



KarmelSonix Limited

ACN 009 234 173

Notice of Annual General Meeting

Incorporating Explanatory Memorandum and Proxy Form

To be held on:
Friday, 21st November 2008, at 10:00am
(registration commencing 9.45am)

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

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.

This page has been left blank intentionally.

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.

INFORMATION FOR SHAREHOLDERS

Voting Entitlements

For the purpose of voting at the meeting, the Directors have determined that all Shares in the Company are taken to be held by the persons who are registered as holding them at 10:00am on 19th November 2008. The entitlement of members to vote at the meeting will be determined by reference to that time.

Voting Exclusion Statement

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

On resolution 1, 2, 3, 10, 11 & 12 by:

- the Director of the Company, and
- an associate of that person/entity

On resolution 4, 5, 6, 7, 8 and 9 by:

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

On resolution 13 by:

- a person who may participate 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

A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy, who need not be a shareholder of the Company. If a shareholder entitled to cast two or more votes they must appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and their appointment does not specify the proportion or number of the shareholder's votes the proxy may exercise, each proxy may exercise one half of the shareholder's votes. If a shareholder appoints two proxies, neither may vote on a show of hands.

The proxy form must be signed by the shareholder or the shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act.

The proxy form and the power of attorney (if any) under which it is signed (or certified copy of it) must be received at the Company's Registered Office at Suite 2, 1233 High Street, Armadale, Victoria, 3143, or by facsimile on +61 3 9824 8161 at least 48 hours before the commencement of the Meeting or any adjournment of that meeting.

If a representative of a corporate shareholder is to attend the meeting pursuant to section 250D of the Corporations Act, a certificate of appointment of the representative must be produced prior to the admission to the Meeting. A form of appointment can be obtained from the Company's share registry, Security Transfer Registrars Pty Ltd.

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.

This page has been left blank intentionally.

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 is hereby given for the Annual General Meeting (AGM) of KarmelSonix Limited ("the Company") to be held at Giorgios, 1235 High Street, Armadale, Victoria, 3143 on Friday, 21st November 2008 at 10:00am.

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.

BUSINESS

2008 Financial Reports

To receive and consider the Annual Financial Report of the Company and of the economic entity for the year ended 30 June 2008 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 Prof Noam Gavriely, 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. Election of Directors

"That Dr Nathan Intrator, who offers himself for election, be appointed as a Director of the Company."

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

3. Election of Directors

"That Mr Nadaisan Logaraj, who offers himself for election, be appointed as a Director of the Company."

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, in lieu of services, of 657,143 Ordinary Shares of the Company and 1,000,000 Unlisted Options of the Company to IBA Business Consultants."

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>
--

5. Approval of Prior Issue of Securities

"That the members approve the prior issue, in lieu of services, of 6,500,000 Unlisted Options of the Company to Green Wolf Pty Ltd."

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

6. Approval of Prior Issue of Securities

"That the members approve the prior issue, in lieu of services, of 50,702 Ordinary Shares of the Company to Inteq Ltd."

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

7. Approval of Prior Issue of Securities

"That the members approve the prior issue, in lieu of services, of 937,500 Ordinary Shares of the Company to RM Research Ltd."

Further details in respect of Resolution 7 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

8. Approval of Prior Issue of Securities

"That the members approve the prior issue, in lieu of services, of 3,827,751 Ordinary Shares of the Company to Trafalgar Capital Specialised Investment Fund."

Further details in respect of Resolution 8 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

9. Approval of Prior Issue of Securities

"That the members approve the prior issue, in lieu of services, of 1,000,000 Unlisted Options of the Company to JBCI Holdings."

Further details in respect of Resolution 9 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

10. Approval of the Issue of 7,000,000 Unlisted Options to Dr Nathan Intrator

"That the members approve the issue of 7,000,000 Unlisted Options to Dr Nathan Intrator or his nominee/s."

Further details in respect of Resolution 10 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

11. Approval of the Issue of 1,000,000 Unlisted Options to Mr Nadaisan Logaraj

"That the members approve the issue of 1,000,000 Unlisted Options to Mr Nadaisan Logaraj or his nominee/s."

Further details in respect of Resolution 11 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

12. Approval of the Issue of 1,000,000 Ordinary Shares and 6,000,000 Unlisted Options to Dr Henry Pinski

"That the members approve the issue of 1,000,000 KSX Ordinary Shares and 6,000,000 Unlisted Options to Dr Henry Pinski or his nominee/s."

Further details in respect of Resolution 12 are set out in the Explanatory Notes accompanying this Notice of Annual General 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.

13. Approval of the Proposed Issue of up to 50,000,000 Ordinary Shares to Professional and Sophisticated Investors.

"That the members approve the proposed issue of up to 50,000,000 Ordinary Shares of the Company, to raise up to \$1.5m before costs, for the completion and commercialisation of the Company's medical devices."

Further details in respect of Resolution 13 are set out in the Explanatory Notes accompanying this Notice of Annual General Meeting.

14. Non-binding resolution to adopt Remuneration Report

"That, members hereby adopt the Remuneration Report for the year ended 30 June 2008."

The Remuneration Report forms part of the Directors' Report in the Company's 2008 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



Phillip Hains
Company Secretary
21st October 2008

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

This page has been left blank intentionally.

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 Friday, 21st November 2008 at 10.00am.

ORDINARY BUSINESS

Resolution 1: Re-Election of Director – Prof Noam Gavriely

Prof Noam Gavriely – CMO & Executive Director
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. A director who retires from office by rotation and is eligible for re-election may offer him or herself for re-election. On this basis, Prof Gavriely retires and offers himself for re-election.

Prof Gavriely is the founder and former CEO of Karmel Medical Acoustic Technologies Ltd.

Prof Gavriely has been conducting basic and applied research on pulmonary acoustics for over 25 years and is an international authority in this field. He is extensively published in various aspects of breath sounds, including the 1995 CRC Press book on "Breath Sounds Methodology", and holds multiple US and international patents on phonopneumography and other aspects of breath sounds monitoring.

Prof Gavriely has extensive entrepreneurial experience, has founded and managed several medical device companies in recent years and commercialised multiple medical devices with World-wide distribution.

Resolution 2: Election of Director – Dr Nathan Intrator

Dr Nathan Intrator – CEO & Executive Director
Appointed 15 April 2008

In accordance with the Company's constitution, a director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting. On this basis, Dr Intrator retires and offers himself for re-election.

Dr Intrator is widely recognised as a world expert in the field of signal processing (an area critical to the work of the Company) and has over 100 peer reviewed publications in major journals and conferences. He is also the Founder of two technology start-up companies, including one in the field of Cardio Pulmonary interactions – an area complementary to that of the Company.

He has been responsible for the establishment, funding and expansion of these entities and brings to the Company an impressive range of technical, project management, commercial and leadership skills, including successful interactions with major funds and investors.

Dr Intrator is also Senior Faculty Member of the School of Computer Sciences at the University of Tel Aviv and Brown University in Providence USA.

Resolution 3: Election of Director – Mr Nadaisan Logaraj

Mr Nadaisan Logaraj – Non-Executive Director
Appointed 15 April 2008

In accordance with the Company's constitution, a director appointed by the Board, either to fill a casual vacancy or as an addition to the Board, must retire at the next Annual General Meeting following his or her appointment, but is eligible for re-election at that Annual General Meeting. On this basis, Mr Logaraj retires and offers himself for re-election.

Mr Logaraj has worked in international law firms and investment banks for the last 28 years, having been responsible for a wide range of cross-border financing, M&A and other transactions and brings to the Company an extensive network throughout Australia and Asia.

Currently Mr Logaraj advises several Asian and Australasian corporations on their international investments and is a Member of the NSW Government's Asia Business Council. He was one of six external advisers to The University of Sydney on its strategic development and is currently a Member of its Council which deals with Asia Pacific issues.

<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>
--

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. The Company has not breached ASX Listing Rule 7.1 and is seeking shareholder approval of the prior issue of ordinary shares and grant of 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 4, 5, 6, 7, 8 & 9 relate to previous issuances of equity. No shares or options issued pursuant to resolutions 4,5,6,7,8,and 9 were issued to a related party (as defined in s.228 of the *Corporations Act*) of the Company.

Resolution 4: Approval of Prior Issue of Shares and Options to IBA Business Consultants

Resolution 4 is proposed to obtain approval for a prior issue of shares and options to IBA Business Consultants of 657,143 Ordinary Shares in the capital of the Company. 1,000,000 Unlisted Options, to acquire one (1) ordinary share in the capital of the Company.

IBA Business Consultants ACN 102 089 810 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 the options to IBA Business Consultants or its nominee were made in lieu of cash payment of fees for services that IBA Business Consultants has provided to the Company.

On the 29 February 2008 IBA Business Consultants were issued a total of 200,000 Ordinary Shares in the capital of the Company, deemed fully paid at an issue price of \$0.1444 each. 1,000,000 Unlisted Options to acquire one (1) ordinary share in the capital of the Company, deemed fully paid at an issue price of \$0.0144 per option, in lieu of consulting fees, no funds were raised by the issue. The shares issued to IBA Business Consultants rank equally (*pari passu*) with existing ordinary shares in the Company. The unlisted options issued are to be issued on the same terms as existing KSXAK Options, being exercisable at \$0.05 each on or before 31 July 2009.

On the 3 October 2008 IBA Business Consultants were issued a total of 457,143 Ordinary Shares in the capital of the Company, deemed fully paid at an issue price of \$0.07 each, in lieu of consulting fees. No funds were raised by the issue. The shares issued to IBA Business Consultants rank equally (*pari passu*) with existing ordinary shares in the Company.

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

Resolution 5: Approval of Prior Issue of Options to Green Wolf Pty Ltd

Resolution 5 is proposed to obtain approval for a prior issue of options to Green Wolf Pty Ltd of 6,500,000 Unlisted Options to acquire one (1) ordinary share in the capital of the Company.

Green Wolf Pty Ltd ACN 125 988 810 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 the options to Green Wolf Pty Ltd or its nominee/s were made in lieu of cash payment of fees for services that Green Wolf Pty Ltd has provided to the Company.

On the 12 December 2007 Green Wolf Pty Ltd were issued a total of 4,500,000 Unlisted Options to acquire one (1) ordinary share in the capital of the Company, deemed fully paid at an issue price of \$0.0144 per option, in lieu of consulting fees, no funds were raised by the issue. The unlisted options issued are to be issued on the same terms as existing KSXAK Options, being exercisable at \$0.05 each on or before 31 July 2009.

On the 29 February 2008 Green Wolf Pty Ltd were issued a total of 2,000,000 Unlisted Options to acquire one (1) ordinary share in the capital of the Company, deemed fully paid at an issue price of \$0.0144 per option, in lieu of consulting fees, no funds were raised by the issue. The unlisted options issued are to be issued on the same terms as existing KSXAK Options, being exercisable at \$0.05 each on or before 31 July 2009.

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

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.

Resolution 6: Approval of Prior Issue of Shares to Inteq Ltd

Resolution 6 is proposed to obtain approval for a prior issue of shares to Inteq Ltd of 50,702 Ordinary Shares in the capital of the Company.

Inteq Limited ACN 055 971 232 has been engaged by the Company to provide a range of corporate advisory and investor relations services. The prior issue of the shares to Inteq Limited or its nominee were made in lieu of cash payment of fees for services that Inteq Limited has provided to the Company.

On the 11 April 2008 Inteq Ltd were issued a total of 50,702 Ordinary Shares in the capital of the Company, deemed fully paid at an issue price of \$0.1282 each, in lieu of consulting fees. The shares rank equally (pari passu) with existing ordinary shares in the Company. No funds were raised by the issue.

Resolution 7: Approval of Prior Issue of Shares to RM Research Ltd

Resolution 7 is proposed to obtain approval for a prior issue of shares to RM Research Ltd of 937,500 Ordinary Shares in the capital of the Company.

RM Research Pty Ltd ACN 107 920 936 has been engaged by the Company to provide a range of broker research reports and financial analyses on the Company. The prior issue of the shares to RM Research Pty Ltd or its nominee were made in lieu of cash payment of fees for services that RM Research Pty Ltd has provided to the Company.

On the 1 August 2008 RM Research Ltd were issued a total of 937,500 Ordinary Shares in the capital of the Company, deemed fully paid at an issue price of \$0.032 each, in lieu of consulting fees. The shares rank equally (pari passu) with existing ordinary shares in the Company.

No funds were raised by the issue.

Resolution 8: Approval of Prior Issue of Shares to Trafalgar Capital Specialised Investment Fund

Resolution 8 is proposed to obtain approval for a prior issue of shares to Trafalgar Capital Specialised Investment Fund of 3,827,751 Ordinary Shares in the capital of the Company.

Trafalgar Capital Specialised Investment Fund has been engaged by the Company to provide a standby equity drawdown facility for the working capital commitments of the Company. The prior issue of the shares to Trafalgar Capital Specialised Investment Fund or its nominee were made in lieu of cash payment of fees for the setup of the funding facility provided by Trafalgar Capital Specialised Investment Fund to the Company.

On the 22 August 2008 Trafalgar Capital Specialised Investment were issued a total of 3,827,751 Ordinary Shares in the capital of the Company, deemed fully paid at an issue price of \$0.032 each, in lieu of borrowing fees. The shares rank equally (pari passu) with existing ordinary shares in the Company.

No funds were raised by the issue.

Resolution 9: Approval of Prior Issue of Options to JBCI Holdings

Resolution 9 is proposed to obtain approval for a prior issue of options to JBCI Holdings of 1,000,000 Unlisted Options in the capital of the Company.

JBCI Holdings has been engaged by the Company to provide a range of corporate advisory and investor relations services in Israel. The prior issue of the options to JBCI Holdings or its nominee were made in lieu of cash payment of fees for services that JBCI Holdings has provided to the Company.

On the 22 August 2008 JBCI Holdings were issued a total of 1,000,000 Unlisted Options to acquire one (1) ordinary share in the capital of the Company, deemed fully paid at an issue price of \$0.032 each, in lieu of consulting fees.

The unlisted options issued are to be issued on the same terms as existing KXSXAK Options, being exercisable at \$0.05 each on or before 31 July 2009.

No funds were raised by the issue.

<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>
--

Resolution 10: Approval of the Issue of 7,000,000 Unlisted Options to Dr Nathan Intrator

ASX Listing Rule 10.11 provides that a company may not issue securities to a director or proposed director without the approval of holders of ordinary shares.

Resolution 10 has been proposed to obtain approval for the allotment of unlisted options to Dr Nathan Intrator.

Pursuant to Resolution 10, the Company is seeking shareholder approval to grant Dr Nathan Intrator, or his nominee, 7,000,000 unlisted options each to acquire one (1) fully paid ordinary share in the capital of the Company, exercisable at \$0.05 will be exercisable on or before 15 December 2015 subject to vesting periods.

The unlisted options the subject of Resolution 10 will be granted within one month from the date of the Meeting.

The unlisted options of Resolution 10 will be issued subject to the option Terms and Conditions detailed in Annexure A of the Notice of Annual General Meeting and will be exercisable at \$0.05 on or before 15 December 2015.

No funds will be raised from the issue. Funds raised by the exercise of the unlisted options will be applied to the Company's working capital requirements at the time of exercise. The shares to be issued upon exercise of unlisted options will rank pari passu in all respects with the existing listed ordinary shares of the Company.

Under ASX Listing Rule 10.11 an entity may issue or agree to issue securities to a director if members approve the issue before the issue is made.

Resolution 11: Approval of the Issue of 1,000,000 Unlisted Options to Mr Nadaisan Logaraj

ASX Listing Rule 10.11 provides that a company may not issue securities to a director or proposed director without the approval of holders of ordinary shares.

Resolution 11 has been proposed to obtain approval for the allotment of unlisted options to Nadaisan Logaraj.

Pursuant to Resolution 11, the Company is seeking shareholder approval to grant Nadaisan Logaraj, or his nominee, 1,000,000 unlisted options each to acquire one (1) fully paid ordinary share in the capital of the Company, exercisable at \$0.05 will be exercisable on or before 15 December 2015 subject to vesting periods.

The unlisted options the subject of Resolution 11 will be granted within one month from the date of the Meeting.

The unlisted options the subject of Resolution 11 will be issued subject to the Option Terms and Conditions detailed in Annexure B of the Notice of Annual General Meeting and will be exercisable at \$0.05 on or before 15 December 2015.

No funds will be raised from the issue. Funds raised by the exercise of the unlisted options will be applied to the Company's working capital requirements at the time of exercise. The shares to be issued upon exercise of unlisted options will rank pari passu in all respects with the existing listed ordinary shares of the Company.

Under ASX Listing Rule 10.11 an entity may issue or agree to issue securities to a director if members approve the issue before the issue is made.

Resolution 12: Approval of the Issue of 1,000,000 Ordinary Shares and 6,000,000 Unlisted Options to Dr Henry Pinski

ASX Listing Rule 10.11 provides that a company may not issue securities to a director or proposed director without the approval of holders of ordinary shares.

Resolution 12 has been proposed to obtain approval for the allotment of ordinary shares and unlisted options to Dr Henry Pinski.

Dr Pinski was appointed as Non-Executive Director of the Company on 21 November 2006, his role was reassigned to Executive Director on 27 August 2008. In recognition of his new role as Executive Director of the Company, pursuant to Resolution 12, the Company is seeking shareholder approval to grant Dr Henry Pinski, or his nominee, 1,000,000 Ordinary Shares in the capital of the Company and 6,000,000 Unlisted Options each to acquire one (1) fully paid ordinary share in the capital of the Company, exercisable at \$0.05 will be exercisable on or before 15 December 2015 subject to vesting periods.

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.

The unlisted options the subject of Resolution 11 will be granted within one month from the date of the Meeting.

Further details for Dr Henry Pinski are contained in the Directors Report in the Annual Report.

The ordinary shares the subject of Resolution 12 to be issued will rank equally (*pari passu*) with existing ordinary shares in the Company. The unlisted options the subject of Resolution 12 will be issued subject to the Terms and Conditions detailed in Annexure C of the Notice of Annual General Meeting and will be exercisable at \$0.05 on or before 15 December 2015.

No funds will be raised from the issue. No cash will be received from the issue of the ordinary shares. Funds raised by the exercise of the unlisted options will be applied to the Company's working capital requirements at the time of exercise. The shares to be issued upon exercise of unlisted options will rank *pari passu* in all respects with the existing listed ordinary shares of the Company.

Under ASX Listing Rule 10.11 an entity may issue or agree to issue securities to a director if members approve the issue before the issue is made.

Resolution 13: Approval of the Proposed Issue of up to 50,000,000 Ordinary Shares to Professional and Sophisticated Investors.

Under ASX Listing Rule 7.1 an entity must not issue, or agree to issue, more than fifteen (15%) of its capital in any 12 month period without the approval of its shareholders.

Shareholder approval is sought for the issuance of up to 50,000,000 Ordinary Shares of the Company to raise up to \$1.5m before costs to Professional and Sophisticated Investors. The shares will be issued at a price equivalent to 80% of the volume weighted average market price of the shares over the last 10 days on which sales in the shares are recorded before the day on which the shares are issued, and within 3 months from the date of the AGM or such later date permitted by an ASX waiver or modification.

The funds to be raised by the issuance will be used predominately to fund the completion and commercialisation of the Company's medical devices. The shares to be issued will rank *pari passu* in all respects with the existing listed ordinary shares of the Company.

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

By obtaining shareholder approval for the issue of the ordinary shares, the Company retains the ability to issue up to fifteen percent (15%) of its capital to take advantage of any future capital raising opportunities.

Resolution 14: 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 14 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 2008.

The 2008 Remuneration Report is included in the Directors' Report of the Company's 2008 Annual Report, which is available on the Company's website www.karmelsonix.com.au.

Annexure A**KarmelSonix Limited****Terms and conditions of Unlisted Options (Expiring 15 December 2015)**

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 15 December 2015 (**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) 1,000,000 Unlisted Options will vest as follows; 500,000 immediately and 500,000 in 12 months time;
- (f) 6,000,000 Unlisted Options will vest as follows; 500,000 on completion of each quarter of service up to a total of 6,000,000 (over a 3 year period);
- (g) subject to the Corporations Act, the Listing Rules and the Company's Constitutions, the Options are freely transferable;
- (h) 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;
- (i) 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
- (j) 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.

Annexure B**KarmelSonix Limited****Terms and conditions of Unlisted Options (Expiring 15 December 2015)**

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 15 December 2015 (**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) 1,000,000 Unlisted Options will vest as follows; 500,000 immediately and 500,000 in 12 months time;
- (f) subject to the Corporations Act, the Listing Rules and the Company's Constitutions, the Options are freely transferable;
- (g) 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;
- (h) 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
- (i) 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.

Annexure C**KarmelSonix Limited****Terms and conditions of Unlisted Options (Expiring 15 December 2015)**

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 15 December 2015 (**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) 6,000,000 Unlisted Options will vest as follows; 500,000 in completion of each quarter of service up to a total of 6,000,000 (over a 3 year period)
- (f) subject to the Corporations Act, the Listing Rules and the Company's Constitutions, the Options are freely transferable;
- (g) 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;
- (h) 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
- (i) 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.

SAMPLE CUSTOMER
 SAMPLE ADDRESS
 SAMPLE ADDRESS
 SAMPLE ADDRESS
 SAMPLE ADDRESS

All correspondence to:
 KarmelSonix Limited
 Suite 2, 1233 High Street
 Armadale Victoria 3143
 Ph: +61 3 9824 8166
 Fx: +61 3 9824 8161

Appointment of Proxy

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

the Chairman 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 10.00am on 21 November 2008 and at any adjournment of that meeting.

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

		<i>For</i>	<i>Against</i>	<i>Abstain*</i>
Resolution 1:	Re-election of Prof Noam Gavriely to Serve as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2:	Election of Dr Nathan Intrator to Serve as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3:	Election of Mr Nadaisan Logaraj to Serve as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4:	Approval of Prior Issue of Ordinary Shares and Unlisted Options to IBA Business Consultants.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5:	Approval of Prior Issue of Unlisted Options to Green Wolf Pty Ltd.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6:	Approval of Prior Issue of Ordinary Shares to Inteq Ltd.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7:	Approval of Prior Issue of Ordinary Shares to RM Research Ltd.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8:	Approval of Prior Issue of Ordinary Shares to Trafalgar Capital Specialised Investment Fund.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9:	Approval of Prior Issue of Unlisted Options to JBCI Holdings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10:	Approval of the Issue of 7,000,000 Unlisted Options to Dr Nathan Intrator.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11:	Approval of the Issue of 1,000,000 Unlisted Options to Mr Nadaisan Logaraj.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12:	Approval of the Issue of 1,000,000 Ordinary Shares and 6,000,000 Unlisted Options to Dr Henry Pinskiar.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13:	Approval of the Proposed Issue of up to 50,000,000 Ordinary Shares to Professional and Sophisticated Investors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14:	Non-binding Resolution to Adopt Remuneration Report.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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.

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 10.00pm on Friday, 21 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 9824 8161
---	--

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.
