

NEWS RELEASE

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TransScan Medical Announces Initial Closing of \$2.5 Million as Part of Larger Preferred Financing Round

**Cash infusion will be used to complete clinical studies and prepare for
product launch of the company's second generation system, the
T-Scan™ 2000 ED, a new modality for detection of breast cancer in
young women**

RAMSEY, N.J., Oct. 21, 2002 – TransScan Medical Ltd., developer and manufacturer of Electrical Impedance Scanning (EIS)-based systems for cancer detection, announced today that it has closed on the first \$2.5 million of a potential \$8 million preferred financing round. Investors included Denali Ventures of Israel, an existing investor, and David Steiner. The initial closing was a combination of new funding and conversion of existing debt. Although the valuation of the transaction was not disclosed, it reflected current market conditions. This financing will be used to complete clinical studies and prepare for product launch of its second-generation product, the *T-Scan™ 2000 ED*, a device for early detection of breast cancer in young women.

TransScan received Pre-Market Approval (PMA) from the Food and Drug Administration (FDA) to market its first-generation *T-Scan™ 2000* system as an adjunct to mammography in April 1999. Based on T-Scan's ability to assist radiologists in evaluating ambiguous or equivocal mammography findings, the FDA hailed the technology as a "significant medical device breakthrough."

"I am very pleased with the level of enthusiasm the new device is receiving from the clinical and financial community," said Ron Ginor, M.D., President of TransScan Medical, Ltd. "Clearly, I am proud of the technology platform, but I also feel the company provides a very timely tool in light of recent debate regarding young women and breast cancer."

Currently, TransScan Medical is dedicating significant resources to the clinical evaluation of its next-generation early detection device -- *Tscan™ 2000 ED* -- specifically designed to locate small breast cancers in young women 20-40 years of age. To date, \$26 million has gone into the research and development of TransScan's technology: \$20 million from venture funding and an additional \$6 million from scientific and government grants.

In America, nearly 40 million women are below the recommended age for screening mammography, and therefore have no adequate means of breast cancer detection. In fact, breast cancer is the leading cause of cancer death in women under 40, according to the Young Survival Coalition. Furthermore, breast cancer mortality among women younger than 50 accounts for more than 40 percent of the life years lost to the disease. However, the only currently available means of breast cancer detection for women in this population is the Self Breast Exam (SBE) and Clinical Breast Exam (CBE, also known as palpation). Cancers found by SBE and CBE must reach a size of 7 to 10 millimeters before they are palpable, and are often more advanced and difficult to treat, and have been growing for up to 6 years prior to reaching this size.

TransScan Medical is pioneering a platform technology that uses *Electrical Impedance Scanning* (EIS) to detect tumors as small as 2 millimeters in the breast. T-Scan™ impedance imaging of the breast does not use radiation such as X-rays or radio nuclides, does not require compression of the breast, and does not require an injection or biopsy-sampling of the breast tissue via needle or surgical incision. T-Scan™ impedance imaging is the first completely new imaging modality to receive FDA clearance since magnetic resonance imaging (MRI) was approved in 1984.

This press release includes forward-looking statements, which are subject to risks and uncertainties. Actual results may vary from those projected or implied by such forward-looking statements. Potential risks and uncertainties include, without limitation, risks and uncertainties associated with the successful completion of the preferred financing round as contemplated and statements relating to TransScan Medical's business outlook.

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