



CEO Message



Charles Laycock, CEO Iatia Ltd

Dear Shareholder,

I am delighted to update you on our recent capital raisings and the progress we have made with our push into the US and European life sciences and defence markets.

Despite the current market conditions, Iatia is delighted to have announced a \$5 million equity line of credit agreement through Fortrend Securities. Additionally \$500,000 has been raised through the strong support of shareholders, CEO and board. The details of this activity are on page two.

It is over two years since Iatia has undertaken any fundraising and you will find a Share Purchase Plan attached. Please read the documents carefully.

Further details can be found on page two.

The life sciences market remains our major focus. Our US consultant, David Hutton continues to introduce Iatia's QPI technology to more companies and more opportunities. Our COO and CSO, Dr. Brendan Allman attended meetings and presentations in January in the US, Canada, Europe and strengthened Iatia's US and industry presence at the important conferences and exhibitions Lab Automation and Photonics.

In June this year Brendan will travel again to meet with new potential customers and those currently conducting evaluations.

In January this year Iatia received the final payment of their Capability Technology Demonstrator (CTD) contract with Australia's Defence, Science and Technology Organisation (DSTO). This project has enabled our team to identify other potential commercial defence applications and pro-

jects. We are currently engaged in discussions with a number of multinational defence companies and actively pursuing more partnerships to achieve this objective.

Our joint venture with a German ophthalmological equipment manufacturer is progressing well and we are aiming to have the autorefractor product launched in this calendar year.

I trust you will enjoy reading about these latest developments.

Yours truly,

Charles Laycock, CEO

- \$5 MILLION STANDBY SUBSCRIPTION FACILITY WITH FORTREND SECURITIES
- \$500,000 RAISED THROUGH BOARD AND MANAGEMENT
- SPP LAUNCHED
- LIFE SCIENCES IN USA, CANADA AND EUROPE

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Shareholder Update

Securing funding

All investors are aware of the difficulties facing companies in securing funding in the current economic environment.

Iatia is fortunate in having the strong support of major shareholders and management who have helped the company cover its immediate funding needs.

Interests associated with the Deputy Chairman, Vincent

Thiang have loaned the company \$100,000 and this will be converted to equity, subject to shareholder approval.

The CEO, Charles Laycock has also loaned the company \$200,000 in the form of a secured convertible note. There is no interest charge on the loan, it is for three years and can be converted at the same price as the equity issued to

interests associated with Vincent Thiang. Money Link, a substantial shareholder, has also contributed \$200,000 on the same basis as the CEO, but ranking behind that note in terms of security.

Considering the usual costs incurred in sourcing loan funds, an interest free loan is a substantial advantage to the company. ■

Iatia secures Fortrend Securities

It is with great pleasure Iatia has announced an agreement with Fortrend Securities for an equity line of credit of five million Australian dollars.

This will allow the company to progressively draw down funds as its activity expands.

The agreement has advantages for both the company and for shareholders. Large groups that are typically Iatia's customers often will only enter into supply relationships with companies

which can demonstrate sound finances and which will guarantee continuity of supply. Iatia can now demonstrate its bonafides in this regard.

For shareholders, this means funds are progressively injected into the company, which limits dilution of existing shareholders. As share markets recover from the global financial crisis over time, the lines of credit should be drawn down at higher share prices, limiting the amount of shares offered.

The investor in this deal, does not keep all the shares issued to them, but sells some on in the market. Importantly however they can hold up to 5% of the company and provide another stable presence on the share register.

The Fortrend Securities agreement in no way restricts the company from other fund raising activities, nor any corporate activity it may undertake. ■

Share purchase plan

It is over two years since the company has undertaken any new fundraising or asked shareholders for funds. The company remains mindful of the impact of dilution on shareholders and has managed all its expenses very carefully, using its Government contract and receipts from customers to fund its development work.

In light of some shareholders and management subscribing for shares at the current very low prices, the board would like to offer existing shareholders the opportunity to subscribe to new shares at similar prices.

This will be achieved through a share purchase plan offered to

all shareholders, allowing for subscriptions of up to \$5000. Documentation regarding the share purchase plan has been mailed to you.

The additional funds raised will be used to continue marketing and product development efforts, and improve Iatia's US presence. ■

“AS A SMALL COMPANY WITH MODEST CASH FLOW. IATIA CAN BE THANKFUL IT HAS THE STRONG SUPPORT OF MAJOR SHAREHOLDERS AND MANAGEMENT “

US, Canada, UK marketing progress continues

In January latia continued its marketing strategy to focus on potential in the life sciences and defence markets in North America and Europe. Our regular overseas marketing visits capitalise on introductions made by Dr David Hutton, our marketing representative on the west coast of the USA, who actively liaises on our behalf with potential and existing customers.

Dr. Brendan Allman, latia's COO and CSO, attended Lab Automation in California, January 2009; the world's leading conference and exhibition on emerging laboratory technologies. latia's cell imaging software proved to be of interest to a number of companies in attendance who wish to upgrade their handling and screening devices to imaging devices. In particular, a director of a German-based company has since met with latia in Melbourne and we will present to their engineers later this year.

With David Hutton, Brendan also attended Photonics West and BIOS, California, North America's largest commercial exhibition on optics, lasers, biomedical optics, optoelectronic components, and imaging technologies in January. David was integral in coordinating strategic meetings with key industry people including renewing connections with older contacts.

This exhibition resulted in:

- A Japanese camera manufacturer signing an NDA for ongoing discussion and interest in our 3D camera design/concept and,
- A number of evaluations of latia technology initiated by OEMs for integration into cell imaging instruments.

Another commercial application of wavefront sensing technologies is Adaptive Optics (AO). AO has evolved from astronomy where it is used to correct for atmospheric disturbance to give sharper images of stars. Brendan discussed the potential of a QPI solution with numerous AO companies for applications in laser and optics characterisation, waveguiding for (fibre) optics communications and surface analysis. As with the ophthalmology products, QPI provides much higher resolution than current techniques.

In the San Francisco Bay Area Brendan met with a (fast growing) pathology device manufacturer and two other life sciences companies who are currently conducting evaluations. There were also meetings with venture capitalists about life sciences opportunities with the aim of setting up and funding an latia-US entity.

In Arizona, Brendan met with two defence companies to dis-

cuss potential commercialisation of CTD outcomes.

Brendan's journey continued into Canada where he presented to a life sciences imaging company at the University of Toronto. This company is developing new instruments and techniques highly suitable for QPI integration. Their evaluations to date appear technically successful, and a product decision will be made in Q3.

Next stop was the south of England where Brendan presented an awareness raising session about cell imaging and our software at a Life Sciences company and an introductory meeting with a defence biosensors company. A meeting in Edinburgh followed with a key defence company who has followed our CTD progress closely. They are interested in incorporating QPI in their Unmanned Aerial Vehicle sensor payload.

The life sciences and defence represent world-wide market opportunities for latia and there is potential to develop strategic partnerships and further develop latia's technology and capability in these markets. latia will continue the current strategy and pursue all possible leads and contacts to capitalise on any developments and opportunities. ■

"IATIA'S CELL IMAGING SOFTWARE PROVED TO BE OF INTEREST TO A NUMBER OF COMPANIES IN ATTENDANCE WHO WISH TO UPGRADE THEIR HANDLING AND SCREENING DEVICES TO IMAGING DEVICES."

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CTD and beyond

In January this year Iatia received the final payment of their Capability Technology Demonstrator (CTD) contract with Australia's Defence, Science and Technology Organisation (DSTO).

Under this contract Iatia has received \$2.7 million since 2005 and undertaken scoping, research, development and testing of our QPI technology in tactical land reconnaissance applications.

This work has meant achieving a better three-dimensional understanding of scenes in short range, urban or complex terrain and developing and testing a prototype camera platform for use in covert ranging, camouflage and seeing in poor visibility.

This project has enabled Iatia to identify other potential defence applications.

With the aim to commercialise these outcomes, Iatia is being advised by Australian Aerospace and Defence Innovations (AADI), including a former Chief Defence Scientist and a DSTO 2nd in Charge. Their goal is to assist Iatia in introducing project concepts to local defence industries.

As part of this ongoing strategy, Dr Brendan Allman, Iatia's COO, and AADI attended the Australian International Airshow at Avalon in March to attend the Unmanned Aerial Vehicle (UAV) Symposium and the Industry Exposition. This event always proves to be a valuable opportunity to net-

work and explore further Iatia introductions and potential relationships with key government aerospace officials.

Defence and security represent world-wide market opportunities for Iatia and there is potential to develop strategic partnerships with multinational defence corporations to further develop Iatia's technology and capability in these markets.

Iatia is currently engaged in discussions with a number of multinational defence primes, and is conducting ongoing evaluations of its technology for security, surveillance and materials analysis with other international companies. ■

Ophthalmology and optometry update

In February Iatia visited our German ophthalmology and optometry partner (whose identity is still subject to confidentiality).

We delivered software for final evaluation on the working wavefront autorefractor prototype and a technology acceptance payment is expected by July 2009. A planned visit in June

will progress the project to the next stage.

The autorefractor is to be exclusively manufactured and marketed by our partner, with research and development support from Iatia.

Both parties are committed to bringing the product out during the current calendar year.

The agreement includes an upfront fee and an ongoing royalty per unit based on 15% of the wholesale price.

While meeting with the manufacturer, Iatia's COO, Dr Brendan Allman also discussed four additional co-development projects, including a revolutionary eye health diagnostic for diseases such as glaucoma. ■

