COMPUMEDICS LIMITED
ACN 006 854 897

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting
28 October 2009

Time of Meeting
10.30 am

Place of Meeting
30-40 Flockhart Street, Abbotsford Victoria 3067

COMPUMEDICS LIMITED
ACN 006 854 897

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is given that the Annual General Meeting of Compumedics Limited (ACN 006 854 897) ("**the Company**") will be held at 30-40 Flockhart Street, Abbotsford Victoria 3067 Australia on Wednesday 28th October, 2009 at 10.30am.

The accompanying Explanatory Memorandum ("Explanatory Memorandum") provides additional information relating to the matters to be considered at the Annual General Meeting and forms part of this Notice of Annual General Meeting ("Notice"). Certain terms and abbreviations used in this Notice and the Explanatory Memorandum have defined meanings, which are explained in the Explanatory Memorandum.

Business

1. Financial Statements and Reports

To receive and consider the financial report of the Company and the reports of the Directors and the Company's auditor for the year ended 30 June 2009.

2. Election of Director

Dr Mitchell who retires by rotation offers himself for re-election as a Director of the Company.

3. Adoption of Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the section of the report of the Directors entitled "Directors' Remuneration" dealing with the remuneration of the Company's Directors be adopted".

Under s 250R(3) of the Corporations Act, the vote on this item is advisory only and does not bind the Directors or the Company.

4. Redeemable convertible notes issued to D&DJ Burton Holdings Pty Ltd

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

(a) "That for the purposes of Listing Rule 10.11 and all other relevant purposes, the Shareholders approve the Redeemable Convertible Notes Agreement made between the Company and D & DJ Burton Holdings Pty Ltd, being the agreement described in the Explanatory Memorandum."

(b) "That for the purposes of Listing Rule 10.11, section 611 and Chapter 2E of the Corporations Act and all other relevant purposes, the Board be authorised to issue to D & DJ Burton Holdings Pty Ltd ordinary shares of the Company in accordance with the terms of the Redeemable Convertible Notes Agreement. As described in the Explanatory Memorandum, such terms provide for an interest rate of 20% per annum on the Redeemable Convertible Notes from the day of issue to 30 October 2009 and give the right to the noteholder to convert to ordinary shares some or all of the face value of the Redeemable Convertible Notes and the interest earned thereon at a rate equal to 13.5 cents per share.

Note: if approval is given under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

BY ORDER OF THE BOARD

David Lawson, Secretary
18 September, 2009

VOTING AND PROXIES

Eligibility

You will be eligible to vote at the meeting if you are registered as a holder of shares of the Company at 7pm Melbourne time on 26 October 2009.

Appointing a proxy

If you are entitled to attend and vote at the meeting, you can appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder of the Company and may be an individual or a body corporate.

If you are a Shareholder, and you are unable or do not wish to attend and vote at the meeting, and you wish to appoint a proxy, please complete and return the enclosed proxy form. If you are entitled to cast two or more votes, you may appoint two proxies and specify the proportion or number of votes each proxy is appointed to exercise. If you do not specify a proportion or number, each proxy may exercise half of the votes. If you require a second proxy form, please contact the Company's Share registry on 1300 554 474.

Lodging your proxy form

You can lodge your proxy form by:

- Mailing it to the Company's Share Registry at Locked Bag A14, Sydney South NSW 1235;
- Faxing it to the Company's Share Registry on (02) 9287 0309 or to + 61 2 9287 0309 (from outside Australia);
- Hand delivering it to the Company's Share Registry at Level 12, 680 George Street, Sydney NSW 2000;
- Lodging your proxy online at www.linkmarketservices.com.au in accordance with the instructions given there (you will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website).

Your completed proxy form (and any necessary supporting documentation) must be received by the Company no later than 10.30am on 26 October 2009.

If the proxy form is signed by an attorney, the original power of attorney under which the proxy form was signed (or a certified copy) must also be received by the Company by 10.30am on 26 October 2009 unless it has been previously provided to the Company. If the proxy is signed under power of attorney, the signatory must also declare that they have had no notice of revocation of the power of attorney.

If you appoint a proxy, you may still attend the meeting. However, if you vote on a resolution your proxy is not entitled to also vote on that resolution.

Voting at the meeting

At the meeting, on a show of hands each Shareholder present may cast one vote. For these purposes a Shareholder being 'present' includes a person present as a proxy, attorney or body corporate representative.

The Chair of the meeting will vote any undirected proxies in favour of all of the resolutions unless he or she has a personal interest in the relevant resolution. The Company encourages all Shareholders who submit proxies to direct their proxy how to vote on each resolution.

EXPLANATORY MEMORANDUM

Defined Terms

The following terms, which are used in this Notice (including this Explanatory Memorandum), have the meanings set out below:

'ASX' means Australian Stock Exchange Limited ABN 98 008 624 691;

'Board' means the board of directors of the Company;

'Company' means Compumedics Limited ACN 006 854 897;

'Corporations Act' means the Corporations Act (Cth) 2001;

'Listing Rules' means the Listing Rules of the ASX;

'Shareholder' means a person who is registered as a holder of shares of the Company.

Item 1:

Financial Statements and Reports

During this item there will be an opportunity for Shareholders at the meeting to ask questions and comment on the Director's Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2009. No resolution will be required to be passed on this matter.

Item 2:

Retirement and re-election of Director

Dr Graham Mitchell retires by rotation and offers himself for re-election as a Director of the Company.

Dr Mitchell, 67, is recognised as one of Australia's leading biological scientists. His expertise extends over a wide range of science and technology fields. He has a detailed knowledge of the academia and industry interface, has authored more than 350 publications, and received numerous awards for scientific achievement. Dr Mitchell is a Non-Executive Director of Antisense Therapeutics Pty Ltd; AgVic Services Pty Ltd ; Adelaide Research and Innovation Pty Ltd; and Avipep Pty Ltd. He is an advisor on innovation to the Victorian, Tasmanian and Northern Territory Governments and is a Principal of Foursight Associates Pty Ltd, and advisory service in science and technology.

Item 3:

Adoption of Remuneration Report

The Corporations Act requires that the section of the Directors' report relating to director and executive remuneration (the "Remuneration Report") be put to a vote of Shareholders for its adoption. The vote is advisory only and does not bind the directors of the Company.

The Remuneration Report can be found at pages 5 to 12 of the Financial Statements in the Company's 2009 Annual Report. Following consideration of the Remuneration Report, Shareholders will be given a reasonable opportunity to ask questions or comment on the Remuneration Report.

Item 4:

Redeemable Convertible Notes issued to D & DJ Burton Holdings Pty Ltd

The information relating to this Item is intended to meet the legal requirements imposed on the Company to provide sufficient information to Shareholders to allow them to properly consider and make informed decisions on Resolution 4(a) and 4(b) for the purposes of (as required):

(a) Chapter 2E of the Corporations Act, dealing with the provision of financial benefits to related parties;

(b) Listing Rule 10.11, dealing with the issue of securities to related parties; and

(c) Section 611 of the Corporations Act, dealing with takeover approvals.

Introduction

During the financial year ended 30 June 2009, the Company experienced restricted financial resources as a direct flow on from the global financial crisis (GFC) and the reduced availability of bank debt. In January of this year the Company sought to raise additional funding to ensure it had adequate financial resources to meet its financial obligations at that time.

In the period ended 30 June 2009, D & DJ Burton Holdings Pty Ltd, along with a few additional investors, agreed to advance funds to the Company. D & DJ Burton Holdings Pty Ltd advanced A$100,000 cash to the Company. In consideration for the agreement to advance the cash, the Company issued Redeemable Convertible Notes ("RCNs") to D & DJ Burton Holdings Pty Ltd under a Redeemable Convertible Notes Agreement ("RCN Agreement"). The same RCN agreements (other than the amounts involved and the dates on which the Redeemable Preference Notes could be redeemed) were used for the other investors, who contributed an additional A$145,000 to the Company at that time. A total of A$245,000 was thus advanced to the Company under the RCN agreements. The terms of the RCN agreement for D & DJ Burton Holdings Pty Ltd can be summarised as follows:

1. The A$100,000 was payable by D & DJ Burton Holdings Pty Ltd ("Noteholder") within 5 days of the issue date of the RCNs which was 2 February 2009.
2. 100 RCNs were issued with a face value of A$1000 each.
3. Each RCN is convertible into ordinary shares of the Company on 30 October 2009.
4. Subject to any decision to convert it into shares, interest at the rate of 20% per annum on the face value of the RCNs was payable at the end of the term of the RCNs.
5. The conversion of the RCNs to ordinary shares is at the discretion of the Noteholder. However, all issues of shares to the Noteholder pursuant to the RCN Agreement must be approved by the Shareholders in general meeting in accordance with the Listing Rules and the Corporations Act.
6. The conversion factor to be used if the Noteholder elects to convert the RCNs into ordinary shares of the Company and the conversion is approved in general meeting is the average price for the Company's Shares 5 days immediately prior to the date of issue of the RCNs which has been calculated to be 13.5 cents per share. The Company's shares have traded as low as 11 cents since the issue of the RCNs. By way of comparison, the closing price for the ordinary shares in the Company on 15 September 2009 was 20 cents.

With the exception of David Burton, who was an associate of the related party advancing the funds, the Board unanimously agreed to the terms of the RCN Agreement in the belief that it was, taken as a whole, in the best interests of the Company having regard to the then financial position of the Company.

Before entering into the RCN Agreement, the Directors sought alternate arm's-length financing options that might have been available to the Company and the terms upon which such finance might be made available. Alternative sources of finance were not generally available within the extremely short time-frame in which cash was needed. The Directors considered, having regard to that information and other relevant market information generally available, that the terms of the RCN Agreement were appropriate.

As a consequence of the RCN Agreement, D & DJ Burton Holdings Pty Ltd advanced $100,000 cash into the Company at short notice at a time of critical importance to the Company's prospects. Had those funds not been provided, along with the additional $145,000 provided by other investors the Company's operations may have been adversely impacted, particularly in light of the GFC at that time.

The Board seeks Shareholder approval of the RCN Agreement and approval for the issue of ordinary shares to D & DJ Burton Holdings Pty Ltd pursuant to the terms of the RCN Agreement if D & DJ Burton Holdings Pty Ltd seeks to convert all or any of its RCNs to ordinary shares in accordance with the terms of the RCN Agreement.

The related party and its interests

D & DJ Burton Holdings Pty Ltd is the major Shareholder of the Company. It currently holds 97,965,802 ordinary shares in the capital of the Company which represents 61.28% of the issued ordinary shares in the Company. As the major Shareholder of the Company, D & DJ Burton Holdings Pty Ltd is a related party to the Company. A further 2,041,500 shares are owned by Electro Molecular Pty Ltd, a company owned and controlled by David Burton. Accordingly, D & DJ Burton Holdings Pty Ltd and its associates hold 100,007,302 ordinary shares in the Company, which represent 62.55% of the issued ordinary shares of the Company.

Because D & DJ Burton Holdings Pty Ltd is a related party, neither it nor its associates may vote on the relevant resolutions. The associates of D & DJ Burton Holdings Pty Ltd include Mr David Burton, the Chairman and Chief Executive Officer of the Company and Electro Molecular Pty Ltd.

Financial benefit to related party

The financial benefit provided to the related party D & DJ Burton Holdings Pty Ltd consists of the rights granted to it under the RCN Agreement. These rights principally comprise:

(a) the right to have the sum advanced by it repaid, together with interest at the rates described above; and

(b) subject to Shareholder approval, the rights to convert the RCNs to ordinary shares in the Company in the manner specified.

Consequences of approval of RCN Agreement and conversion

If Shareholders pass Resolutions 4(a) and 4(b) then:

1. If D & DJ Burton Holdings Pty Ltd seeks to convert its RCNs, the Company shall issue to it ordinary shares in the Company in accordance with the formula set out in the RCN Agreement.
2. The formula in the RCN Agreement entitles D & DJ Burton Holdings Pty Ltd to obtain:
   (a) 740,741 ordinary shares in respect of (in effect) the advance of $0.1m (representing the face value of the RCNs); and
   (b) 107,550 ordinary shares in respect of interest payable on the RCNs if all RCNs are converted on 30 October 2009 (the interest being calculated at 20% per annum for 265 days).
3. If conversion of all the RCNs becomes effective at 30 October 2009, D & DJ Burton Holdings Pty Ltd would therefore receive its maximum number of new shares being a further 848,291 ordinary shares. If this occurred, D & DJ Burton Holdings Pty Ltd and its associates would increase their shareholdings to 100,855,593 ordinary shares. On this basis, assuming no further shares were issued in the Company, D & DJ Burton Holdings Pty Ltd and its associates would hold 100,855,593 ordinary shares out of a total issued 162,016,705 ordinary shares. This would represent 62.25% of issued shares. Accordingly, the maximum increase in the percentage of issued shares in the Company held by D & DJ Burton Holdings Pty Ltd as a result of passing resolutions 4(a) and 4(b) is 0.20%.

Consequences of non-approval of RCN Agreement and conversion

If Shareholders do not pass both Resolutions 4(a) and 4(b) and consequently no conversion occurs, then D & DJ Burton Holdings Pty Ltd would be entitled to repayment of the face value of the RCNs immediately together with interest calculated at the rate of 20.0% per annum from the issue date up to the date of redemption. Hence if redemption of the RCNs occurs on 30 October 2009, an amount of $114,520 will be payable by the Company.

Valuation of the conversion rights

As noted above, the approval of the conversion will give D & DJ Burton Holdings Pty Ltd the right to convert its debt (at the relevant conversion date) into a further 848,291 ordinary shares if conversion of all the relevant debt occurs on 30 October 2009.

The conversion rights to be obtained by the Noteholder on approval by Shareholders are not traded on the ASX and as such have no market value. However, the Noteholder will have a right to acquire shares (up to the maximum number specified above) at the exercise price of 13.5 cents per share and accordingly the conversion rights will have a present value at the date they are approved. The rights may acquire future value depending upon the extent to which the share prices(s) exceed the exercise price during the term in which conversion may occur.

Various factors will affect the value of conversion rights including:

- the period during which the conversion rights may be exercised;
- the exercise price at which the relevant debt may be converted to equity;
- the proportion of the issued capital as expanded upon exercise of the conversion rights;
- the value of the shares into which the debt may be converted;
- whether or not the rights in question are listed (and therefore capable of being sold), and;
- the ability of the Noteholder to sell the ordinary shares in the Company post conversion.

There are various formulae which can be applied to value conversion rights. The Board has estimated the value of the conversion rights using the Black-Scholes Model formula for valuing options (see above). This basis was used because, once the conversion rights are obtained, the Noteholder will be, in some respects, in a similar economic position to a holder of options over shares in the Company. To apply the Black-Scholes Model, it is necessary to assume certain inputs. The data relied upon in applying the Black-Scholes Model to the RCNs were as follows:

(a) an exercise price on conversion of 13.5 cents per share;

(b) the period of time up to conversion being 2 days (from the date of approval until 30 October 2009);

(c) the Company has not forecast any future dividend payments. For the purpose of the analysis, it was assumed that the Company's share price is "ex-dividend";

(d) the risk free rate used for the purposes of the analysis was the rate on current Treasury Bond yields with a maturity date approximating the expiry date of the options being 3.045%;

(e) a volatility measure of 46%. This volatility factor was based on the variations in the share price of the Company's share in the one year period ended 22 September 2009;

(f) the Company's share price based on a range of values namely:

    i. the Company's share price at 21 September 2009 which was 20.5 cents per share;

    ii. an average share price value over the 12 month period ended 22 September 2009 namely 14.3 cents per share;

    iii. a share price of 27.0 cents at the conversion date;

    iv. a share price of 35 cents at the conversion dates.

Based on this valuation method and the assumed data outlined above, the Board has valued the conversion rights as at 22 September 2009 by providing a range of values depending primarily on the assumptions referred to above and in particular the assumptions relating to the value of the Company's shares.

Implicit in the range of values below is the ability of the Noteholder to trade the quantity of ordinary shares in the Company that the Noteholder would be entitled to at 30 October 2009 without unduly affecting the then share price of those ordinary shares. Given that the average daily volume of ordinary shares in the Company traded on the Australian Stock Exchange over the last 12 months was approximately 28,541 ordinary shares in the Company per day, if the Noteholder were to dispose of all its shares issued pursuant to the RCNs at the average daily volume of trade, it would probably take the Noteholder in excess of 29 trading days to sell 848,291 ordinary shares in the Company post-October 2009. The Noteholder is only entitled, pursuant to the Company's security trading policy, to trade ordinary shares in the Company up to a maximum of 60 trading days per year unless the Board agrees to any additional trading period. Given the uncertainty in predicting the likelihood of the Noteholder to be able to sell the ordinary shares in the Company that it will be entitled to either on market or in any approved off-market transaction and to do so without effecting the share price at that time, the Board has not discounted the valuations given below to reflect this uncertainty:

Conversion assumed 30 October 2009	**Share price assumed on conversion**			
	20.5 cents per share	**14.3 cents per share (average share price)**	**27 cents per share**	**35 cents per share**
Value of conversion right based on valuation method	$59,380	$6,871	$114,519	$182,383

Recommendation

The Board, other than Mr Burton, recommends that the Shareholders pass the resolutions proposed relating to the RCNs, for the reasons noted below:

1. The Board, other than Mr Burton, agreed to the terms of the RCN Agreement in the belief that it was in the best interests of the Company. The result of entry into the RCN Agreement was that $0.1m of capital was injected into the Company at a time when the global financial crisis had led to other sources of funding being unavailable.
2. If the resolutions are passed and D & DJ Burton Holdings Pty Ltd converts its debt to equity, the Balance Sheet of the Company will in the view of the Board continue to improve and allow the Company to seek other forms of lending now that the more extreme outcomes of the global financial crisis are starting to recede. At 30 June 2009 the $0.1m received pursuant to the RCN was classified as current borrowings. If the resolution allowing convertibility is approved and the RCN holder elects to convert the RCNs to ordinary shares in the Company, the RCNs classified as current borrowings will be re-classified as contributed equity at that point in time.

Mr Burton is an associate of D & DJ Burton Holdings Pty Ltd and therefore has an interest in the outcome of the resolution.

Other than the information above and otherwise set out in this Explanatory Memorandum, the Directors believe that there is no other information known to the Company or its Directors that will be reasonably required by Shareholders to make a decision in relation to the benefits contemplated by Resolutions 4(a) and 4(b).