

PRESS RELEASE

Ellex Medical Lasers Ltd (ASX:ELX)

Adelaide, Australia

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Adelaide, Australia, 19 December 2008 – Ellex Medical Lasers Limited (ASX:ELX), a global leader in the design and manufacture of ophthalmic laser and ultrasound systems, announced on the 31 October 2008 that foreign exchange (FOREX) hedging contracts entered into by the Company in July 2008 will impact the profitability of the Company in the current financial year.

Following a further review, and in accordance with the A-IFRS accounting standards, Ellex will bring to account the entire loss associated with the FOREX hedging contracts as at the 31 December 2008 reporting date.

The loss will be shown on the income statement as an unrealised FOREX loss arising from recognition of the derivative contracts at fair value on the balance sheet. The unrealised FOREX loss will be calculated at the reporting date based on the prevailing spot rate. Based on the spot rates prevailing today, the unrealised loss would be \$3.4m (post tax loss \$2.4m).

The extent of the loss will diminish over time as the value of the FOREX hedging contracts are realised and offset against future foreign currency receipts from product sales. As a result, it is expected that the unrealised FOREX loss will be significantly reduced as at 30 June 2009, in the absence of a material weakening of the Australian dollar.

Ellex also announces today that it has experienced a softening of demand for its products due to global economic conditions. Demand in the half-year to 31 December 2008 is expected to be below unit sales of the corresponding period of last financial year. Despite the weakening of the Australian dollar helping ensure similar revenues to last financial year, expenses incurred in foreign currencies have increased, causing a material reduction in profit. Projected sales in the half-year to 30 June 2009 are expected to be down by at least 20% compared to the same period last financial year. In anticipation of this expected softening in demand, the Board and Management of Ellex are undertaking further cost reduction and working capital management initiatives in order to mitigate the impact of global economic conditions on profitability and cash flow.

These initiatives will place Ellex in a stronger position to weather the global economic downturn and position it for growth as the market recovers.

ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) designs, manufactures and sells a complete line of lasers and diagnostic ultrasound systems used by ophthalmologists to diagnose and treat eye diseases. With more than 14,000 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. In December 2006 Ellex acquired Innovative Imaging, a leading provider of diagnostic ultrasound devices for ophthalmology, initiating the expansion of its product line beyond lasers. Ellex maintains a strong emphasis on intellectual property and research into new and better treatments to manage and treat the leading causes of blindness.

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

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