

SAMPLE CUSTOMER  
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**All correspondence to:**  
 KarmelSonix Limited  
 Suite 2, 1233 High Street  
 Armadale Victoria 3143  
 Ph: +61 3 9824 8166  
 Fx: +61 3 9822 7735

### Appointment of Proxy

I/We being member/s of KarmelSonix Limited and entitled to vote hereby appoint

the Chairman<sup>^</sup> of the Meeting (mark with an "X")

OR

Write here the name of the person you are appointing if this person is **someone other than** the Chairman of the Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of KarmelSonix Limited to be held at Giorgios, 1235 High Street, Armadale at 10.30am on 12 November 2009 and at any adjournment of that Meeting.

### Voting directions to your proxy – please mark x to indicate your directions

		For	Against	Abstain*
<b>Resolution 1:</b>	Re-election of Mr Peter Marks to Serve as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2:</b>	Approval of Prior Issue of Listed Ordinary Shares and Unlisted Options to Westernstar Limited.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3:</b>	Approval of Prior Issue of Listed Ordinary Shares and Unlisted Options to Professional and Sophisticated Investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4:</b>	Approval of Prior Issue of Listed Ordinary Shares to Professional and Sophisticated Investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5:</b>	Approval of Issue of Free Attaching Unlisted Options to Professional and Sophisticated Investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6:</b>	Approval of a Proposed Issue of 100,000,000 Listed Ordinary Shares to Professional and Sophisticated Investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7:</b>	Non-binding Resolution to Adopt Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>^</sup>The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**PLEASE SIGN HERE** - This section must be signed in accordance with the instructions below to enable your directions to be implemented.

Individual or Security holder 1

Sole Director and Sole Company Secretary

Security holder 2

Director

Security holder 3

Director/Company Secretary

### Contact Telephone Number

Contact Name

Contact Daytime Telephone

Date

## **HOW TO COMPLETE THIS PROXY FORM**

### **1 Your Name and Address**

This is your name and address as it appears on the company's share register. If this information is incorrect, please contact the Company's share registry to arrange for changes to be made.

### **2 Appointment of a Proxy**

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the Company.

### **3 Votes on Items of Business**

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be noted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### **4 Appointment of a Second Proxy**

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form.

### **5 Signing Instructions**

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is more than one name, all the security holders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held by signing in the appropriate place.

### **Appointment of Corporate Representative**

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's share registry.

### **Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting on 10.30am on Tuesday, 10<sup>th</sup> November 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by posting, delivery or facsimile to:

Registered Office: Suite 2, 1233 High Street Armadale Victoria 3143 Ph: +61 3 9824 8166	PO Box 8046 Armadale Victoria 3143 Fx: +61 3 9822 7735
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**This is an important document. It should be read in its entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.**



**KarmelSonix Limited**

**ACN 009 234 173**

## **Notice of Annual General Meeting**

**Incorporating Explanatory Memorandum and Proxy Form**

**To be held on:  
Thursday, 12<sup>th</sup> November 2009, at 10:30am  
(registration commencing 10.15am)**

**At:  
Giorgios,  
1235 High Street,  
Armadale, Victoria, 3143**

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## **INFORMATION FOR SHAREHOLDERS**

### **Voting Entitlements**

For the purposes of the Meeting, and in accordance with regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), it has been determined that the Shareholders entitled to attend and vote at the Meeting shall be those persons who are recorded on the register of members at 7:00pm on 10<sup>th</sup> November 2009.

### **Voting Exclusion Statement**

In accordance with the Australian Stock Exchange (or ASX) Listing Rule 14, the Company will disregard any votes cast:

On resolution 2, 3, 4, 5 and 6 by:

- a person who participated in the issue, and
- an associate of that person/entity

However, the Company need not disregard a vote if:

- It is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- It is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **Proxies**

Any Shareholder entitled to attend and vote at the Meeting is entitled to appoint up to two persons as proxies to attend and vote on their behalf. A proxy need not be a Shareholder of the Company. Where two proxies are appointed, each proxy should be appointed to represent a specified portion or number of the Shareholder's voting rights (where the appointment does not specify the portion or number of the Shareholder's voting rights the proxy may exercise, each proxy may exercise one half of the Shareholder's voting rights). If a Shareholder appoints two proxies, neither may vote on a show of hands.

A proxy form is enclosed. Please ensure it has been signed and your proxy instructions are received not later than 10.30am on 10<sup>th</sup> November 2009 at the Company's Registered Office Suite 2, 1233 High Street, Armadale, Victoria, 3143, or by facsimile on +61 3 9822 7735.

Corporations may elect to appoint a representative, rather than appoint a proxy, in accordance with 250D of the Corporations Act. Where a Corporation appoints a representative, the Company requires written proof of the representative's appointment to be lodged with or presented to the Company before the Meeting.

A form of appointment can be obtained from the Company's share registry, Security Transfer Registrars Pty Ltd:

Phone: 08 9315 2333  
Fax: 08 9315 2233  
Email: registrar@securitytransfer.com.au

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## **KarmelSonix Limited**

ACN 009 234 173

Notice is hereby given for the Annual General Meeting of KarmelSonix Limited (“the Company”) to be held at Giorgios, 1235 High Street, Armadale, Victoria, 3143 on Thursday, 12<sup>th</sup> November 2009 at 10:30am.

The Explanatory Memorandum and Proxy Form accompanying this Notice of Annual General Meeting are hereby incorporated in and comprise part of this Notice of Annual General Meeting.

If you have elected not to receive a printed copy of the annual report it is available on the Company’s website [www.karmelsonix.com.au](http://www.karmelsonix.com.au).

### **BUSINESS**

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#### **2009 Financial Reports**

To receive and consider the Annual Financial Report of the Company and of the economic entity for the year ended 30 June 2009 and the Reports by Directors and Auditors thereon. At the Meeting, a representative of the Company’s Auditors, PKF, will be available to answer any questions of the members.

#### **RESOLUTIONS – ORDINARY BUSINESS**

To consider, and if thought fit, to pass, with or without amendment, the following Ordinary resolutions:

**1. Re-Election of Directors**

“That Mr. Peter Marks, a Director of the Company, who retires by rotation from office and is eligible for re-election to the office of Director at the Meeting, be and hereby is re-elected as a Director of the Company.”

Further details in respect of Resolution 1 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

**2. Approval of Prior Issue of Securities**

“That the members approve the prior issue, in lieu of cash for services provided, of 1,500,000 listed ordinary shares of the Company and 5,000,000 unlisted options of the Company to Westernstar Limited.”

Further details in respect of Resolution 2 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

**3. Approval of Prior Issue of Securities**

“That the members approve the prior issue of 43,949,995 listed ordinary shares of the Company and 10,987,497 free attaching unlisted options of the Company to professional and sophisticated investors.”

Further details in respect of Resolution 3 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

**4. Approval of Prior Issue of Securities**

“That the members approve the prior issue of 13,366,666 listed ordinary shares of the Company to professional and sophisticated investors.”

Further details in respect of Resolution 4 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

<p>This is an important document. It should be read in its entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.</p>
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**5. Approval of the Issue of 1:2 Free Attaching Unlisted Options**

**“That the members approve the issue of 6,683,333 free attaching unlisted options of the Company to professional and sophisticated investors.”**

**Further details in respect of Resolution 5 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.**

**6. Approval of a Proposed Issue of Listed Ordinary Shares**

**“That the members approve the proposed issue of up to 100,000,000 listed ordinary shares to professional and sophisticated investors to raise up to \$6,000,000.”**

**Further details in respect of Resolution 6 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.**

**7. Non-binding resolution to adopt Remuneration Report**

**“That, members hereby adopt the Remuneration Report for the year ended 30 June 2009.”**

**The Remuneration Report forms part of the Directors’ Report in the Company’s 2009 Annual Report. The vote on this resolution is advisory only and does not bind the Company or its Directors.**

**By the order of the Board**

A handwritten signature in black ink, appearing to read 'Brad Slade', written over a light grey rectangular background.

**Brad Slade  
Company Secretary  
6<sup>th</sup> October 2009**

**The accompanying Explanatory Notes and the Proxy and Voting Instructions form part of this Notice of Meeting.**

**This is an important document. It should be read in its entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.**

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the information of members of KarmelSonix Limited (the "Company") in connection with the business to be conducted at the Annual General Meeting to be held at Giorgios, 1235 High Street, Armadale, Victoria on Thursday, 12<sup>th</sup> November 2009 at 10.30am.

### **ORDINARY BUSINESS**

#### **Resolution 1: Re-Election of Director – Mr. Peter Marks**

**Mr. Peter Marks – Executive Chairman  
Appointed 21 November 2006**

At each Annual General Meeting of the Company, one third of the Directors of the Company (except a Managing Director) must retire from office by rotation, in accordance with the Company's Constitution. No Director (except a Managing Director) shall retain office for a period in excess of three years without submitting himself or herself for re-election. On this basis, Mr Peter Marks retires and offers himself for re-election.

Mr Marks, aged 53, has extensive experience in the areas of corporate finance advice and venture capital investment, having specialised in capital raisings (for listed and unlisted companies), underwriting and initial public offerings since 1983 in London and Australia. He obtained a Bachelor of Economics, Bachelor of Laws and Graduate Diploma in Commercial Law from Monash University and completed his MBA at The Scottish School of Business (University of Edinburgh). He has served as an Associate Director of McIntosh Securities (now Merrill Lynch Australia) as well as occupying senior corporate finance positions both at Baring Securities Ltd and Burdett Buckenridge & Young Ltd in their Melbourne offices. Between 1985 and 1991, Mr Marks was responsible for advising on a substantial number of listed and unlisted company issues ranging from corporate and company structure, valuations, business strategies, acquisitions and international opportunities. In 1992, Mr Marks was appointed Head of the Melbourne Companies Department at the Australian Stock Exchange.

Between 1995 and 1998, Mr Marks was Managing Director of a boutique corporate advisory and venture capital firm working with a wide range of small to medium sized companies, raising new capital for them either by way of private placement or listing on the Australian Stock Exchange. Mr Marks was also a founding director of Momentum Funds Management Pty Ltd, one of the first venture capital funds to be licensed under the Federal Government's Innovation Investment Fund program, a new venture capital program established in 1997.

From 1998 to early 2001 Mr Marks was employed at KPMG Corporate Finance Ltd (Australia) and during this time became a Director and responsible for heading up the equity capital markets group in Melbourne. In this role, Mr Marks helped develop the team's capabilities in the equity markets area and was responsible for generating several IPO projects as well as assisting with the funding for a range of private equity transactions.

In 2001, Mr. Marks joined Peregrine Corporate Ltd, an Australian-based investment bank. During this time Mr Marks became an executive Director of Peregrine Corporate Ltd and has been involved in corporate transactions, IPOs and capital raisings.

Mr. Marks is currently a member of the Audit Risk and Compliance Committee, and the Remuneration and Nomination Committee. Mr. Marks was last elected by shareholders at the 2006 Annual General Meeting.

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## Approval of Prior Issue of Securities

According to ASX Listing Rule 7.1, an entity must not issue or agree to issue equity securities exceeding 15% of the share capital of the Company within a 12 month period without shareholder approval. ASX Listing Rule 7.4 provides for a company to refresh its 15% capacity by obtaining subsequent approval for a prior issue of securities, as long as at the time of the issue, the Company did not breach ASX Listing Rule 7.1. As such, the Company is seeking shareholder approval of the prior issue of ordinary shares and grant of unlisted options to purchase ordinary shares to certain person and entities in order to have the flexibility to issue up to 15% of the Company's share capital in a rolling 12 month period. Resolutions 2, 3 and 4 relate to previous issuances of equity.

### Resolution 2: Approval of Prior Issue of Listed Ordinary Shares and Unlisted Options to Westernstar Limited

Resolution 2 is proposed to obtain approval for a prior issue of 1,500,000 listed ordinary shares in the capital of the Company and 5,000,000 unlisted options, to acquire one (1) ordinary share in the capital of the Company, to Westernstar Limited.

Westernstar Limited (Company Registration Number 121197C) has been engaged by the Company to provide a range of corporate advisory, capital raising and investor relations services and has an extensive network of contacts and access to sources of capital funding. The prior issue of listed ordinary shares and unlisted options to Westernstar Limited or its nominee were made in lieu of cash payment of fees for services that Westernstar Limited has provided to the Company.

On the 3 April 2009 Westernstar Limited were issued a total of 1,500,000 listed ordinary shares in the capital of the Company, deemed fully paid at an issue price of \$0.03 each and 5,000,000 unlisted options, to acquire one (1) ordinary share in the capital of the Company, deemed fully paid at an issue price of \$Nil per option, no funds were raised by the issue. The shares issued to Westernstar Limited rank equally (*pari passu*) with existing listed ordinary shares in the Company. The unlisted options issued were issued on the same terms as existing KSXAM unlisted options, being exercisable at \$0.05 each on or before 30 June 2012.

Funds raised by the exercise of the options will be applied to the Company's working capital requirements at the time of exercise.

No shares or options issued pursuant to this resolution were issued to a related party (as defined in s.228 of the Corporations Act) of the Company.

This resolution is subject to a voting exclusion statement, see page 2 for further details.

### Resolution 3: Approval of Prior Issue of Listed Ordinary Shares and Unlisted Options to Professional and Sophisticated Investors.

Resolution 3 is proposed to obtain shareholder approval for a prior issue of 43,949,995 listed ordinary shares in the capital of the Company and 10,987,497 1:4 free attaching unlisted options, for the purpose of raising \$734,250 (before costs), which will be used predominately to fund the completion and commercialisation of the Company's medical devices.

The listed ordinary shares the subject of Resolution 3, were issued on 3 April 2009 at an issue price of 1.5 cents (\$0.015) on the same terms as the existing listed ordinary shares of the Company.

The 43,949,995 listed ordinary shares were issued to professional and sophisticated investors for the purposes of Section 708 of the *Corporations Act*.

As free attaching options, the 10,987,497 unlisted options have no issue price and were issued on the same terms as existing KSXAM unlisted options, being exercisable at \$0.05 each on or before 30 June 2012.

Funds raised by the exercise of the options will be applied to the Company's working capital requirements at the time of exercise.

No shares or options issued pursuant to this resolution were issued to a related party (as defined in s.228 of the *Corporations Act*) of the Company.

This resolution is subject to a voting exclusion statement, see page 2 for further details.

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## **Resolution 4: Approval of Prior Issue of Listed Ordinary Shares to Professional and Sophisticated Investors.**

Resolution 4 is proposed to obtain shareholder approval for a prior issue of 13,366,666 listed ordinary shares in the capital of the Company for the purpose of raising \$401,000 (before costs), which will be used predominately to fund the completion and commercialisation of the Company's medical devices.

The listed ordinary shares the subject of Resolution 4, were issued on 21 August 2009 at an issue price of 3.0 cents (\$0.03) and were on the same terms as the existing listed ordinary shares of the Company.

The 13,366,666 listed ordinary shares were issued to professional and sophisticated investors for the purposes of Section 708 of the *Corporations Act*.

No shares issued pursuant to this resolution were issued to a related party (as defined in s.228 of the *Corporations Act*) of the Company.

This resolution is subject to a voting exclusion statement, see page 2 for further details.

## **Resolution 5: Approval of the Issue of 1:2 Free Attaching Unlisted Options to Professional and Sophisticated Investors.**

Resolution 5 is proposed to obtain shareholder approval for the issue of 6,683,333 1:2 free attaching unlisted options in the capital of the Company pursuant to the 13,366,666 listed ordinary shares issued under Resolution 4.

As free attaching options, the unlisted options the subject of resolution 5 have no issue price. The unlisted options will be issued subject to the Terms and Conditions detailed in Annexure A of the Notice of Meeting and will be exercisable at \$0.05 each and expire on 31 July 2011.

The 6,683,333 unlisted options will be issued to the professional and sophisticated investors who participated in the capital raising as per Resolution 4. No cash will be received from the issue of the unlisted options. Funds raised by the exercise of the unlisted options will be applied to the Company's working capital requirements at the time of exercise.

Subject to shareholder approval being obtained, the unlisted options the subject to Resolution 5 shall be issued no later than three (3) months from the date of this Meeting.

This resolution is subject to a voting exclusion statement, see page 2 for further details.

## **Resolution 6: Approval of a Proposed Placement of 100,000,000 Listed Ordinary Shares.**

Resolution 6 is proposed to obtain shareholder approval for the issue of up to 100,000,000 listed ordinary shares to professional and sophisticated investors pursuant to a placement, the Company is working with external advisors to identify appropriate professional and sophisticated investors to participate.

The listed ordinary shares the subject to Resolution 6 will have an issue price equivalent to a 20% discount to the volume weighted average market price (VWAP) of the listed ordinary shares of the Company over the last 10 days on which sales were recorded before the day of this Meeting. The listed ordinary shares will be issued progressively on the same terms as the existing ordinary listed shares of the Company. The amount raised pursuant to the placement will vary depending on the number of applications received and the final issue price of the shares, if the placement is fully subscribed it is expected that approximately \$6,000,000 (using a VWAP of \$0.06 at 28th September 2009) will be raised, before costs.

The funds raised by the proposed placement will be applied towards further product development and commercialisation of the Company's medical devices.

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**ASX Listing Rule 7.1 requires the prior approval of shareholders at a general meeting of the Company to issue securities, if the number of those securities exceeds fifteen percent (15%) of the number of the same class of securities at the commencement of the relevant twelve (12) month period. The proposed allotment of shares under the proposed placement involves an increase in the issued capital of the Company. As such, authority for that increase is sought in order to ensure compliance with the provision of ASX Listing Rule 7.1. Also, by obtaining shareholder approval for the proposed placement, the Company retains the ability to issue further shares or options up to fifteen percent (15%) of its ordinary shares under ASX Listing Rule 7.1 to take advantage of opportunities to obtain further funds if required and available.**

**Subject to shareholder approval being obtained, the shares the subject to Resolution 6 shall be issued no later than three (3) months from the date of this meeting.**

**This resolution is subject to a voting exclusion statement, see page 2 for further details.**

## **Resolution 7: Non-binding resolution to adopt Remuneration Report**

**Pursuant to the Corporations Act 2001 the Annual General Meeting of a listed company must propose a resolution that the Remuneration Report be adopted. Also pursuant to the Corporation Act, the vote on this Resolution is advisory only and does not bind either the Directors or the Company.**

**The purpose of Resolution 10 is to lay before the Shareholders the Company's Non-binding Remuneration Report so that Shareholders may ask questions about or make comments on the management of the Company in accordance with the requirements of the Corporations Act 2001 and vote on a non-binding resolution to adopt the Remuneration Report for the year ended 30 June 2009.**

**The 2009 Remuneration Report is included in the Directors' Report of the Company's 2009 Annual Report, which is available on the Company's website [www.karmelsonix.com.au](http://www.karmelsonix.com.au).**

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**KARMELSONIX LIMITED – ANNEXURE A**

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**Terms and conditions of Unlisted Options (Expiring 31 July 2011)**

The terms and conditions of the Options are as follows:

- (a) each option entitles the holder to one (1) Share in the Company;
- (b) the Options are exercisable at any time on or prior to 5.00pm (Eastern Standard Time) on 31 July 2011 (**Expiry Date**) by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company;
- (c) the option exercise price is 5 cents per option;
- (d) an option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the option can be exercised;
- (e) subject to the Corporations Act, the Listing Rules and the Company's Constitutions, the Options are freely transferable;
- (f) all Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply for quotation of the Options and all Shares issued upon exercise of the Options on ASX;
- (g) there are no participating rights or entitlement inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue; and
- (h) if at any time the issued capital of the Company is reconstructed, all rights of an option holder are to be changed in a manner consistent with the Corporations Act and the Listing Rules.

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