



19 June 2015

Dear Visuray Shareholder,

Visuray started in 2004 with a novel idea, to be able to see in a well no matter what the conditions were simply because no technology could do so. Conventional camera technology works in a pure gas well, but gets seriously challenged when faced with a hostile environment, that is usually found in most wells such as dirty water, drilling mud, oil or condensates. Laser just does not work, ultrasound is challenged in the presence of gas or particulates such as rust or sand suspended in fluid and requires a good knowledge of what is down there. Visuray went for the X-Ray alternative. On paper, X-ray is simple and is a 100+ year technology. The first proof of concept was back in 2007, it all seemed "straightforward": just shrink everything and make it work in a high temperature environment. During the course of 2010 we got more than an inkling that this was much more difficult than we ever imagined and as 2011 unfolded, with the arrival of Kambiz Safinya, it was clear that we had embarked on a gargantuan project as no one really had used X-Ray and understood them for the way we wanted: in a tiny cylinder, at high temperature, in backscatter mode with extremely high voltage. To make matters worse semiconductor technology was not capable of dealing with the combination of the high voltage and high temperature we had to endure. We decided that we needed to have special custom made semi-conductors using technology that was not yet commercially available, we had to buy a large stake in XCounter, in order to get access to the photon counting technology, and we had to re-think the rest of the tool from scratch.

We are a courageous, persevering and obstinate bunch and we put our money where our mouth is and convinced you, that what we were doing was the right thing and that you should join and trust us.

The project has gobbled up more money than we could ever have imagined. We might not have been very punctual sending out shareholders letters but the reason was simple: we did not want to continue under-delivering on our promises, as it was clear we needed patience.

It has taken us 11 years and some serious amount of money to get where we are now. When it comes to delivering on time we have failed miserably, but we now believe we at least have delivered on the first functioning tool and we still believe this will be an attractive product to the oil & gas industry, as it will provide answers in a cost efficient manner to clients.

So where are we now: we have a working VR90 tool and we believe the VR360 is something we definitely can build and make work and be of use to the oil & gas industry. We have been definitely wrong with our time estimate before, but we do not expect the VR360 to take 11 years to build. We have spent the last 2 years making sure it is physically feasible, and with the VR90 built we believe we have the foundation, know-how and team in place to deliver this much more quickly. The VR360 will be a radically different design than we originally thought given the understanding of the physics we have developed. We expect to provide more color with respect to the VR360 at the end of the year when we have built and tested a mock-up of the tool.

Visuray has spent the time since the last update to test the VR90 and complete the feasibility work surrounding the VR360. The VR90 has been run over 100 times in 3 test wells in Norway and at a test facility in Germany down to 2100m and 102°C. No fundamental problems have so far been encountered and all bugs/unwanted "features" found have either been fixed or are expected to be fixed in the coming months. The tool is currently working reliably at a temperature of 90-100C and the aim is to get it to work up to 150C by the beginning of next year. The issue of temperature is still a challenge, but we know what needs to be done, but testing and sourcing the right material is what is taking some time.

In the last two months we have started to actively market the VR90 to the oil and gas industry as the tool is now ready to start field trials/early commercialization. We currently have a total of 3 VR90 tools and



expect to have two further VR90 ready in the coming weeks. We have started the work on building a further six (Pilot series) tools to generate more revenue.

On the commercial and operational front, first, in addition to creating the field operational group to provide the VR90 services, a VR90 sales team has been assembled. These teams are in discussions with Oil companies to organize field trials and commercial jobs. Secondly, we are in discussions with leading wireline service companies to team up with them and offer their combined services to the industry, enabling the VR90 to enter the market at an accelerated pace. Thirdly, we are participating at 4 major industry trade events in Europe, the US and the Middle East, publishing technical papers and technology updates in Industry journals.

The initial feedback we have from potential customers is that they are intrigued, interested and have really never thought about what X-rays can do. We will have to prove to them the benefits of X-ray technology down the well. We are convinced after running our tool in the well that we have a uniquely attractive technology that can provide much better commercial value to our customers than the current video or ultrasound based products. Our meetings have confirmed our findings, from earlier market surveys, that other imaging technologies simply do not do the trick. In addition, we have identified high value offshore wells with production problems where the VR90 can add significant value. To take advantage of these opportunities we must first qualify the tool on land where the financial risks are far lower than offshore. Therefore in a first stage we shall be demonstrating the technology on land; the objective in this phase is to solve as many problems as we can in many different well environments to gain the experience track record which would qualify the VR90 for the high value well jobs offshore.

With respect to financing, we have raised a little over 7.8 M euros so far this year and have commitments for further 6.5M euros. We are constantly on the lookout for more financing and are actively exploring forms of financing other than equity.

Lastly, Visuray is the largest shareholder of XCounter AB. XCounter and its subsidiary Oy Ajat manufacture state of the art X-ray detectors. Without the XCounter technology there would be no VR90 as you cannot have a camera without some form of film/detector. We purchased a large stake in XCounter because it was clear to us that access to that technology was vital and we also very much liked the technology for its use in high-end medical and industrial applications. To this day there is still no commercially viable substitute for the technology that XCounter has. We've had a constructive relationship with the XCounter group and it pleases us to inform you all that XCounter has launched its photon counting range of detectors and feedback so far is positive. At the same time Ajat is having great success in the dental market and the future looks bright. We believe that the investment we have done in XCounter will be a very profitable one.