OPTISCAN IMAGING LIMITED

ABN : 81 077 771 987

APPENDIX 4D

Report for the Half Year ended

31 December 2008

Previous corresponding period : Half year ended 31 December 2007

This half year report is to be read in conjunction with the company's 2008 annual report

CONTENTS

1. Results for announcement to the market

The results of Optiscan Imaging Limited for the half year ended 31 December 2008 are as follows:

Results

- Total revenues from ordinary activities down slightly (0.3%) from $2,687,775 to $2,679,182.
- Loss from ordinary activities after tax attributable to members up 188% to $5,618,778, (2007: loss $1,952,148).
- Net loss after tax attributable to members up 188% to $5,618,778, (2007: loss $1,952,148).
- Net loss includes impairment losses of $3,930,220 (2007: Nil). The net loss excluding impairment was down $1,688,558, down 13.5% (2007: $1,952,148).

Dividends

No dividends have been paid or declared by the entity since the beginning of the reporting period. No dividends were paid or declared in the previous corresponding period.

2. Commentary on result

The results for the half year to 31 December 2008 have been materially affected by the deterioration in global economic conditions and the requirement to recognise impairment losses amounting to $3,930,220.

Zeiss Collaboration
We continue to maintain a steady rate of progress with the Zeiss collaboration. Human pilot trials were near completion at the end of December, and compilation and analysis of results is now being carried out. Simultaneously, development of the second generation platform has been maintained, and is moving forward.

Pentax/Hoya
Over the past 6 months Pentax/Hoya has purchased parts and supplies, for the ISC 1000 in anticipation of the expiration of the Supply Agreement. The Supply Agreement was signed by the parties in October 2005 and expires in March 2009. Under the terms of the Licence Agreement between the parties, Pentax/Hoya now has the right to manufacture the ISC 1000 itself and pay Optiscan a royalty on all units sold. Negotiations with Pentax/Hoya around the future of the Generation 2 technology continue.

Optiscan FIVE 1
Considerable effort has been focussed on the marketing of FIVE 1 during the half year. So far this financial year 5, FIVE1 units have been sold. They have been sold to research institutions in Japan, Canada, Singapore, Germany and Australia. A solid prospect list has been developed, and more interest in the technology is coming from the research community based on the new papers written by those groups who have completed research using the tool.

New Business Developments
The trial in Women's Health continued during the period and patient recruitment is drawing to a close. Our first trial in robotic surgery also commenced in the US. Whilst Optiscan is confident

that a significant opportunity exists in both of these markets for its product, it is likely that on completion of the trials product development will be postponed whilst resources and access to funding continues to be constrained.

Funding
As reported at the AGM in November, we have been actively seeking additional funding to enable us to continue to meet our obligations as well as to realise the opportunities in new applications. The market conditions are difficult and no new funding has yet been secured. During the period we have reduced costs considerably. We continue to assess the different business models available which include further restructure of our operations to match available resources and sale of technology. We are currently in dialogue over alternate sources of funding.

Financial Results

Optiscan recorded a net loss after tax of $5,618,778 which included impairment losses of $3,930,220. The loss excluding impairment was $1,688,558, down 13.5% on the loss of $1,952,148 last year. Cash on hand at 31 December 2008 amounts to $2,422,353.

3. Brief explanation of financial results

Revenue
Total revenue for the half year was steady, amounting to $2,679,182, compared to $2,687,775 in 2007.

Sales revenue from Pentax increased as a result of the sale of parts and supplies, but FIVE 1 sales declined. Income from royalties declined in total, although recurring royalties increased, offsetting a decline in infringement royalty receipts. Interest income was lower, as was grant income, but revenue from design and development fees increased. As noted, the net of all of these movements was immaterial, with total revenue being almost unchanged.

Expenses
Operating expenses were reduced by 12% during the half year, although redundancy payments reduced the final expense saving to 8% compared to 2007. Most saving were made in administration costs. R&D expenses reduced only marginally as development of the CIS2 platform continues to be a priority.

Impairment losses
The most significant item in the result for the half year is the recognition of impairment losses.

The trading position of the Group has been compromised for some time by the absence of orders from our principal trading partner, Pentax (Hoya). This has placed pressure on the Group's funding position, which has been further weakened by the scarcity of capital in the biotechnology sector as a consequence of the global financial crisis. The group has responded to these circumstances by reducing costs and capacity, which has resulted in certain items of plant and infrastructure being unused and in excess of current requirements.

In addition, the continuing absence of new orders, combined with the transition to a second generation platform currently under development, means that much of the first generation inventory will not be converted to product if the present trading conditions continue to prevail. Inventory considered to be in excess of current requirements has been identified and an impairment loss reducing the carrying value has been recognised.

A further consequence of the downturn in sales is that considerable uncertainty now surrounds the future cash flows from product sales that have underpinned the carry value of goodwill. As a result, an impairment loss has been recognised to reduce the carrying value of goodwill to zero.

Results
The net loss after tax of $5,618,778 is significantly higher than the previous corresponding period ($1,952,148), and is largely attributable to the effect of the impairment losses. The net loss excluding impairment was $1,688,558 (2007, $1,952,148). Income tax of $41,444 represents the

write off of withholding tax deductions (2007, $42,469).

4. Other information to be included in Appendix 4D

Net Tangible Assets per ordinary Security
Net tangible assets per ordinary security at 31 December 2008 amount to $0.02 (2007: $0.06).

Subsidiaries, associates and joint ventures
There were no changes in subsidiaries, associates and joint ventures during the half year.

Status of review of accounts
This Appendix 4D is based on accounts which have been subject to review by our auditors.

5. Financial information

The Interim condensed Financial Report for the half year ended 31 December 2009 is set out on pages 5 to 23 of this report.

Bruce Andrew
Company Secretary

27 February 2009

Optiscan Imaging Limited

ABN 81 077 771 987

Interim Condensed Financial Report

for the half year ended 31 December 2008

Contents

Corporate Information

ABN 81 077 771 987

This interim report covers the consolidated entity comprising Optiscan Imaging Limited and its subsidiaries. The Group's presentation currency is Australian Dollars AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 3-4. The directors' report is not part of the financial report.

Directors

G. F. Latta (Chairman)
V. L. Tutungi
P. M. Delaney
A. M. Holt
A. W. Rogers

Company Secretary

B.R. Andrew

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Australia

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T 61 3 9415 5000

Solicitors

Lander & Rogers
600 Bourke Street
Melbourne VIC 3000

Auditors

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000

Bankers

ANZ Banking Group
National Australia Bank

Directors' Report

The Board of Directors of Optiscan Imaging Limited has pleasure in submitting its report in respect of the half year ended 31 December 2008.

Directors

The names of the directors in office during or since the end of the half year are:

Mr Grant Latta, Chairman
Ms Vicki Tutungi, Chief Executive Officer
Mr Keith Daniel, Non-executive Director (Resigned 24 November 2008)
Mr Peter Delaney, Director of Technology
Mr Angus Holt, Non-executive Director (appointed 12 February 2009)
Mr Antony Rogers, Non-executive Director
Mr James Fox, Non-executive Director (appointed 1 July 2008, resigned 30 November 2008)

Review of Operations

The results for the half year to 31 December 2008 have been materially affected by the deterioration in global economic conditions and the requirement to recognise impairment losses amounting to $3,930,220.

Zeiss Collaboration
We continue to maintain a steady rate of progress with the Zeiss collaboration. Human pilot trials were near completion at the end of December, and compilation and analysis of results is now being carried out. Simultaneously, development of the second generation platform has been maintained, and is moving forward.

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The trial in Women's Health continued during the period and patient recruitment is drawing to a close. Our first trial in robotic surgery also commenced in the US. Whilst Optiscan is confident that a significant opportunity exists in both of these markets for its product, it is likely that on completion of the trials product development will be postponed whilst resources and access to funding continues to be constrained.

Funding
As reported at the AGM in November, we have been actively seeking additional funding to enable us to continue to meet our obligations as well as to realise the opportunities in new applications. The market conditions are difficult and no new funding has yet been secured. During the period we have reduced costs considerably. We continue to assess the different business models available which include further restructure of our operations to match available resources and sale of technology. We are currently in dialogue over alternate sources of funding.

Directors' Report (continued)

Review of Operations (continued)

Financial Results
Optiscan recorded a net loss after tax of $5,618,778 which included impairment losses of $3,930,220. The loss excluding impairment was $1,688,588, down 13.5% on the loss of $1,952,148 last year. Cash on hand at 31 December 2008 amounts to $2,422,353.

Auditor independence

The directors have obtained a declaration of independence from Ernst & Young, the group's auditors, which is attached to this report.

This report has been made in accordance with a resolution of directors.

Vicki Tutungi

Director

Melbourne
27 February, 2009

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Auditor's Independence Declaration to the Directors of Optiscan Imaging Limited

In relation to our review of the financial report of Optiscan Imaging Limited for the half year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Don Brumley
Partner
27 February 2009

Income Statement
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	*CONSOLIDATED*	
		2008 *$*	*2007* *$*
Continuing operations			
Sale of goods		987,678	701,568
Rendering of services		95,955	14,476
Other revenue	4(a)	1,543,620	1,477,101
Revenue		2,627,253	2,193,145
Cost of sales		(836,627)	(767,790)
Gross Profit		1,790,626	1,425,355
Other income	4(b)	51,929	494,630
Administrative expenses		(1,430,572)	(1,703,526)
Research & development expenses		(1,740,073)	(1,786,355)
Marketing expenses		(309,024)	(278,534)
Other expenses	4(e)	(3,940,220)	(61,249)
Loss before income tax		(5,577,334)	(1,909,679)
Income tax expense	5	(41,444)	(42,469)
Net Loss for period		(5,618,778)	(1,952,148)
Loss per share (cents per share)			
- basic loss per share for the period		(4.8)	(1.9)
- diluted loss per share for the period		(4.8)	(1.9)

Balance Sheet
AS AT 31 DECEMBER 2008

	Note	CONSOLIDATED December 2008 $	June 2008 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	2,422,353	3,990,520
Trade and other receivables		926,028	482,491
Inventories	7	250,882	1,885,268
Prepayments		35,003	45,672
Total Current Assets		3,634,266	6,403,951
Non-current Assets			
Plant and equipment	8	137,420	795,296
Intangible assets - Software		-	49,366
Goodwill		-	1,981,467
Total Non-current Assets		137,420	2,826,129
TOTAL ASSETS		3,771,686	9,230,080
LIABILITIES			
Current Liabilities			
Trade and other payables		415,514	608,190
Provisions		761,399	870,127
Total Current Liabilities		1,176,913	1,478,317
Non-current Liabilities			
Provisions		26,756	48,249
Total Non-current Liabilities		26,756	48,249
TOTAL LIABILITIES		1,203,669	1,526,566
NET ASSETS		2,568,017	7,703,514
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	43,875,169	43,428,415
Retained earnings		(41,959,835)	(36,341,057)
Reserves		652,683	616,156
TOTAL EQUITY		2,568,017	7,703,514

Statement of Changes in Equity
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Half Year Ended 31 December 2008				
At 1 July 2008	43,428,415	(36,341,057)	616,156	7,703,514
Foreign exchange gains on translation of foreign subsidiary taken to equity	-	-	27,162	27,162
Total income/expense recognised directly in equity	-	-	27,162	27,162
Loss for half year	-	(5,618,778)	-	(5,618,778)
Total recognised income/expense for the period		(5,618,778)	27,162	(5,591,616)
Issue of shares pursuant to placement	450,102	-	-	450,102
Costs of share issue	(3,348)	-	-	(3,348)
Share based payment			9,365	9,365
At 31 December 2008	43,875,169	(41,959,835)	652,683	2,568,017

	Ordinary Shares $	Accumulated Losses $	Reserves $	Total $
Half Year Ended 31 December 2007				
At 1 July 2007	40,773,321	(31,356,717)	516,563	9,933,167
Loss for half year	-	(1,952,148)	-	(1,952,148)
Total recognised income/expense for the period	-	(1,952,148)	-	(1,952,148)
Issue of shares pursuant to exercise of employee options	113,123	-	-	113,123
Share based payment	-	-	59,331	59,331
At 31 December 2007	40,886,444	(33,308,865)	575,894	8,153,473

Cash Flow Statement
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

	Note	*CONSOLIDATED*	
		2008	*2007*
		$	*$*
Cash flows from (used in) operating activities			
Receipts from customers (inclusive of GST)		1,661,977	2,645,182
Payments to suppliers and employees (inclusive of GST)		(3,994,569)	(4,829,362)
Royalties received		397,033	487,690
Interest received		90,236	184,492
Income tax paid		(41,444)	(42,469)
Receipt of government grants		40,000	379,093
Net cash flows (used in) operating activities	6	(1,846,767)	(1,175,374)
Cash flows from investing activities			
Purchase of plant and equipment		(115,409)	(273,703)
Purchase of intangible assets - software		(34,235)	(5,850)
Net cash flows (used in) investing activities		(149,644)	(279,553)
Cash flows from financing activities			
Proceeds from issue of shares	9	450,102	113,123
Share issue costs	9	(3,348)	-
Net cash flows from financing activities		446,754	113,123
Net increase (decrease) in cash and cash equivalents		(1,549,657)	(1,341,804)
Net foreign exchange differences		(18,510)	(31,970)
Cash and cash equivalents at beginning of period		3,990,520	5,936,573
Cash and cash equivalents at end of period	6	2,422,353	4,562,799

Notes to the Financial Statements
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

1 CORPORATE INFORMATION

The financial report of Optiscan Imaging Limited ("the Company") for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 27 February 2009.

Optiscan Imaging Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange. The nature of the operations and principal activities of Optiscan Imaging Limited and its controlled entities ("the Group") are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half year financial report should be read in conjunction with the annual Financial Report of Optiscan Imaging Limited as at 30 June 2008.

It is also recommended that the half year financial report be considered together with any public announcements made by Optiscan Imaging Limited and its controlled entities during the half-year ended 31 December 2008 and up to the date of signing these accounts in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of preparation

The half-year condensed financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and AASB 134 Interim Financial Reporting. The financial report is presented in Australian dollars, and for the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going Concern (Significant Uncertainty as at 31 December 2008)

In common with many entities in the biotechnology sector, the company's operations are subject to considerable risk due to the nature of the development and commercialisation being undertaken. A part of this risk relates to funding of the Company's activities, and related issues including the conditions prevailing in local and international financial markets. In the context of this operating environment, it is likely that the company will need to raise additional capital in order to execute its near term and medium term plans for expansion of its product portfolio.

As at 31 December 2008, the financial position of the consolidated entity as disclosed in the financial statements reflects a net asset position of $2,658,017. This balance has been determined after a consolidated net loss for the half year of $5,618,778 (2007 half year loss $1,952,148), and a net cash outflow from operations of $1,846,767 (2007 half year: $1,175,374).

The accounts have been prepared on a going concern basis, which includes the presumption that sufficient funds will be available to finance the operations of the consolidated entity. In adopting this position, the directors have had regard to:

- Cash on hand at 31 December 2008 is $2,422,353,
- The Company has the potential to raise additional income, or accelerate forecast cash flows if required
- The directors believe they may have a window of opportunity to raise additional capital from existing and new investors

Notes to the Financial Statements (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

Basis of preparation (continued)

The directors cannot be certain of the Company's ability to achieve success in its activities, as these are dependent on future events. Thus, should these activities result in a position where there are insufficient funds to allow continuation of current activities, the directors will consider scaling back activities until further funding is obtained, or undertake a reassessment of the company's activities. The strategy for any potential future capital raising and its timing will be determined by the directors based upon an assessment of the financial and operational circumstances of the consolidated entity at the time.

The directors plan to continue the Company and the consolidated entity's operations on the basis outlined above. To the extent that future arrangements may not be concluded on a timely basis, and in the absence of new capital or additional income, there is significant uncertainty whether the Group will continue as a going concern, and therefore, whether the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. Other than the impairment losses disclosed in Note 1(d), the financial statements take no account of the consequences, if any, of the effects of unsuccessful product development, commercialisation or capital raising, nor the ability of the company to continue as a going concern. Hence, the financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and consolidated entity not continue as going concerns.

b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Optiscan Imaging Limited and its subsidiaries as at and throughout 31 December 2008.

d) Impairment losses

The trading position of the Group has been compromised for some time by the absence of orders from our principal trading partner, Pentax (Hoya). This has placed pressure on the Group's funding position, which has been further weakened by the scarcity of capital in the biotechnology sector as a consequence of the global financial crisis. The group has responded to these circumstances by reducing costs and capacity, which has resulted in certain items of plant and infrastructure being unused and in excess of current requirements, and an impairment loss of $593,907, reducing the carrying value, has been recognised.

In addition, the continuing absence of new orders, combined with the transition to a second generation platform currently under development, means that much of the first generation inventory will not be converted to product if the present trading conditions continue to prevail. Inventory considered to be in excess of current requirements has been identified and an impairment loss of $1,354,846 reducing the carrying value has been recognised.

A further consequence of the downturn in sales is that considerable uncertainty now surrounds the future cash flows from product sales that have underpinned the carrying value of goodwill. As a result, an impairment loss of $1,981,467 has been recognised to reduce the carrying value of goodwill to zero.

Management has made estimates of the fair value less costs to sell of both plant and inventory with reference to indicative prices and recent sales transactions.

Notes to the Financial Statements (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

3 SEGMENT INFORMATION

The group has two separate business segments, being product realisation (trading), where activities comprise manufacturing and sales of confocal imaging products, and research and development, where activities include design and development of new products and technologies.

The Group's primary segment reporting format is business segments. The group does not operate in multiple geographic segments, as all activities are conducted in Australia.

Business segments

The following table presents revenue and profit/(loss) information for business segments for the half years ended 31 December 2008 and 31 December 2007

	Trading 2008 $	*R&D* 2008 $	*Unallocated* 2008 $	*Total* 2008 $
Half year ended 31 December2008				
Revenue				
Sales to external customers	1,083,6333	-	-	1,083,633
Other revenues from external customers	-	1,147,674	395,946	1,543,620
Inter segment revenue	-	-	-	-
Total consolidated revenue	1,083,632	1,147,674	395,946	2,627,253
Result				
Net loss	(3,695,123)	(907,046)	(1,016,609)	(5,618,778)
Assets and liabilities				
Segment assets *	987,760	44,715	2,739,211	3,771,686
Segment liabilities	(308,607)	(377,949)	(517,113)	(1,203,669)
Segment net assets	679,153	(333,234)	2,222,098	2,568,017
Cash flow				
Segment net cash flow from operating activities	(530,800)	(581,401)	(734,566)	(1,846,767)
Capital expenditure	(62,255)	(42,168)	(45,221)	(149,644)
Financing cash flows	-	-	446,754	446,754
Net cash flow	(593,055)	(623,569)	(333,033)	(1,549,657)
Other segment information				
Non cash expenses				
Depreciation	66,704	109,462	86,813	262,979
Impairment losses	3,505,402	216,183	208,635	3,930,220
Other non cash expenses	-	-	79,133	-

* Unallocated segment assets include cash

Notes to the Financial Statements (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

3 SEGMENT INFORMATION (continued)

	Trading	*R&D*	*Unallocated*	*Total*
	2007 *$*	*2007* *$*	*2007* *$*	*2007* *$*
Half year ended 31 December 2007				
Revenue				
Sales to external customers	716,044	-	-	716,044
Other revenues from external customers	-	738,488	738,613	1,477,101
Inter segment revenue	-	-	-	-
Total consolidated revenue	716,044	738,488	738,613	2,193,145
Result				
Net loss	(464,422)	(712,313)	(775,413)	(1,952,148)
Assets and liabilities				
Segment assets *	3,868,623	382,631	5,340,142	9,591,396
Segment liabilities	(392,512)	(518,220)	(527,191)	(1,437,923)
Segment net assets	3,476,111	(135,589)	4,812,951	8,153,473
Cash flow				
Segment net cash flow from operating activities	325,920	(675,864)	(825,430)	(1,175,374)
Capital expenditure	(2,835)	(143,066)	(133,652)	(279,553)
Financing cash flows	-	-	113,123	113,123
Net cash flow	323,085	(818,930)	(845,959)	(1,341,804)
Other segment information				
Non cash expenses				
Depreciation	33,158	73,018	96,463	202,639
Impairment losses	-	-	-	-
Other non cash expenses	-	-	91,301	91,301

* Unallocated segment assets include cash

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

4 REVENUES AND EXPENSES

		CONSOLIDATED	
		2008 *$*	*2007* *$*
(a)	**Other revenue**		
	Finance income – bank interest received	85,831	180,566
	Design and development revenue	1,147,674	738,488
	Royalty revenue		
	Recurring royalty revenue	310,115	175,025
	Royalty entitlement settlements	-	383,022
		1,543,620	1,477,101
(b)	**Other income**		
	Government grants	51,929	494,630
(c)	**Depreciation and amortisation**		
	Depreciation of plant and equipment	236,551	181,297
	Amortisation of software included in Administration expenses	26,428	21,342
		262,979	202,639
(d)	**Employee benefits expense**		
	Wages and salaries	2,283,366	2,284,570
	Workers' compensation costs	36,861	22,737
	Defined contribution plan expense	173,674	209,634
	Long service leave provision	(21,104)	40,990
	Share-based payments expense	9,365	59,331
		2,482,162	2,617,262
(e)	**Specific Items**		
	Impairment losses included in Other expenses		
	- Goodwill	1,981,467	-
	- Inventory (raw materials)	1,354,846	-
	- Plant and equipment		
	- Office furniture and equipment	169,089	-
	- Production equipment	216,183	-
	- R&D equipment	208,635	-
		3,930,220	-
	Other expenses	10,000	61,249
	Other expenses - total	3,940,220	61,249

Details of the circumstances surrounding the impairment losses and the basis of valuation are included in note 2

(f) Seasonality of operations

There is no inherent seasonality in the operations of the Group.

Notes to the Financial Statements (continued)

FOR THE HALF YEAR ENDED 31 DECEMBER 2008

5 INCOME TAX

	CONSOLIDATED	
	2008 *$*	*2007* *$*
Income Statement		
Current income tax		
Current income tax charge	-	-
Withholding tax deducted from royalty revenue	41,444	42,469
Income tax expense reported in income statement	41,444	42,469

There is no current income tax charge due to the availability of carry forward losses

6 CASH AND CASH EQUIVALENTS

Reconciliation to Cash Flow Statement

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 31 December:

	CONSOLIDATED	
	2008 *$*	*2007* *$*
Cash at bank and in hand	1,676,221	3,024,155
Short-term deposits	746,132	1,538,644
	2,422,353	4,562,799

Reconciliation of net loss after tax to net cash flows from operations

Net loss after tax	(5,618,778)	(1,952,148)
Adjustments for:		
Depreciation	262,979	202,639
Impairment losses	3,930,220	-
Net exchange differences	45,672	31,970
Share options expensed	9,365	59,331
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(443,537)	1,027,942
(Increase)/decrease in inventories	279,540	(234,615)
(Increase)/decrease in prepayments	10,669	(80,153)
(Increase)/decrease in derivatives	-	2,874
(Decrease)/increase in trade and other payables	(192,676)	(247,958)
(Decrease)/increase in provisions	(130,221)	14,744
Net cash used in operating activities	(1,846,767)	(1,175,374)

Notes to the Financial Statements (continued)
FOR THE HALF YEAR ENDED 31 DECEMBER 2008

7 INVENTORIES

At 31 December 2008, all inventories have been valued at net realisable value. At 30 June 2008, work in progress and finished goods were valued at cost with raw materials at net realisable value. (Refer note 2(d)).

8 PLANT AND EQUIPMENT

At 31 December 2008, all plant and equipment has been valued at net realisable value. At 30 June 2008, plant and equipment was carried at cost less accumulated depreciation. (Refer note 2(d)).

9 CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED	
	Half Year Ended December 2008 *$*	*Year Ended June 2008* *$*
Ordinary shares - Issued and fully paid	43,875,169	43,428,415

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	$	*$*
Movement in issued capital		
Opening Balance	43,428,415	40,773,321
Issued for cash pursuant to Placement	450,102	2,549,930
Transaction costs on share issue	(3,348)	(7,959)
Issued upon exercise of employee options	-	113,123
Closing Balance	43,875,169	43,428,415

	No of Shares	*No of Shares*
Movement in ordinary shares on issue		
Opening Balance	115,276,565	103,868,954
Issued for cash pursuant to Placement	1,956,966	11,086,653
Issued for cash upon exercise of employee options	-	320,958
Closing Balance	117,233,531	115,276,565

10 EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any events, matters or circumstances which have arisen after balance date that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years, other than staff reductions effected in January 2009 resulting in redundancy expense of $225,946, and the appointment of a new director, Mr Angus Holt.

9 COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there have been no material changes in any commitments and contingencies.

Directors' Declaration

In accordance with a resolution of the directors of Optiscan Imaging Limited, I state that:

1 In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the financial position as at 31 December 2008 and the performance for the half year ended on that date of the Group; and

ii comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Vicki Tutungi

Director

Melbourne, 27 February 2009

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Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Optiscan Imaging Limited, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the Half-Year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Optiscan Imaging Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matters that makes us believe that the interim financial report of Optiscan Imaging Limited is not in accordance with the *Corporations Act 2001*, including:

i giving a true and fair view of the company's financial position as at 31 December 2008 and of its performance for the 6 months ended on that date; and

ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As outlined in Note 2(a) to the financial statements, in common with other biotechnology companies, the operations of the company and consolidated entity are subject to considerable risks due primarily to the nature of the product development and commercialisation being undertaken.

In addition, in order for the company and consolidated entity to execute their longer term plans, it will be necessary to raise additional funds in the future. The Directors cannot be certain of the success of any intended fund raising or the success of any product development or commercialisation. As a result of these factors and unless the initiatives described in Note 2 (a) are achieved there is significant uncertainty whether the company and consolidated entity will be able to continue as going concerns, and therefore, whether the company and consolidated entity will be able to pay their debts as and when they become due and payable and realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and consolidated entity not continue as going concerns.

Ernst & Young

Ernst & Young

Brumley

Don Brumley
Partner
Melbourne
27 February 2008