18 May 2011

Company Announcements Office
ASX Limited

ISSUE, EXERCISE AND LAPSE OF OPTIONS

We advise that 1,400,000 Options under the Nanosonics Employee Option Share Plan have been issued and 2,136,900 Options under the Nanosonics Employee Option Share Plan and Nanosonics General Share Option Plan have been exercised for a total amount raised of $545,800.50. In addition 217,000 Options under the Nanosonics Employee Share Option Plan have lapsed. There remain 4,886,200 unlisted Options on issue. These movements in options are detailed in the attached Appendix 3B.

Notice under Section 708A(5)(e)

Nanosonics (the Company) advises that on 18 May 2011 the Company issued 2,136,900 ordinary shares in respect of the exercise of the share options exercised as described above.

As at 18 May 2011, Nanosonics Limited gives notice under section 708A(5)(e) of the Corporations Act 2001 (Corporations Act) that:

1. The Company issued the securities without disclosure to investors under Part 6D.2 of the Corporations Act.
2. The Company has complied with the provisions, as they apply to the Company, of Chapter 2M of the Corporations Act and with Section 674 of the Corporations Act; and
3. There is no information:
   a. that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules and
   b. which investors and their professional advisors would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial performance, profits and losses and prospects of Nanosonics, or the rights and liabilities attaching to Nanosonics ordinary shares.

Nanosonics Limited

Robert J Waring
Company Secretary

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Nanosonics Limited

ABN

11 095 076 896

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	**1.** Options **2.** Ordinary fully paid shares **3.** Lapse of Options
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	**1.** 1,400,000 NANAO – Options issued **2.** 2,136,900 – Options exercised **3. (a)** 202,000 NANAI and **(b)** 15,000 NANAF – Options lapsed
3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	**1.** Exercise Price: $0.85, Expiry Date: 28 April 2016 – (Subject to service condition) **2.** New shares issued in respect of options exercised in accordance with the terms of the Company's Employee Share Option Plan (ESOP) and the General Share Option Plan (GSOP) **3.** N/A

+ See chapter 19 for defined terms.

4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	**1.** N/A **2.** Yes. The shares issued rank equally in every respect with, and are included with, quoted ordinary shares (ASX code NAN) – see note 8 below. **3.** N/A
5	Issue price or consideration	**1.** NIL **2.** 2,136,900 shares at prices $0.75 (204,000 NANAI), $0.20 (1,040,000 NANAY) and (850,000 NANAU) and $0.345 (42,900 NANAF), which raised $545,800.50 **3.** NIL
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	**1.** Issued under the terms and conditions of the Nanosonics Employee Share Option Plan **2.** Exercised under the terms and conditions of the Nanosonics Employee Share Option Plan and Nanosonics General Share Option Plan **3.** N/A
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	18 May 2011

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable)	**229,695,585**	**Ordinary (NAN)**

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable)	**0**	**ASX Code NANAU – Unquoted General Options, with exercise price of A$0.20, expiring on 17 May 2011.**
	0	**ASX Code NANAY – Unquoted Employee Options, with exercise price of A$0.20, expiring on 17 May 2011.**
	0	**ASX Code NANAI – Unquoted Employee Options, with exercise price of A$0.75, expiring on 17 May 2011.**
	0	**ASX Code NANAA – Unquoted Employee Options, with exercise price of A$0.75, expiring on 30 November 2011.**
	500,000	**ASX Code NANAB – Unquoted Employee Options, with exercise price of A$0.30, expiring on 19 November 2012.**
	50,000	**ASX Code NANAC – Unquoted General Options, with exercise price of A$0.30, expiring on 19 November 2012.**
	60,000	**ASX Code NANAD – Unquoted Employee Options, with exercise price of A$0.30, expiring on 19 November 2012.**
	500,000	**ASX Code NANAE – Unquoted Employee Options, with exercise price of A$0.30, expiring on 16 June 2013.**
	612,700	**ASX Code NANAF – Unquoted Employee Options, with exercise price of A$0.345, expiring on 26 June 2013.**
	100,000	**ASX Code NANAG – Unquoted General Options, with exercise price of A$0.345, expiring on 26 June 2013.**
	53,500	**ASX Code NANAH – Unquoted General Options, with exercise price of A$0.345, expiring on 26 June 2013.**
	50,000	**ASX Code NANAJ – Unquoted General Options, with exercise price of A$0.55, expiring on 5 January 2014.**
	500,000	**ASX Code NANAK – Unquoted Employee Options, with exercise price of A$0.535, expiring on 16 June 2014.**
	900,000	**ASX Code NANAL – Unquoted Employee Options, with exercise price of A$0.556, expiring on 19 July 2014.**
	100,000	**ASX Code NANAM – Unquoted General Options, with exercise price of A$0.784, expiring on 1 October 2014.**
	60,000	**ASX Code NANAN – Unquoted Employee Options, with exercise price of A$0.918 expiring on 23 February 2015.**
	1,400,000	**Proposed ASX Code NANAO – Unquoted Employee Options, with exercise price of A$0.85 expiring on 28 April 2016.**

+ See chapter 19 for defined terms.

10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	**Not Applicable**

Part 2 - Bonus issue or pro rata issue

Questions 11 to 33	**Not Applicable**

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

Questions 38 to 42	**Not Applicable**

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are true and complete.

Sign here: Date: 18 May 2011

(Company secretary)

Print name: **Robert J Waring**

Company Secretary

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+ See chapter 19 for defined terms.