

28th April 2017

Market Update

Optiscan remains on track with the strategic direction outlined at the AGM and in recent market updates. Recent progress includes:

- **Developing the Carl Zeiss Meditec (CZM) collaboration:**
 - Orders for Production Equivalent Systems (PES) have been received from CZM and are on track to be delivered in May-17.
 - Optiscan (OIL) senior technical, QA and software team visited CZM headquarters (Germany) over the past few weeks to work on the final stages of production testing.
 - Commencing in May-17, and over the coming months, OIL Chief Technology Head (Peter Delaney) will be working directly with selected CZM clients at sites in Europe and USA on system optimisation and training methodology.
 - Discussions have commenced with CZM on additional features, potential future applications and improvements for future generation systems in the ongoing OIL-CZM collaboration partnership.
 - Testing of the OIL-CZM collaboration PES is expected to be completed by May-17 and the final report and PES test approval expected by June-17.

- **Sales of ViewnVivo – our second-generation pre-clinical research product:**
 - USA:**
 - As communicated in March-17, OIL had a successful visit to USA by Head of Pre-Clinical Products (Andrew Froude).
 - Following the trip, there has been solid levels of communication and follow up interest in the ViewnVivo system from research organisations in the USA. This confirms that ViewnVivo is a competitive product in this space and, importantly, highly competitive against our direct competitor.
 - Feedback confirms that OIL technology through the ViewnVivo system offers the potential for significant improvement in the imaging detail over several in vivo research applications.
 - OIL will be shipping an initial 2 ViewnVivo systems to USA during May-17 for specific customer installation trials and a number of direct client requested demonstrations at major research institutions across the USA.
 - Discussion with a potential USA-based distribution partner have advanced to the potential to promote and represent the ViewnVivo product into the USA Pre-clinical market.
 - OIL is working towards having a USA distribution agreement for ViewnVivo in place over the next few months.

China:

- China is potentially a major and significant market for the ViewnVivo product.
- During April-17, Andrew Froude visited China and completed a number of ViewnVivo product demonstrations to research institutions in China.
- OIL now has an initial ViewnVivo system based in China which is ready and available for ongoing customer demonstrations and trials over the next few months.
- Meetings have now taken place with several potential distribution partners in China for the region and discussions are advancing and ongoing as we work through an evaluation process to determine the best fit partners for a ViewnVivo take to market strategy in China.
- OIL will continue to explore opportunities in this market and has developed a risk mitigation strategy in doing so.

UK/Europe:

- Discussions continue with MR Solutions and other parties on the potential distribution of ViewnVivo for specific pre-clinical geographic territories in UK and Europe.
- Discussions are also advancing with the USA-based distribution partner (noted above) who also has coverage in Europe regarding the potential for European representation of ViewnVivo in markets outside of the USA.

Australia:

- Evaluations of the ViewnVivo continue for Australian research entities and universities on the back of the LMA Conference (February-17).

• Exploring new market opportunities for related Optiscan products and services:

- Initial and early general discussions have taken place in China with a domestic Endoscope manufacturer and distributor regarding the potential for the OIL technology to be reintroduced into the clinical endoscope marketplace.
- This clinical area will not be the major focus until OIL has delivered on the existing opportunities that we have identified as an absolute priority for the company – these being the commercialisation of CZM collaboration project and global distribution, pipeline, sales and installations of our ViewnVivo system.

• Other recent activities:

- When the new management and board were appointed, one of the secondary but nonetheless outstanding issues was the operating premises hangover from previous times.
- The existing premises are double the size required for the business with less than half the building has been occupied by OIL for the past 9 years.
- The company has been operating on some uncertainty around the lease – albeit that this uncertainty has been managed through a strong and understanding relationship with the landlord.
- For the last few months, OIL has been actively looking for a more suitably sized and more modern premises to operate from well into the future.
- OIL will now be relocating premises during May-17 from our existing location to a stand-alone, better suited facility within the Monash area. Secured with a long-term lease in place, the new premises provides an opportunity for an enhanced company image and an opportunity to renew and refresh workflows and practices within OIL.

Next Update

The next Market Update will be after the next Optiscan board meeting which will take place on 26 May 2017.

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About Optiscan

Optiscan is an Australian company that has developed and patented miniaturised confocal microscopes, and is a global leader in the development and application of microscopic imaging and related technologies for medical and research markets.

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