Adelaide, Australia, 4 December 2006 – Ellex Medical Lasers Limited (ASX:ELX), a global leader in the design and manufacture of ophthalmic laser systems, announced today that it has acquired Innovative Imaging, Inc., a profitable U.S.-based leader in the design and manufacture of ophthalmic diagnostic ultrasound systems.

"The acquisition of Innovative Imaging is in keeping with Ellex's stated strategy to grow by focusing on direct marketing of Ellex products to ophthalmologists around the world," said Ellex CEO Peter Falzon. "Innovative Imaging provides an essential technology to Ellex's target customers, and the products and technology fit well with Ellex's manufacturing, sales, marketing and service capabilities. We expect this to translate into significant benefits of synergy over time."

The Innovative Imaging I^3 System is considered the gold standard for diagnostic ultrasound in ophthalmology, especially among retinal specialists in the United States. Worldwide, more than 1,300 systems are in use. Innovative Imaging generated revenue of US$2.3 million in calendar year 2005.

Under the terms of the Purchase Agreement, Ellex made a base payment of US$1 million for the business. In addition, Ellex will make an annual payment in each of the first three years, based on the performance of the business. The initial payment will be financed from Ellex's existing credit facility and Ellex expects the acquisition to be earnings per share accretive this financial year.

Concurrent with the acquisition, Athy Kalatzis, vice president of business development at Ellex, has assumed the role of general manager of Innovative Imaging. The company's current headquarters in Sacramento, California will continue to operate as an engineering and manufacturing centre focused on the I^3 System, and the I^3 sales and service support network for customers will remain unchanged. Innovative Imaging founder Rainer Nikel and shareholder Cynthia Kendall have agreed to continue with the business for at least three years, along with a number of other key employees.

ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) designs, manufactures and markets a complete line of lasers used by ophthalmologists to preserve vision and treat eye diseases. With more than 10,000 systems delivered to the market, Ellex has evolved since 1985 from a manufacturing company of primarily OEM products, to direct marketing of its own branded products through subsidiaries in the United States, Japan and Australia, and a network of distribution partners in more than 100 countries. Ellex maintains a strong emphasis on intellectual property and research into new and better treatments to manage and treat the leading causes of blindness.

ABOUT INNOVATIVE IMAGING

Innovative Imaging Inc. designs and manufactures high-perfomance ophthalmic ultrasound systems to meet the requirements of retina specialists. Founded in 1989 to produce the finest B-scan diagnostic ultrasound image possible for the ophthalmic industry, Innovative Imaging systems provide unsurpassed image resolution and quality that is necessary to diagnose the condition of ocular pathologies. Innovative Imaging's flagship product, the I³ SYSTEM-ABD™, is considered the gold standard for diagnostic ultrasound in ophthalmology, with more than 1,300 systems installed worldwide.

For additional information about Ellex and its products, please visit **www.ellex.com.**

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