre replacement who will bring a renewed energy to this role. We also have succession plans in place for all other departing people as outlined above.

Additionally, and most importantly, after 20 years in a development phase, Optiscan moved into a production phase in 2018. Our highly skilled and experienced production team are a wonderful, skilled and experienced group of people. They remain very active in the business and will continue to deliver high quality commercially saleable products into the marketplace.

- **Optiscan appears to be losing many years of experience. Will all that history now be lost?**

Across the business, the collective experience of the team remaining in the company is approaching 100 years. We have two people with over 20 years' experience each and 6 more who have passed 5-year milestones so we retain our long term knowledge in the business. Additionally, there is also an opportunity to attract new talent and ideas to our business to renew and refresh our knowledge base.

Company Vision

- **What is the vision for Optiscan?**

We have a unique opportunity to scale the business to new heights. Optiscan is on the cusp of entering the world stage thanks to its world leading technology in the confocal microscope space. To become a true player on the global stage, we need a world class structure to deliver on that stage. This begins with having world class employees in our business (which we have), a strong, energetic and motivated management team (which we are creating) and a world class CEO (which we are recruiting).

This is a unique opportunity to re-set the business, to build on what is already a world class team producing world class products and to drive this business forward to new heights.

Board Composition and Performance

- **Are any directors part of these General Meeting requests?**

Director Ian Mann is a co-signatory to the first requisition notice (dated 15 March 2018) which seeks significant change to the composition of the Optiscan Board. The second requisition notice (dated 24 March 2018) is from a group of shareholders with no association with any members of the current board.

- **What was the position of the Company prior to the current Board taking control in 2016?**

Prior to the appointment of the new Board in May 2016 and to the company's subsequent recapitalisation under the current Board, Ian Mann and Peter Delaney were directors of Optiscan and presided over it at a time that led to the company being out of cash and being suspended from trading on the ASX.

- **What have been the major achievements of the current Board?**

The current Board of Optiscan is very proud of what it has achieved since 2016. The balance sheet is now much, much stronger, Optiscan has cash in the bank and the outlook is clearer and more exciting than it has been since Optiscan's inception. Importantly, in conjunction with exceptional shareholder and investor support, the board was instrumental in coordinating the injection of much needed capital into the business.

Most significantly, it was the current Chairman and board that introduced the "3 Pillars Strategy" at the 2016 AGM which has been the cornerstone for Optiscan growth and transformation since then.

The significance of this board change cannot be underestimated. The board of Optiscan prior to May 2016 brought this company to its knees – it is only through the implementation of a sound strategy and strong business principles that Optiscan is in the strong position it is today. The share price and market capitalization growth of the company grew on the back of those sound business principles

Business updates and regulatory approvals

- **Your business update on 22 December 2017 suggested CE regulatory approval was anticipated in the first quarter of 2018 – has this been achieved? – if not, why not?**

Yes, we did say that – it was based on a presentation made to us and under our disclosure obligations, the company announced that to the market. This release was based on internal reports prepared by the then CEO, Archie Fraser on 19 December which suggested that "this is anticipated to be February 2018". With the benefit of hindsight and given the process of European regulatory approval is beyond our control, we could and should have been even more prudent in setting those expectations. To highlight this more prudent approach, our mid-year report, which was prepared in conjunction with Zeiss, updated the market indicating "FDA and CE Mark approvals expected during 2018".

The General Meeting

- **When is the General Meeting?**

The General Meeting is planned for Thursday 10 May 2018 and will be held in Melbourne.

- **Why is there a General Meeting?**

On 15 March 2018 a requisition notice was lodged by a small minority of shareholders. The notice is seeking significant change to the composition of the Optiscan Board. Unfortunately, despite a preparedness of the current board to negotiate an outcome, these shareholders decided to lodge the General Meeting request and to go public with their concerns. On the back of that notice, on 24 March 2018, a second requisition notice was lodged by another group of shareholders.

All the destructive actions have been initiated by the group comprising Ian Mann and Archie Fraser including but not limited to:

- The calling of a General Meeting rather than negotiating a compromise solution
- Airing concerns publicly to the detriment of the business and the creation of uncertainty for its employees, shareholders and customers
- The adverse and destructive involvement of senior staff in an apparent attempt to leverage a position.

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About Optiscan

Optiscan is an Australian company that has developed and patented miniaturised confocal microscopes and is now a global leader in the development and application of microscopic imaging technologies for Preclinical Research in science and life sciences as well as medical markets, such as neurosurgery. With the high cost of curative medicine, an opportunity exists for Optiscan's technology to be used globally to reduce costs and be used as a key tool for the early detection of disease, the effective treatment of disease and the improvement of treatment outcomes.