

ASX RELEASE

Ellex Medical Lasers Limited (ASX:ELX)

Adelaide, Australia

Date: 20 December 2013

Release: Immediate

Topic: ***Ellex announces acquisition of North American Glaucoma Treatment Consumable Device Business and Completion of a \$3 Million Capital Raise***



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- *Ellex Medical Lasers to acquire a consumable glaucoma device business and related assets for US\$1.5m with associated earn out payments over several years based on a percentage of revenues*
 - *For the 12 months ended December 2013, glaucoma device sales are expected to be approximately US\$4.0m*
 - *Device has a unique CPT I reimbursement code in the US and is reimbursed by Medicare and a number of major private insurers*
 - *Significant channel benefits including cross selling opportunities*
 - *Positions Ellex with two distinct product offerings in early stage and mild/moderate forms of glaucoma which represents ~97% of all cases in the US.*
 - *Ellex has funded the acquisition via a placement of \$3.0m*

Adelaide, Australia, 20 December 2013 – Ellex Medical Lasers Limited (ASX:ELX), a pioneer in medical technologies for the diagnosis and treatment of eye disease, is pleased to announce that it has entered into a binding agreement to acquire a North American glaucoma consumable device business. For commercial reasons, the name of the Company cannot be identified until after settlement of the transaction expected to occur on 31 December 2013. Gross proceeds of A\$3 million under the Placement will fund the upfront US\$1.5m consideration of the acquisition while remaining funds will be applied to working capital, accelerating product development and additional debt reduction.

Ellex CEO, Mr Tom Spurling, said: “This acquisition is very exciting. This new consumable business unit fits with our stated strategic goal of augmenting our capital equipment sales business with a recurring revenue stream. Being within the sub-specialty of glaucoma it is complementary to our lead product the Ellex Tango a glaucoma treatment laser which has recently been launched in North America with very strong market take-up.”



The business manufactures and sells a consumable device used for the treatment of mild to moderate glaucoma, which represents a patient population of approximately 1.3m people in the US. Under the purchase agreement, Ellex will pay approximately US\$1.5 million on the date of settlement in exchange for the business including accounts receivable (approximately US\$0.5m), inventory (approximately US\$0.5m), with the balance related to manufacturing machinery and equipment, and intellectual property. Consideration for the purchase includes an earn-out over several years based on a percentage of future revenues.

The consumable glaucoma device is used in a procedure for the treatment of glaucoma that has advanced to a stage that is beyond treatment capability of SLT laser treatment. The device is approved by the FDA and has a CE mark. In addition it has CPT I coverage under the USA health care reimbursement system and is supported by major health insurers. Annual sales for the business are currently approximately US\$4.0m.

The inclusion of the consumable device in the Ellex portfolio provides significant operating synergies, including: channel benefits, major cross selling opportunities and a multiple product offering in glaucoma. The integration of US sales forces provides a significant channel benefit for both businesses.

Placement

The Placement of 10 million ordinary shares was completed at an issue price of A\$0.30 per share raising gross proceeds of A\$3 million and represents a 6.25% discount to the closing price of the Company's shares on the ASX on 17 December 2013.

Taylor Collison Limited was the Lead Manager for the Placement, which was oversubscribed.

Ellex CEO, Mr Tom Spurling, said: "We are delighted with the strong support for the placement from new and existing institutional investors for this acquisition which will provide the funds to secure this strategically important business opportunity."

The Placement raised A\$3 million and was made within the Company's 15% placement capacity and does not require shareholder approval.

The Placement was made to persons who qualify to participate in an excluded offer for the purpose of section 708 of the Corporations Act 2001, including professional and sophisticated investors.

It is expected that the Placement shares will be issued on 30 December 2013. New shares issued under the Placement will rank equally with existing shares in Ellex.

ABOUT ELLEX

Ellex Medical Lasers Limited (ASX:ELX) is a pioneer in the development of medical technologies for the diagnosis and treatment of eye disease. With more than 20,000 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, Germany and Australia, and a network of distribution partners in more than 100 countries. In recent years, Ellex has diversified its product range beyond lasers and ultrasound equipment to include distribution of a number of complementary third-party ophthalmic products.

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

For further information on Ellex please contact:

Tom Spurling, CEO
Ellex Medical Lasers Limited
82 Gilbert Street, Adelaide, SA, 5000
W +61 8 8104 5293 | M +61 417 818 658
tspurling@ellex.com

Victor Previn, Chairman
Ellex Medical Lasers Limited
82 Gilbert Street, Adelaide, SA, 5000
W +61 8 8104 5200 | M +61 414 661 994
vprevin@ellex.com

Maria Maieli, Company Secretary
Ellex Medical Lasers Limited
82 Gilbert Street, Adelaide, SA, 5000
W +61 8 8104 5200
mmaieli@ellex.com