

3 October 2012

Dear Shareholder,

On behalf of the Nanosonics' Board of Directors, I have pleasure in providing notice of the Company's Annual General Meeting to be held at The Menzies Hotel, 14 Carrington Street, Sydney, NSW, Australia on Friday 9 November 2012, commencing at 11.00am.

I encourage you to attend the meeting. If you are able to attend, please bring with you the attached proxy form as this will facilitate easy registration of shareholders. Registration will be available from 10.45am.

A person intending to vote on shares held in the name of a company must bring an authority from that company, signed by it in favour of the person attending.

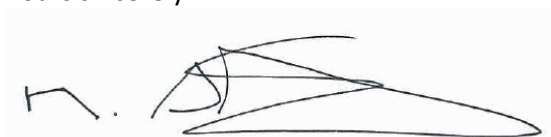
If you are unable to attend the meeting, I encourage you to vote, either by using the enclosed proxy form or by lodging your vote on-line at www.investorvote.com.au.

You are welcome to submit questions to the Company and its Auditor. A form for this purpose is enclosed and should be made available to the Company on or before Friday 2 November 2012 at the addresses provided at the end of the form.

I look forward to seeing you at the meeting and I invite you to join the Directors and Senior Managers for refreshments at the conclusion of the meeting.

The Nanosonics 2012 Annual Report and subsequent Company announcements are available from the investor section of the Nanosonics website www.nanosonics.com.au or from the Company Secretary. Shareholders who have elected to receive a printed copy of the report will have received it in the post. Shareholders who have elected to receive share registry communications electronically will receive an emailed link to the report.

Yours sincerely

A handwritten signature in blue ink, appearing to read "M. Stang", written over a light blue rectangular background.

Maurie Stang
Non-Executive Chairman

NOTICE OF 2012 ANNUAL GENERAL MEETING

The 2012 Annual General Meeting (AGM) of shareholders of Nanosonics Limited (“Nanosonics” or “the Company”) will be held:

- on Friday 9 November 2012 commencing at 11.00am
- at The Menzies Hotel, 14 Carrington Street, Sydney, NSW, Australia.

The business to be considered at the meeting is set out below. This Notice of Meeting should be read in conjunction with the accompanying Explanatory Notes. A Proxy Form also accompanies this Notice.

ORDINARY BUSINESS

2012 Reports

To receive and consider:

The Company’s Reports of the Directors and Auditor, and the Financial Report for the year ended 30 June 2012.

Resolution 1 - Election of Director – Mr Michael Kavanagh

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

That Mr Michael Kavanagh, who was appointed a Director after the last Annual General Meeting and who retires as a Director pursuant to the Company’s Constitution and, being eligible, offers himself for election, be elected a Director.

Resolution 2 - Election of Director – Mr Richard England

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

That Mr Richard England, who retires as a Director pursuant to the Company’s Constitution and, being eligible, offers himself for re-election, be elected a Director.

Resolution 3 - Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution:

That the Remuneration Report for the financial year ended 30 June 2012 be adopted.

SPECIAL BUSINESS

Resolution 4 - Approval of placement of Shares on 4 May 2012

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

That for the purposes of Listing Rules 7.1 and 7.4 and for all other purposes, the Company ratifies and approves the issue to sophisticated and professional investors of 29,245,283 Shares through a placement completed on 4 May 2012 to raise a total of A\$15,500,000 (Share Placement).

Voting Exclusion Statement – Resolution 4

The Company will disregard any votes cast on Resolution 4 by:

- a person who participated in the Share Placement; and
- an associate of that person.

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.

Resolution 5 - Approval of issue of Tranche A Convertible Note

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

That, for the purposes of ASX Listing Rules (Listing Rule) 7.1 and 7.4 and for all other purposes, the Company ratifies and approves:

- (a) the issue to GE Capital Finance Pty Ltd (as trustee for the GE Capital Commercial Real Estate Financing & Services (Australia) Unit Trust) (GE) on 28 June 2012 of the Tranche A Convertible Note with a total face value (issue price) of A\$4,000,000; and
- (b) the right to convert the Tranche A Convertible Note in whole or in part into Shares at a conversion price of A\$0.75 per Share as may be adjusted at any time from the issue date until the maturity date of the Tranche A Convertible Note; and
- (c) the issue of the maximum number of Shares that may be required to be issued to GE upon the exercise of its right to convert the Tranche A Convertible Note to Shares,

on the terms described in the Explanatory Statement accompanying this Notice of General Meeting.

Voting Exclusion Statement – Resolution 5

The Company will disregard any votes cast on Resolution 5 by:

- GE; and
- any associate of GE.

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.

Resolution 6 - Approval of issue of Tranche B Convertible Note and approval of issue of Shares upon conversion

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

That, for the purposes of Listing Rules 7.1 and 7.4 and for all other purposes the Company ratifies and approves:

- (d) the issue to GE on 28 June 2012 of the Tranche B Convertible Note with a total face value (issue price) of A\$3,500,000;
- (e) the right to convert the Tranche B Convertible Note in whole or in part into Shares at a conversion price of A\$0.75 per Share as may be adjusted at any time from the issue date until the maturity date of the Tranche B Convertible Note; and
- (f) the issue of the maximum number of Shares that may be required to be issued to GE upon the exercise of its right to convert the Tranche B Convertible Note,

on the terms described in the Explanatory Statement accompanying this Notice of General Meeting.

Voting Exclusion Statement – Resolution 6

The Company will disregard any votes cast on Resolution 6 by:

- GE; and
- any associate of GE.

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.

Resolution 7 - Issue of performance rights to the Managing Director and Chief Executive Officer (CEO), Dr Ronald Weinberger under the 2012 Long Term Incentive Scheme (LTI) Invitation

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

That approval is given for all purposes under the Corporations Act and the Listing Rules of ASX Limited for:

- (a) The issue of 1,220,000 performance rights to Dr Ronald Weinberger under the Nanosonics Employee Share Option Plan (approved by shareholders in November 2010) and in respect of the 2012 LTIS for the 2013 financial year; and
- (b) in consequence of the vesting of those performance rights, ordinary shares in NAN,

in accordance with the Plan Rules (as amended from time to time) described in the Explanatory Statement accompanying this Notice of Meeting.

Resolution 8 – Approval of Managing Director and Chief Executive Officer (CEO) termination payment

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

That, for the purposes of Chapter 2D Division 2 of the Corporations Act and all other purposes, the Shareholders approve the payment by the Company to Dr Ronald Weinberger of the retirement benefit described in the Explanatory Statement accompanying this Notice of Meeting, when and if Dr Ronald Weinberger becomes entitled to receive that benefit.

Voting Exclusion Statement – Resolution 8

The Company will disregard any votes cast on Resolution 8 by:

- Dr Ronald Weinberger; and
- any associate of Dr Ronald Weinberger.

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.

GENERAL BUSINESS

To transact any other business brought forward in accordance with the Company's Constitution.

Further information in relation to each of these resolutions is set out in the Explanatory Statement.

QUORUM

The Constitution of the Company provides that two registered Company shareholders present personally or by representative, attorney or proxy shall be a quorum for a general meeting of the Company.

VOTING ENTITLEMENTS

For the purpose of the Corporations Act, the Company has determined that the holders of the Company's ordinary shares for the purpose of the 2012 annual general meeting will be the holders registered as at 7.00pm (AEDT) on Wednesday 7 November 2012. Shareholders so registered are entitled to attend and vote at the Annual General Meeting (and any adjournment of the meeting which takes place within 28 days).

PROXIES

Proxies must be deposited, transmitted or lodged electronically at least 48 hours prior to the meeting (or adjourned meeting) at which the individual named in the proxy form proposes to vote. Proxy instructions may be registered electronically by 11am (AEDT) on Wednesday 7 November 2012 at the Share Registry website www.investorvote.com.au or, by Intermediary Online subscribers only, at www.intermediaryonline.com

A completed proxy form, or a copy or facsimile which appears on its face to be an authentic copy of the proxy form, (and the power of attorney or other authority under which the proxy form is signed) must be deposited at or sent by facsimile transmission to the Company's share registry:

Computershare Investor Services Pty Limited
GPO Box 242, Melbourne, Victoria 3001, Australia
Facsimile: 1800 783 447 (from within Australia) or +61 (3) 9473 2555 (from outside Australia)

or to the Company's registered office at:

24/566 Gardeners Road, Alexandria, NSW 2015, Australia
Facsimile: +61 (2)9317 5010

To lodge a proxy on-line, the holder identification number (HIN) or security holder reference number (SRN) is required. The HIN or SRN appears at the top of the proxy form attached.

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights. Unless executed under a Power of Attorney, a proxy form by a corporation should be executed in accordance with section 127(1) of the Corporations Act 2001 (Cth).

ORDINARY RESOLUTIONS

In accordance with the Corporations Act and the Company's constitution, in order for all resolutions to be effective each must be passed as an ordinary resolution. This means that each of the resolutions must be passed by shareholders who are the registered holders of more than 50% of the shares and who attend the meeting (either in person or by proxy) and are entitled to vote on them.

Dated at Sydney this 3rd day of October 2012.

BY ORDER OF THE BOARD

McGregor Grant
Company Secretary

EXPLANATORY STATEMENT

This Explanatory Statement is an explanation of, and contains information about, the resolutions to be considered at the Nanosonics Limited (“the Company”) Annual General Meeting to be held on 9 November 2012 to assist Shareholders to determine how they wish to vote on the resolutions. This Explanatory Statement forms part of the accompanying Notice of Annual General Meeting and should be read together with the Notice of Annual General Meeting.

ORDINARY BUSINESS

The following items of business will be considered at the meeting.

First Item of Business

This item of business relates to the consideration of the Company’s Financial Report, including the Directors’ and Auditor’s Reports, for the year ended 30 June 2012 and gives the members the opportunity to ask questions or make comments concerning the Company’s Financial Report, including the Directors’ and Auditor’s Reports during the meeting. A copy of the 2012 Annual Report is available from the Company’s website: www.nanosonics.com.au or from the Company Secretary.

There is no requirement for a formal resolution on this item.

First Resolution – Election of Director – Mr Michael Kavanagh

Mr Michael Kavanagh was appointed a Director of the Company on 30 July 2012. Under the Company’s Constitution, Mr Kavanagh retires because he was appointed after the last Annual General Meeting, and being eligible, wishes to stand for election. Information on Mr Kavanagh is set out on page 16 of the 2012 Annual Report.

Directors’ recommendation:

The Board (excluding Mr Kavanagh) recommends that shareholders vote in favour of the resolution.

Second Resolution – Election of Director – Richard England

Mr Richard England was originally appointed a Director of the Company on 5 February 2010. Under the Company’s Constitution, Mr England retires by rotation, and being eligible, wishes to stand for election. Information on Mr England is set out on page 16 of the 2012 Annual Report.

Directors’ recommendation:

The Board (excluding Mr England) recommends that shareholders vote in favour of the resolution.

Third Resolution – Remuneration Report

The Remuneration Report is required to be considered for adoption in accordance with the Corporations Act. The Remuneration Report is contained in the Directors’ Report. The vote on this resolution is advisory only and non-binding. The resolution gives the members the opportunity to ask questions or make comments concerning the Remuneration Report during the meeting. Under the Corporations Act 2001, if 25% or more of votes that are cast vote against the adoption of the Remuneration Report at two consecutive AGMs, shareholders will be required to vote at the second of those AGMs on a resolution (a “spill resolution”) that another meeting be held within 90 days at which all of the Company’s Directors (other than the Managing Director) must go up for re-election. The Company encourages all shareholders to cast their votes on the Resolution (Adoption of Remuneration Report).

Any undirected proxies held by the Chairman of the meeting, other Directors, other key management personnel or any of their closely-related parties will not be included in the votes for the Resolution. Key management personnel of the Company are the Directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company’s key management personnel for the financial year to 30 June 2012. Their closely-related parties are defined in the Corporations Act 2001, and include certain of their family members, dependants and companies they control.

Directors' recommendation:

The Board recommends that shareholders vote in favour of the resolution.

Fourth Resolution –Approval of placement of Shares on 4 May 2012

On 4 May 2012, the Company completed a placement of 29,245,283 fully paid ordinary shares in the Company (Shares) to certain sophisticated and professional investors at an issue price of A\$0.53 per Share (Share Placement).

The Share Placement raised a total of A\$15,500,000.

The issue of the Shares under the Share Placement was made within the Company's capacity to issue securities without Shareholder approval pursuant to ASX Listing Rule (Listing Rule) 7.1.

Resolution 4 seeks ratification and approval for the Share Placement in accordance with Listing Rule 7.4 thereby refreshing that portion of the Company's placement capacity that was reduced by the issue of the Shares the subject of the Share Placement.

If Shareholder approval is obtained under Resolution 4, the Shares issued under the Share Placement would not reduce the number of Shares that could be issued by the Company without Shareholder approval under the 15% limit under Listing Rule 7.1 and will increase the base number of Shares from which the 15% calculation is made.

The following information is required by Listing Rule 7.5 for the purposes of Shareholder approval under Listing Rule 7.4:

- (a) the total number of Shares issued under the Share Placement was 29,245,283;
- (b) the issue price was A\$0.53 per Share;
- (c) the Shares were issued on the same terms and conditions as existing Shares and rank equally in all respects with all other Shares on issue and have been quoted on ASX;
 - (d) the allottees were various sophisticated and professional investors and the Share Placement was led by fund manager Allan Gray (formerly Orbis Investment Management (Australia)) which committed A\$10,600,000 to the Share Placement. Shaw Corporate Finance acted as a participating broker to the placement;
- (e) the net proceeds of the funds raised under the Share Placement were intended to be used towards:
 - (i) working capital to support sales, distributor and marketing programs;
 - (ii) investment in expanding direct sales resources in key markets;
 - (iii) continued investment in development of promising additional products utilising the Company's proprietary technology; and
 - (iv) scaling-up manufacturing.

Directors' recommendation:

The Board believes that Shareholder approval for Resolution 4 is beneficial for the Company, and in the best interests of Shareholders. If Resolutions 5 and 6 are also approved, the Company's ability to issue further Shares within its 15% placement capacity under Listing Rule 7.1 will be refreshed and will allow the Company to carry out further equity raisings (including placements) to respond in a timely manner to any funding requirements that may arise. The Board unanimously recommends that Shareholders vote in favour of Resolution 4.

Background to Fifth and Sixth Resolutions

On 28 June 2012, the Company issued A\$7.5 million in convertible notes to GE Capital Finance Pty Ltd (as trustee for GE Capital Commercial Real Estate Financing & Services (Australia) Unit Trust) (GE or Noteholder) which comprised two tranches:

- (a) a Tranche A Convertible Note with a total face value (issue price) of A\$4,000,000; and
- (b) a Tranche B Convertible Note with a total face value (issue price) of A\$3,500,000,

(together Convertible Notes).

The Convertible Notes are convertible in whole or in part into Shares, pursuant to the terms set out in a convertible note deed poll executed by the Company in favour of GE (Deed Poll). The Tranche B Convertible Note can only be converted after either Shareholders approve the right to convert that Tranche B Convertible Note into Shares for the purposes of Listing Rule 7 (as proposed in Resolution 6 of the Notice of Meeting) or the Company otherwise has sufficient placement capacity under Listing Rule 7.1 and the ASX confirms that such a use of its placement capacity is consistent with Listing Rule 7.1. If neither of these options are available by the completion of the AGM the Company will, subject to compliance with applicable law and if so requested by the Noteholder, continue to use its best efforts to establish a conversion right for the Tranche B Convertible Note in a manner consistent with the Listing Rules.

The Convertible Notes bear interest at 6% per annum on a simple interest basis and have a maturity date of four years from the issue date, being 28 June 2016 (Maturity Date).

A summary of the terms of the Deed Poll and the Convertible Notes were provided in the announcement to the ASX dated 28 June 2012 issued by the Company to the ASX on the same date and available at www.asx.com.au and on the Company's website. A summary of the key terms of the Convertible Notes is attached as Annexure 1 to this Explanatory Statement.

The purpose of the issue of the Convertible Notes was to raise funding that is likely to be required by the Company for the continued development and growth of its business. The Company intends to use the proceeds from the issue of the Convertible Notes to:

- (a) expand and consolidate office and manufacturing facilities of the Company and its subsidiaries (together, the Company Group);
- (b) conduct sales and marketing for products of the Company Group; and
- (c) fund working capital of the Company Group.

The Noteholder can elect to convert the Tranche A Convertible Note at any time, and the Tranche B Convertible Note can be converted at any time after a right to convert is achieved in the manner outlined above. The Noteholder may elect to convert both the face value of the Convertible Notes together with any accrued and unpaid interest. If all interest is accrued over the full four year term of the Convertible Notes, this could amount to A\$1,800,000.

The number of Shares issued under each Convertible Note will be calculated by dividing the amount elected to be converted by the Conversion Price. The Conversion Price is A\$0.75 (subject to certain adjustment events as outlined in Annexure 1 to this Explanatory Statement).

If GE elects to wholly convert both the Tranche A Convertible Note and Tranche B Convertible Note and to also convert all accrued and unpaid interest over the four year period of the Convertible Notes then the following Shares would be issued (assuming the Conversion Price remains at A\$0.75). If a relevant adjustment event occurs that reduces the Conversion Price below A\$0.75 the number of Shares to be issued will be higher, as outlined in Annexure 1.

Convertible Notes Face Value (Tranche A and B)	A\$7,500,000	@ A\$0.75	10,000,000 Shares
Accrued and unpaid interest	A\$1,800,000	@ A\$0.75	2,400,000 Shares
Total	A\$9,300,000		12,400,000 Shares

Under the Deed Poll, the Noteholder may elect to partially convert each of the Convertible Notes, can elect whether to convert accrued interest or to be paid such interest in cash and may exercise its conversion right at different times. Accordingly, the actual effect on the share capital of the Company may differ depending on these factors.

Within five business days after the date on which the Noteholder exercises its conversion right with respect to the Tranche A Convertible Note and/or Tranche B Convertible Note by giving notice of the same to the Company, the Company will issue such number of Shares as calculated in accordance with the terms of the Deed Poll (and summarised above and in Annexure 1) and seek approval from ASX for quotation of those Shares.

Fifth Resolution - Approval of issue of Tranche A Convertible Note issued on 28 June 2012

Listing Rule 7.1 requires that a listed company must obtain shareholder approval prior to issuing, or agreeing to issue, shares or securities convertible into shares (such as the Convertible Notes), representing more than 15% of the issued capital of the company in any 12 month period. The issue by the Company of the Tranche A Convertible Note to GE was within the Company's existing 15% limit under Listing Rule 7.1 at that time.

Under Listing Rule 7.4, an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purposes of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue of such securities.

The Company is now seeking that the issue of the Tranche A Convertible Note (and the issue of the maximum number of Shares that may be required to be issued to GE upon the exercise of its right to convert the Tranche A Convertible Note to Shares) be treated as having been made with Shareholder approval for the purposes of Listing Rule 7.1, pursuant to Listing Rule 7.4.

If Shareholder approval for Resolution 5 is obtained, the issue of the Tranche A Convertible Note and the issue of Shares upon exercise of the right to convert the Tranche A Convertible Note will be excluded from the calculation of the 15% limit under Listing Rule 7.1. If Resolutions 4 and 5 are also passed at the meeting, the Company will have the placement capacity under Listing Rule 7.1 to issue up to 15% of its issued capital, if required, in the next 12 months without the need to first obtain Shareholder approval.

The following information is required by Listing Rule 7.5 for the purposes of Shareholder approval under Listing Rule 7.4:

- (a) One Tranche A Convertible Note was issued.
- (b) The Tranche A Convertible Note has a total face value (issue price) of A\$4,000,000. The Tranche A Convertible Note is convertible in whole or in part into Shares at a conversion price of A\$0.75 per Share as may be adjusted at any time from the issue date until the Maturity Date in accordance with the terms of issue. Further details regarding the conversion rights and adjustment events are found in Annexure 1.
- (c) The terms of the Tranche A Convertible Note are outlined in Annexure 1 to this Explanatory Statement and were detailed in the cleansing notice issued by the Company dated 28 June 2012 and released to the ASX on the same date. Shares issued on the conversion of the Tranche A Convertible Note will have the same terms and rank equally in all respects with existing Shares and will be quoted on the ASX.
- (d) Funds raised by the issue of the Tranche A Convertible Note are to be used for the continued development and growth of its business, as detailed above in this Explanatory Statement under the heading "Background to Fifth and Sixth Resolutions".

Directors' recommendation:

The Board believes that Shareholder approval of Resolution 5 is beneficial for the Company, and in the best interests of Shareholders. If Resolutions 4 and 6 are also approved, the Company's ability to issue further Shares within its 15% placement capacity under Listing Rule 7.1 will be refreshed and will give the Company the flexibility to issue up to 15% of its issued capital, if required, in the next 12 months without the need to obtain prior Shareholder approval and allows the Company to respond in a timely manner to any funding requirements that may arise.

The Board unanimously recommends that Shareholders vote in favour of Resolution 5.

Sixth Resolution - Approval of Tranche B Convertible Note issued on 28 June 2012

Resolution 6 seeks Shareholder approval for the issue of the Tranche B Convertible Note to GE on 28 June 2012, and Shareholder approval for the right to convert the Tranche B Convertible Note into Shares and for the issue of the maximum number of Shares that may be required to be issued to GE upon exercise of its right to convert the Tranche B Convertible Note to Shares.

At the date of issue of the Tranche B Convertible Note, the Company did not have the placement capacity under Listing Rule 7.1 to grant GE the right to convert the Tranche B Convertible Note to Shares and for that reason, the Tranche B Convertible Note will not have a conversion right and may not be converted into Shares unless and until:

- (a) Shareholders approve the issue of Shares upon conversion of the Tranche B Convertible Note; or
- (b) the Company has sufficient placement capacity under Listing Rule 7.1 for such a conversion right to be effected on the basis set out in Annexure 1 to this Explanatory Memorandum.

Pursuant to the terms of issue of the Tranche B Convertible Note, the Company is seeking shareholder approval under Resolution 6 to allow the Tranche B Convertible Note to be converted into Shares and for the issue of Shares on conversion of the Tranche B Convertible Note.

Approval of Resolution 6 will have the added effect of being excluded from calculations of the Company's 15% limit under Listing Rule 7.1.

If Shareholder approval of Resolution 6 is not obtained, the Tranche B Convertible Note may not be converted to Shares by GE until such time as the Company has placement capacity within the 15% limit under Listing Rule 7.1 to issue Shares to GE upon the exercise of GE's right to convert Tranche B Convertible Note (which the Company is required to use its best efforts to facilitate in a manner consistent with the Listing Rules). If the Company is unable to establish a conversion right for Tranche B Convertible Note before 5 May 2013, the Noteholder may redeem all or any part of the Tranche B Convertible Note at anytime thereafter.

The following information is required by Listing Rule 7.5 for the purposes of Shareholder approval under Listing Rule 7.4:

- (a) The Tranche B Convertible Note has a total face value (issue price) of A\$3,500,000.
- (b) The Tranche B Convertible Note is, subject to Shareholder approval, convertible in whole or in part into Shares at a conversion price of A\$0.75 per Share as may be adjusted at any time from the issue date until the Maturity Date in accordance with the terms of issue. Further details regarding the conversion rights and adjustment events are found in Annexure 1.
- (c) The terms of the Tranche A Convertible Note are outlined in Annexure 1 to this Explanatory Statement and were detailed in the cleansing notice issued by the Company dated 28 June 2012 and released to the ASX on the same date. Shares issued on the conversion of the Tranche B Convertible Note will have the same terms and rank equally in all respects with existing Shares in the Company and will be quoted on the ASX.
- (d) Funds raised by the issue of the Tranche B Convertible Note are to be used for the continued development and growth of its business, as detailed above in this Explanatory Statement under the heading "Background to Fifth and Sixth Resolutions".

Directors' recommendation:

The Board believes that it is in the best interests of Shareholders that GE's right to convert the Tranche B Convertible Note to Shares is approved by Shareholders.

In addition, if Resolutions 4 and 5 are approved, the Company will have the flexibility to issue up to 15% of its issued capital, if required, in the next 12 months without the need to first obtain Shareholder approval, which would allow the Company to respond in a timely manner to any funding requirements that may arise.

The Board unanimously recommends that Shareholders vote in favour of Resolution 6.

Annexure 1 - Summary of key terms of the Tranche A Convertible Note and Tranche B Convertible Note

Issue/Subscription Date	28 June 2012.
Noteholder	GE Capital Finance Pty Ltd (as trustee for the GE Capital Commercial Real Estate Financing & Services (Australia) Unit Trust)
Face Value	The Convertible Notes have the following principal amounts: (a) Tranche A Convertible Note - A\$4,000,000; and (b) Tranche B Convertible Note - A\$3,500,000.
Maturity Date	Four years after the Issue Date.
Ranking	The Convertible Notes will, save for any obligations that may be preferred by mandatory provision of an applicable law, rank behind any secured obligations and equally with all other unsecured unsubordinated obligations of the Company.
Interest	<p>The Company must pay interest on any outstanding Convertible Note at the rate of 6% per annum on a simple interest basis. Interest on each Convertible Note is calculated by reference to the relevant Face Value (excluding any interest accrued to such Face Value which will not bear further interest), on the basis of a 365 day year and accrues daily.</p> <p>Subject to the below, interest on each Convertible Note is payable on each anniversary of the Issue Date, Redemption Date and Conversion Date (each, an Interest Payment Date).</p> <p>In the first two years from the Issue Date, the Company will not pay Interest to the Noteholder, but Interest will accrue and form part of the Face Value (but will not bear any further interest). After that period, the Noteholder may elect whether to receive Interest in cash, or to have such Interest accrue and form part of the Face Value (but this will not bear further Interest).</p> <p>If payment of principal of a Convertible Note is improperly withheld or refused on the Maturity Date, or any earlier date fixed for redemption of the Convertible Note, interest will continue to accrue (both before and after judgment) at the default rate of 9% per annum (or such higher percentage as may apply to any judgment) until the day on which all sums due in respect of the Convertible Note up to that day are received by or on behalf of the Noteholder.</p>
Conversion Rights	<p>The Tranche A Convertible Note may be converted at any time up until the Maturity Date. The Tranche B Convertible Note will not be convertible until:</p> <p>(a) Shareholders approve the conversion rights under the Tranche B Convertible Note in accordance with Listing Rule 7.1 (see below); or</p> <p>(b) the Company has sufficient placement capacity under Listing Rule 7.1 for such a Conversion Right to be effected and the ASX has confirmed in writing that this does not result in the Tranche B Convertible Note being regarded as "equity securities" under the Listing Rules or that such Conversion Right otherwise will be exercisable for the purposes of Listing Rule 7.1 (ASX Confirmation).</p> <p>The Convertible Notes may be converted in whole or in part into a number of Shares determined by dividing the Face Value of the</p>

	<p>Convertible Note to be converted by the Conversion Price (Conversion Right).</p> <p>When exercising a Conversion Right, the Noteholder may elect by giving prior written notice to the Company, that either any unpaid interest accrued to the Face Value be converted into Shares, or be paid in cash.</p>
<p>Conversion of Tranche B Convertible Note</p>	<p>The Tranche B Convertible Note will not have a Conversion Right and may not be converted into Shares unless and until Shareholder approval under Listing Rule 7.1 for the issue of these Shares under that Convertible Note or ASX Confirmation has been obtained. If the Company is not able to obtain Shareholder approval of the Tranche B Convertible Note or ASX Confirmation by the next annual general meeting the Noteholder may require the Company to:</p> <ul style="list-style-type: none"> (a) continue to use its best efforts to obtain that approval; (b) continue to use its best efforts to obtain an ASX Confirmation; and/or (c) take all such actions required to provide the Tranche B Convertible Note with the same Conversion Rights as the Tranche A Convertible Note before it issues further equity securities within its 15% placement limit under Listing Rule 7.1. <p>Until the earlier of 5 May 2013, the date the Tranche B Convertible Note is entitled to a full and unconditional Conversion Right that is identical to the Tranche A Convertible Note or the date of redemption of all of the face value of the Tranche B Convertible Note, the Company must not issue any securities in the Company that would use or diminish the Company's placement capacity under Listing Rule 7.1 or be inconsistent with obtaining Shareholder approval of the Tranche B Convertible Note Conversion Right without Noteholder consent, and ensure that if it has further placement capacity under Listing Rule 7.1, it will be used to ensure that the Tranche B Convertible Note is entitled to a Conversion Right.</p> <p>If the Company is unable to obtain Shareholder approval for Tranche B Convertible Note or ASX Confirmation before 5 May 2013, the Noteholder may redeem all or any part of the Tranche B Convertible Note at anytime thereafter.</p>
<p>Conversion Price</p>	<p>A\$0.75 per Share, subject to any adjustments to the Conversion Price as outlined below.</p>
<p>Adjustments to the Conversion Price</p>	<p>If the Company:</p> <ul style="list-style-type: none"> (a) makes a pro rata share issue of Shares (except a bonus issue) to the Shareholders, the Conversion Price will be reduced; or (b) makes a bonus share issue of Shares to Shareholders, the Convertible Note will, when exercised, entitle the Noteholder to the number of bonus Shares which would have been issued to the Noteholder if Conversion of the Convertible Note had occurred and Conversion Shares had been issued prior to the relevant Record Date; or (c) subdivides or consolidates its Shares, the Conversion Price will be

	<p>amended in inverse proportion to the ratio of that subdivision or consolidation;</p> <p>(d) returns capital on its Shares, the Conversion Price will be reduced by the same amount as the amount returned in relation to each Share;</p> <p>(e) undertakes a capital reorganisation in any way not otherwise contemplated by the preceding paragraphs, then the Conversion Price will be correspondingly reorganised so that the Noteholder will receive the same benefit that holders of Shares receive (on the assumption the Convertible Notes have been converted).</p>
Participation in new issue of securities	<p>If the Company proposes to make any offer for a subscription for any Securities in the Company (other than an offer which results in an adjustment of the Conversion Price as outlined above, or an issue of Shares or options under an employee share or option scheme approved by Shareholders) (New Securities) to any person, the Company must offer, on the same terms, each Noteholder the right to purchase its proportionate share of such New Securities (as if its Convertible Notes had been converted at the applicable Conversion Price immediately prior to the offer).</p>
Conversion Shares	<p>Shares issued upon conversion of a Convertible Note will be fully paid and rank equally with all other fully paid Shares from their date of issue and the Company will apply for official quotation by ASX of the Conversion Shares on the conversion date.</p>
Redemption	<p>Upon the occurrence of a Redemption Event (as defined below), the Company must immediately notify the Noteholder and the Noteholder may at any time (subject to any prior rectification of the Redemption Event), require the Company to redeem some or all of the Convertible Notes held by the Noteholder.</p> <p>A Redemption Event occurs upon:</p> <p>(a) an Event of Default; or</p> <p>(b) a change of control of the Company where a person acquires more than 50% of the voting power (as defined under the Corporations Act) in the Company, a person acquires all or substantially all of the Group's assets or the exclusive licensing of all or substantially all of the Group's intellectual property; or</p> <p>(c) the Shareholder approval for the Tranche B Convertible Note or ASX Confirmation not being obtained prior to 5 May 2013, but only with respect to the Tranche B Convertible Note.</p> <p>If a takeover, scheme of arrangement or other change in control transaction is made or proposed the Noteholder may give a Redemption Notice or Conversion notice conditional upon such change in control transaction becoming unconditional or effected. On the Maturity Date, the Company must redeem all Convertible Notes held by the Noteholder that have not otherwise been redeemed or converted by paying the Redemption Amount (being the Face Value plus all accrued but unpaid interest) to the Noteholder.</p>
Events of Default	<p>The key Events of Default are:</p> <p>(a) failure to pay the Redemption Amount or any interest for the</p>

	<p>Convertible Notes when due;</p> <p>(b) failure to issue and deliver Conversion Shares;</p> <p>(c) a Group Company commits a material breach of undertakings such as those relating to compliance with laws, use of proceeds, maintenance of listing, reduction of Share capital, information rights or insolvency;</p> <p>(d) failure to perform its obligations under the Deed Poll or other transaction document relating to the issue of the Convertible Notes (Transaction Document) which is incapable of remedy or is not remedied within the stated timeframe;</p> <p>(e) the Company Shares are not subject to ASX Quotation or are suspended from trading for more than 10 days in any 12 month period;</p> <p>(f) the Group has incurred certain financial liabilities that cause such financial liabilities to equal or exceed 67% of the Company's total equity;</p> <p>(g) there is a cross-default under any present or future indebtedness of a Group Company which becomes due for payment or capable of being declared due for payment before its stated maturity by reason of an actual or potential default, which equals or exceeds A\$5,000,000;</p> <p>(h) an insolvency event occurs with respect to the Company or a Group Company;</p> <p>(i) an administrator or liquidator is appointed in respect of the Company or a Group Company or a court order is made or a resolution passed for the winding-up or dissolution of the Company or a Group Company;</p> <p>(j) it is, or will become, unlawful for a Group Company to perform or comply with any one or more of its obligations under the Convertible Notes or any Transaction Document;</p> <p>(k) all or a material part of the deed poll or any other Transaction Document is validly terminated or is or becomes void, illegal, invalid or unenforceable or of limited force and effect (other than because of equitable principles or laws affecting creditors' rights generally); or</p> <p>(l) a representation, warranty or statement made or deemed to be made by a Group Company in a Transaction Document is untrue or misleading and if that default is capable of remedy, is not remedied within the stated timeframe.</p>
Transferability	To the extent permitted by the Corporations Act and any applicable laws, the Noteholder may transfer all or some of the Convertible Notes to any person upon lodging a transfer form with the Company.
Rights of Noteholder	<p>Except as otherwise provided in the Deed Poll, the Convertible Notes will not entitle the Noteholder to vote at general meetings of the Company, to receive dividends or other distributions or participate in any issue of securities other than in accordance with the terms of the Deed Poll.</p> <p>The Noteholder has the same rights as a Shareholder to receive notices of general meetings, reports and financial statements of the Company and, in certain circumstances, to inspect the books of the</p>

	Company.
ASX listing	The Convertible Notes will not be quoted on the ASX or any other securities exchange.

Seventh Resolution - Approve the issue of performance rights to the Managing Director and Chief Executive Officer (CEO), Dr Ronald Weinberger under the 2012 Long Term Incentive Scheme (LTI) Invitation

Approval is sought for the issue of Performance Rights in the Nanosonics Employee Share Option Plan (**Plan**) to Dr Weinberger under the terms of the 2012 LTIS in respect of the 2013 financial year.

Under the Australian Securities Exchange (**ASX**) Listing Rules, an issue of securities to a Director is required to be approved by shareholders.

ASX Listing Rule 10.15 requires this Notice of Meeting to include the following information in relation to the Performance Rights granted to Dr Weinberger under the terms of the Plan.

Terms & Conditions of the 2012 LTI Invitation issue of Performance Rights

Background

The Board of Nanosonics has undertaken a detailed review of the company's remuneration strategy since the last AGM. Independent remuneration consultant, Mr Ian Crichton, CEO, CRA Plan Managers Pty Limited (CRA) assisted the company with this review.

The review incorporated benchmark assessment and analysis in respect of the three key components of remuneration being fixed remuneration, short term incentives (STI) and long term incentives (LTI). The review was in respect of the CEO and selected key management personnel (KMP). The recommendations provided by CRA were only used as a guide by the Board who applied their own judgment in determining the final remuneration decisions. CRA received fees amounting to \$4,140.00 for the executive remuneration benchmark assessments and fees totaling \$44,397.00 for other services in 2012.

The Board has made changes to Nanosonics remuneration arrangements for KMP, arising from this review, including the introduction of a long term incentive scheme, to be now considered on an annual basis.

Maximum number of Shares

Each vested Performance Right, if any, will be converted to one ordinary Share on exercise. Accordingly, the maximum number of Shares that may be acquired by Dr Weinberger, for which Shareholder approval under Resolution 7 is sought, is 1,220,000 Shares.

The number of Performance Rights which will vest in accordance with the rules of the Plan and the invitation is dependant on the vesting conditions which can be summarised as follows:

Vesting Conditions

Vesting of the Performance Rights granted to Dr Weinberger will be subject to both Performance and Service Vesting Conditions.

Performance Condition

The Board believes that revenue growth at an acceptable margin should be the focus of the executive group over the next few years. The conventional performance measures, including Earnings per Share (EPS) growth and Total Shareholder Return (TSR) outperformance were considered but rejected as they were considered an unreliable guide to NAN and therefore management's performance over the relevant period.

After Board consideration it is proposed that the Performance Condition for the 2012 LTIS be as follows:

Financial Year	Revenue and Net Profit after Tax (NPAT)	% of Performance Rights to Vest
30 June 2015	Revenue of \$50M or more and NPAT of 12% of Revenue or more	100%

Service Condition

Continuous employment with Nanosonics Limited from the date of grant to the Vesting Date, being 31 August 2015.

Vesting Date

31 August 2015, being the last day for the release of the 2015 financial year-end financial statements.

Vesting of Performance Rights

- Any Performance Rights which fail to meet the Performance Condition or Service Condition above will lapse immediately: there will be no retesting.
- If the Performance Condition and Service Condition for the Performance Rights is met on 31 August 2015, then the Performance Rights will be automatically exercised and shares acquired by the Trustee of the Nanosonics Deferred Employee Share Plan (DESP) on Dr Weinberger’s behalf.

Further Service Vesting Conditions: DESP Shares.

- 50% of any NAN Shares acquired by the DESP Trustee on behalf of Dr Weinberger will be available to Dr Weinberger on acquisition;
- 50% of any NAN Shares acquired by the DESP Trustee on behalf of Dr Weinberger will be available to Dr Weinberger provided he remained with Nanosonics Limited in his current position until 31 August 2016. If Dr Weinberger does not satisfy this further service vesting conditions, the shares will be subject to forfeiture.

Consideration

As Dr Weinberger’s grant forms part of his LTI remuneration, the Performance Rights were granted to Dr Weinberger at no cost and no amount is payable on vesting of the Performance Rights.

The Performance Rights were granted under, and subject to, the Plan.

Performance Rights do not carry any dividend or voting rights prior to vesting.

Automatic Vesting

If the vesting conditions as set out above are satisfied, the Performance Rights will automatically vest and shares acquired either on-market or via a new issue of shares under the NAN Deferred Employee Share Scheme.

Value of the grant of Performance Rights

The value of the grant of Performance Rights has been assessed by an independent consultant applying a Binominal Approximation Option Pricing methodology to be \$0.4908 each or \$598,776 in total based on variables determined at the 27 September 2012. A valuation at the date of grant in accordance with AIFRS-2 will be undertaken and the value of these Performance Rights expensed in accordance with the standards.

Other remuneration entitlements

Dr Weinberger’s other remuneration entitlements for the 2013 financial year are as follows:

- Total Fixed Remuneration: \$360,199

- Short Term Incentive (maximum opportunity): \$103,334

The 2012 LTI grant of Performance Rights represented a value equal to approximately 166% of Dr Weinberger's Total Fixed Remuneration for the 2013 financial year.

Other securities held by director

Dr Weinberger currently owns or has a beneficial interest in the following securities of the Company at the date of this notice:

- Shares: (Direct) **693,930**
- Shares: (Indirect) **134,772**
- Options: (Indirect) **30,970**

Change of control

In the event of a takeover or change in control of Nanosonics Limited, any unvested Performance Rights will vest on a pro-rata basis based on the most current financial reports available at the time a change of control occurs, unless otherwise determined by the Board. The pro-rata period will be calculated from the grant date to the Change of Control date.

Performance Rights that vest following a change of control will not generally be subject to restrictions on dealings.

Termination of employment

If Dr Weinberger ceases employment, for any reason other than as a result of a change of control, before the vesting conditions are tested, unless the Board determines otherwise, the Performance Rights will automatically lapse.

Other Information

- The Company will not apply to the ASX for official quotation of the Performance Rights granted under the Plan. Shares issued pursuant to the vesting of Performance Rights will rank equally with Shares then on issue.
- Since Plan inception in March 2009, 619,648 Performance Rights have been granted under the Plan. Director grants to date include:
 - (i) Dr Ronald Weinberger 51,659 Performance Rights.
- There is no loan scheme in relation to the Performance Rights or the Plan.
- Dr Weinberger is prohibited from hedging the share price exposure in respect of the Performance Rights during the vesting period applicable to those Performance Rights.
- Details of the Performance Rights granted to Dr Weinberger to will be provided in the Remuneration Report for the years ended 30 June 2013, 2014, 2015, and 2016.

Director's recommendation:

The Board, other than Dr Weinberger, consider the grant of Performance Rights to Dr Weinberger to be appropriate in all circumstances and unanimously recommend that shareholders vote in favour of the 2012 LTI grant of Performance Rights to the Managing Director and CEO, Dr Ronald Weinberger.

Eighth Resolution - Approve the Managing Director and Chief Executive Officer (CEO) termination payment

Background and reasons for Resolution 8

Under section 200B of the Corporations Act, a corporation can only give a person who holds a “managerial or executive office” (as defined in the Corporations Act) a “benefit” (as defined in the Corporations Act) in connection with their retirement from that office or position of employment in the corporation or a “related body corporate” (again as defined in the Corporations Act), if it is approved by shareholders or one of the limited exemptions apply.

In 2009, the Corporations Act was amended in particular to:

- reduce the maximum termination amount without shareholder approval to the average annual base salary over the last three years;
- increase the time period to which the Corporations Act applied to the last three years before retirement; and
- define “benefit” to include early vesting.

The Corporations Act defines “retirement” broadly to include loss of office, resignation and death.

Reasons for shareholder approval

The Company is seeking Shareholder approval, for the purposes of sections 200B and 200E of the Corporations Act, to any “termination benefits” that the Company proposes to provide to Dr Ronald Weinberger under the Nanosonics Employee Share Option Plan and under his Employment Agreement dated 15 August 2012.

Value of the termination benefits - Employment Agreement

The termination benefits that may be given under the Employment Agreement include permitted dealings with Options and/or Performance Rights issued to Dr Weinberger, following the termination by the Company of Dr Weinberger’s employment by written notice (which carries a 12 month notice period applies for “without cause” termination, all of which may be payable in lieu).

The value of the termination benefits that the Board may give under the Employment Agreement is equivalent to up to 12 months of Dr Weinberger’s then current salary if the Company elects to make a payment in lieu of the required 12 month notice period following termination, plus any accrued leave entitlements.

Value of the termination benefits – Nanosonics Employee Share Option Plan (“Plan”)

The value of the termination benefits that the Board may give under the Plan cannot be determined in advance. This is because various matters will or are likely to affect that value. Specifically, the value of the particular benefit will depend on factors such as the Share price at the time of vesting, the number of Options and or Performance Rights that the Board decides to vest, the exercise price (if any) and Dr Weinberger’s length of service.

The termination benefits that may be given under the Plan includes the early vesting of Options or Performance Rights in certain circumstances of retirement from office. For example, if Dr Weinberger ceases to be employed by the Company due to redundancy, retirement, permanent incapacity, death or another reason with the approval of the Board, he may be deemed a “good leaver” in accordance with the Plan Rules. Where Dr Weinberger becomes a “good leaver,” all unvested Options or Performance Rights will automatically lapse, unless the Board determines in its sole and absolute discretion to allow some or all of those Options or Performance Rights to vest

If Dr Weinberger becomes a “good leaver” in accordance with the Plan Rules and the Board determines to allow Dr Weinberger to exercise some of his unvested Options and/or Performance Rights, the Board intends to take into account all relevant factors, including:

- Dr Weinberger’s duration of service; and
- Dr Weinberger’s and the Company’s performance, including by reference to the performance conditions described in the Explanatory Statement to the Notice of Annual General Meeting approving any grants under the Plan,

in determining the number of Dr Weinberger’s unvested Options and/or Performance Rights which will become available for exercise.

Therefore, the specific value of the termination benefits which may become payable under the Plan will depend on factors such as the Share price at the time of vesting, exercise costs (if any), Dr Weinberger’s length of service and Dr Weinberger’s and the Company’s performance.

Director’s recommendation:

The Board, other than Dr Ronald Weinberger, unanimously recommends that Shareholders vote in favour of the approval of the termination payment to the Managing Director and CEO, Dr Ronald Weinberger, on the basis set out.

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 732 074
(outside Australia) +61 3 9415 4645

┌ 000001 000 NAN
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: 1999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11.00am (AEDT) Wednesday 7 November 2012

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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 a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Nanosonics Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate 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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Nanosonics Limited to be held at The Menzies Hotel, 14 Carrington Street, Sydney, New South Wales on Friday, 9 November 2012 at 11.00am (AEDT) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 3, 7 and 8 (except where I/we have indicated a different voting intention below) even though Items 3, 7 and 8 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: For Items 7 and 8 this express authority is also subject to you marking the box in the section below.

If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3, 7 and 8 by marking the appropriate box in step 2 below.

Important for Items 7 and 8: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Items 7 and 8 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Items 7 and 8, the Chairman of the Meeting will not cast your votes on Items 7 and 8 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 7 and 8 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Items 7 and 8 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

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

ORDINARY BUSINESS

	For	Against	Abstain
1 Election of Director- Mr Michael Kavanagh	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Director- Mr Richard England	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL BUSINESS

	For	Against	Abstain
4 Approval of placement of Shares on 4 May 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issue of Tranche A Convertible Note	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Approval of issue of Tranche B Convertible Note and approval of issue of Shares upon conversion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	For	Against	Abstain
7 Issue of performance rights to the Chief Executive Officer (CEO) and Executive Director, Dr Ronald Weinberger under the 2012 Long Term Incentive Scheme (LTI) Invitation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Approval of Chief Executive Officer (CEO) and Executive Director termination payment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

NAN

1 5 6 2 0 5 A

Computershare +