

Dear Visuray Shareholder,

Visuray has suffered a delay in the delivery of the first prototype Visuwell tool. The delay is primarily linked to the High Voltage module in the tool. The two remaining modules are on track (a picture of the electronic cartridge module is included at the end of the update). The delay we are facing with the High Voltage module stems from the "packaging" of the electronics and not one of electronics functionality; we have managed to generate more than the necessary voltage from the unit, although we are experiencing some unwanted discharges at times through the packaging (insulation failure). We are now working on eliminating one by one the possible sources of the discharges. Whilst we understand what is happening we need to eliminate the problem by testing new designs and have highlighted several items that can be improved, re-designing as we go. At the same time we are testing different insulation fluids in parallel with the design effort.

Whilst we are confident that the issues will be fixed we feel it is not right to give you an expected completion date, as progress on this has been frustratingly slow and providing a timetable would be speculative at this time,

Once the High Voltage module is functioning reliably, it will take 4 to 5 months to get the pieces ordered and assembled as the critical components are all custom made and cannot be ordered until we are 100% sure of the design. An update will be provided to shareholders once the current problems are solved.

The news is not all bad, as Visuray has made significant progress on the research of the Visuwell360. The preliminary data from laboratory experiments look promising showing that a future tool would have more than adequate sensitivity to assess the integrity of oil or gas wells. Tool development work on the Visuwell360 will commence once the Visuwell tool is in field-testing. There has been substantial industry interest with respect to the Visuwell360 even at this early stage.

There has also been very good progress on the characterization logging tool and this is proceeding as planned.

As you are aware, Visuray owns a 48% stake in XCounter AB. While XCounter has suffered delays and significant cost overruns, its subsidiary Ajat is performing rather well. XCounter AB has been developing new photon counting detectors for X-Ray applications that are also critical to the Visuwell tool and early indications of the technology is promising and we expect XCounter to find uses in a multitude of other commercial applications within the medical and industrial sectors for the technology. Visuray has extended a convertible secured loan to XCounter in order to continue the work on the new detector and further financing will be required for XCounter, but if the technology is as promising as we believe then this will be a fairly easy exercise. We expect XCounter to add considerable value to Visuray over the next year.

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In the prior update we disclosed the need for more capital next year and the encountered delay has increased the amount of capital needed for next year. We are in discussion with current and potential investors and are confident that we will be able to raise the needed funds over the course of the next few months. We are looking at ways to finance some of the shortfall without the use of excessive amounts of equity.

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