

29 September 2017

Dear Shareholder,

### **2017 Annual General Meeting**

On behalf of the Board of Directors of Nanosonics Limited (Nanosonics or the Company), I have pleasure in providing notice of the Company's Annual General Meeting (AGM or the Meeting) to be held at the Brisbane Room, Sofitel Sydney Wentworth Hotel, 61-101 Phillip Street, Sydney NSW Australia on Friday, 3 November 2017, commencing at 11:00am (AEDT).

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 commences at 10:45am (AEDT) on 3 November 2017. A person intending to vote on behalf of 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 invite you to appoint a proxy to attend and vote on your behalf, either online using the share registry's website at [www.investorvote.com.au](http://www.investorvote.com.au) or using the enclosed proxy form (which may be returned in the envelope provided).

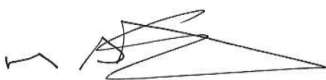
You are welcome to submit questions you may have for the Company and its Auditor in advance of the Meeting. A form for this purpose is enclosed and should be made available to the Company on or before Friday, 27 October 2017 at the address provided at the end of the form.

I look forward to seeing you at the Meeting and I invite you to join the Directors and Company Executives for refreshments at the conclusion of the Meeting.

The Nanosonics 2017 Annual Report and subsequent Company announcements are available from the Investor Centre on the Nanosonics website at [www.nanosonics.com.au](http://www.nanosonics.com.au) or may be requested from the Company Secretary. Shareholders who have elected to receive a printed copy of the Annual Report should have received it in the post. Shareholders who have elected to receive Share Registry communications electronically should have already received an emailed link to the Annual Report.

Yours sincerely,

**Nanosonics Limited**



**Maurie Stang**  
Non-Executive Chairman

## NOTICE OF THE 2017 ANNUAL GENERAL MEETING

The 2017 Annual General Meeting (AGM or the Meeting) of shareholders of Nanosonics Limited (Nanosonics or the Company) will be held:

- on Friday, 3 November 2017 commencing at 11:00am (AEDT)
- at the Brisbane Room, Sofitel Sydney Wentworth Hotel, 61-101 Phillip 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 of Meeting.

### ORDINARY BUSINESS

#### 2017 Reports

To receive and consider the Company's Reports of the Directors and Auditor, and the Financial Report for the year ended 30 June 2017.

#### Resolution 1 – Re-election of a Director – Mr Richard England

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

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

#### Resolution 2 – Re-election of a Director – Dr David Fisher

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

That Dr David Fisher, who retires by rotation as a Director pursuant to the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as 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 2017 be adopted.

#### Resolution 4 – Appointment of Auditor

Resolution 4 will be put to the Meeting if ASIC has consented to the resignation of UHY Haines Norton as the Company's auditor. See the attached Explanatory Notes for details regarding the resignation of UHY Haines Norton.

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

That for the purposes of section 327B(1)(b) of the Corporations Act 2001 (Cth), and for all other purposes, Ernst & Young, having been nominated by a shareholder and consented in writing to act in the capacity of Auditor, be appointed as Auditor of the Company.

### SPECIAL BUSINESS

#### Resolution 5 – Issue of 45,513 Performance Rights to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Short Term Incentive Scheme (2017 STIS)

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

That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rule 10.14 for the issue of 45,513 Performance Rights to Mr Michael Kavanagh under the Nanosonics Omnibus Equity Plan (**Omnibus Plan**) in respect of the 2017 STIS, on the terms set out in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the Rules of the Omnibus Plan (as amended from time-to-time).

**Resolution 6 – Issue of 25,733 Performance Rights and 340,424 Options to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Long-Term Incentive Scheme Invitation (2017 LTIS)**

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

That approval be given for all purposes under the Corporations Act 2001 (Cth) and the ASX Listing Rule 10.14 for the issue of 25,733 Performance Rights and 340,424 Options to Mr Michael Kavanagh under the Omnibus Plan in respect of the 2017 LTIS, on the terms set out in the Explanatory Notes accompanying this Notice of Meeting and in accordance with the Rules of the Omnibus Plan (as amended from time-to-time).

**Resolution 7 – Amendment to the 2015 Long Term Incentive Scheme to remove the “deemed exercise” provisions and allow exercise any time during 3 years after 31 August 2018**

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

That approval be given to amending the terms of the 2015 Long Term Incentive Scheme (2015 LTI) by removing the ‘deemed exercise’ provisions and extending the expiry date for exercise of vested Performance Rights from 30 September 2018 to 31 August 2021.

**Resolution 8 – Re-insertion of Proportional Takeover Provisions in Constitution**

To consider and, if thought fit, to pass the following special Resolution:

That the proportional takeover provisions at clause 1.6 of the Company’s Constitution, in the form attached to this Notice of Meeting as Annexure B, be re-inserted into the Constitution for a period of three years commencing on the day this special Resolution is passed.

**VOTING EXCLUSION STATEMENTS**

In respect of **Resolution 3**, no vote may be cast (in any capacity) by or on behalf of a person who is a member of key management personnel (**KMP**) whose remuneration details are included in the Remuneration Report, or a closely related party of such a person, unless the vote is cast as proxy on behalf of a person entitled to vote and is either cast in accordance with a direction on the Proxy Form or is cast by the person chairing the Meeting as proxy for a person who is entitled to vote and the proxy appointment expressly authorises the chair to exercise the proxy, even if the resolution is connected directly or indirectly with the remuneration of KMP.

KMP 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 KMP during the financial year to 30 June 2017 are identified in the Remuneration Report contained in the Directors’ Report for the year ended 30 June 2017. Closely-related parties are defined in the Corporations Act 2001 (Cth), and include certain family members, dependants and companies the KMP control.

In respect of **Resolutions 5 and 6**, the Company will disregard any votes cast by any Director eligible to participate in the Omnibus Plan, being Mr Michael Kavanagh, and any closely-related party of him.

In respect of **Resolution 7**, the Company will disregard any votes cast (in any capacity) by or on behalf of any person who has been issued Performance Rights under the 2015 Long Term Incentive Scheme, and any of their associates.

In respect of each of **Resolutions 5, 6 and 7**, no person who is a KMP, or a closely related party of such a person, may vote as a proxy on the relevant resolution unless the person does so in accordance with a direction on the Proxy Form or the person is chairing the Meeting and the proxy appointment expressly authorises the chair to exercise the proxy, even if the resolution is connected directly or indirectly with the remuneration of the KMP.

## **GENERAL BUSINESS**

Any other business brought forward in accordance with the Company's Constitution will be considered, as appropriate.

Further information in relation to each of these Resolutions is set out in the Explanatory Notes.

## **QUORUM**

The Company's Constitution provides that two 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 2001 (Cth), the Company has determined that the holders of the Company's ordinary shares for the purpose of the 2017 AGM will be the holders registered as at 7:00pm (AEDT) on Wednesday, 1 November 2017. Shareholders so registered are entitled to attend and vote at the AGM (and at any adjournment of the Meeting that 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).

Electronic proxies must be registered by 11:00am (AEDT) on Wednesday, 1 November 2017 using the website maintained by the Company's Share Registry at [www.investorvote.com.au](http://www.investorvote.com.au) or, by Intermediary Online subscribers only, at [www.intermediaryonline.com](http://www.intermediaryonline.com).

A completed Proxy Form, or a copy or facsimile that 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 by:

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

or sent to the Company's registered office by:

- Mail or Hand Delivery: 14 Mars Road, Lane Cove, NSW 2066, Australia; or
- Facsimile:           +61 (2) 9418 3743.

To lodge a proxy online, 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 shareholder entitled to attend and vote at the Company's AGM is entitled to appoint not more than two persons as his / her proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights that each proxy is entitled to exercise. If the proxy appoints two proxies and does not specify each proxy's voting rights, the rights are deemed to be 50% each. Fractions of votes are to be disregarded. 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).

## RESOLUTIONS

In accordance with the Corporations Act 2001 (Cth) and the Company's Constitution, in order for each of Resolutions 1-7 to be effective, it must be passed as an ordinary Resolution (albeit Resolution 3 is non-binding). This means that each ordinary Resolution must be passed by more than 50% of the votes cast by shareholders who are entitled to vote on the Resolution.

In accordance with the Corporations Act 2001 (Cth) and the Company's Constitution, in order for Resolution 8 to be effective, it must be passed as a special Resolution. A special Resolution must be passed by at least 75% of the votes cast by shareholders who are entitled to vote on the Resolution.

Dated in Sydney this 29th day of September 2017.

### BY ORDER OF THE BOARD



**McGregor Grant**  
Company Secretary

## EXPLANATORY NOTES

These Explanatory Notes are an explanation of, and contain information about, the Resolutions to be considered at the Nanosonics Limited (Nanosonics or the Company) Annual General Meeting (AGM or the Meeting) to be held on Friday, 3 November 2017 and are to assist shareholders to determine how they wish to vote on the Resolutions. It forms part of the accompanying Notice of AGM and should be read in conjunction with it.

### **Item of Business – 2017 Reports**

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 2017, and gives the shareholders the opportunity to ask questions or make comments concerning these Reports during the Meeting. A copy of the 2017 Annual Report is available on the Company's website at [www.nanosonics.com.au](http://www.nanosonics.com.au) in the Investor Centre section or may be requested from the Company Secretary. There is no requirement for a formal resolution on this item.

### **Resolution 1 – Re-election of a Director – Mr Richard England**

Mr Richard England was originally appointed a Director of the Company in February 2010. He is a chartered accountant and professional Non-Executive Director. Mr England has been a Director of Macquarie Atlas Roads Limited (ASX: MQA) since June 2010 and a Director of Japara Healthcare Limited (ASX:JHC) since 2014. In August 2016, Mr England was appointed Director and Chairman of QANTM Intellectual Property Ltd (ASX:QIP). Mr England was appointed Non-Executive Director of Bingo Industry Limited in March 2017. He was a Director and Chairman of Chandler Macleod Group Limited (ASX:CMG) from February 2008 to April 2015 and a Director and Chairman of Ruralco Holdings Limited (ASX:RHL) from 2002 to September 2016. Under the Company's Constitution, Mr England retires by rotation and, being eligible, offers himself for re-election.

#### *Directors' Recommendation:*

The Board, excluding Mr England, recommends that shareholders vote in favour of the Resolution.

### **Resolution 2 – Re-election of a Director – Dr David Fisher**

Dr David Fisher is a Non-Executive Director of Nanosonics and was appointed as a Director on 30 July 2001. He is considered to be an Independent Director. He served as interim Executive Director for the period 14 December 2007 to 16 June 2008. For the period 9 May 2011 to 29 March 2013, Dr Fisher served as Managing Director of Aeris Environmental Ltd where Mr Maurie Stang is the Non-Executive Chairman and a substantial shareholder. However, the Board is of the opinion that neither this, nor the fact that Dr David Fisher has been a Director of the Company for 15 years, compromise his independence because he satisfies all other criteria set out in Box 2.3 of ASX's Corporate Governance Principles and Recommendations that are relevant in assessing the independence of a Director, and the Board values his contribution due to his broad healthcare industry experience and knowledge. Under the Company's Constitution, Dr Fisher retires by rotation and, being eligible, offers himself for re-election.

#### *Directors' Recommendation:*

The Board, excluding Dr Fisher, recommends that shareholders vote in favour of the Resolution.

### **Resolution 3 – Remuneration Report**

The Company's Remuneration Report is required to be considered for adoption in accordance with the Corporations Act 2001 (Cth). The Remuneration Report is contained in the Directors' Report of the Annual Report. The vote on this Resolution is advisory only and non-binding. The Resolution gives the shareholders the opportunity to ask questions or make comments concerning the Remuneration Report during the AGM. Under the Corporations Act 2001 (Cth), if 25% or more of votes cast are 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) will have ceased to hold office immediately beforehand but may submit themselves for re-election. The Board encourages all shareholders to cast their votes in favour of this Resolution.

*Directors' Recommendation:*

The Board recommends that shareholders vote in favour of this Resolution. Voting exclusions apply.

### **Resolution 4 – Appointment of Auditor**

UHY Haines Norton has been the auditor of the Company since at least the time the Company listed on the ASX in May 2007.

The Board has been satisfied with the services of UHY Haines Norton as Company auditor and thanks UHY Haines Norton for their services. However, given the period of time that UHY Haines Norton has acted as the Company's auditor, the Audit & Risk Committee has reviewed the role of auditor and considers that, in accordance with good governance practice, it is appropriate that a new auditor for the Company be appointed. As a consequence, and after a tender process was completed, the Company has requested UHY Haines Norton to apply to ASIC under section 329(5) of the Corporations Act 2001 (Cth) for consent to resign as auditor of the Company with effect from the end of the AGM. Once ASIC confirms that it consents to UHY Haines Norton's resignation, UHY Haines Norton will give its notice of resignation to the Company with effect from the end of the AGM.

The Company has received a notice from a shareholder, Domkirke Pty Limited (being a company associated with Mr Richard England, who is an independent Non-Executive Director and Chair of the Audit & Risk Committee), nominating Ernst & Young as the new auditor of the Company. In accordance with section 328B of the Corporations Act 2001 (Cth), a copy of the notice of nomination of Ernst & Young received by the Company from Domkirke Pty Limited is reproduced and attached as Annexure A.

Ernst & Young has consented in writing to act as auditor of the Company. Ernst & Young have confirmed in writing that it is unaware of any matter or circumstances that would give rise to a 'conflict of interest situation', as defined in section 324CD of the Corporations Act 2001 (Cth), in relation to the Company.

The Audit Committee has also noted that Ernst & Young is registered as an auditor under section 1280 of the Corporations Act 2001 (Cth) and is a well-established firm with the necessary expertise and resources to meet the Company's requirements. Consequently, subject to the Company receiving all necessary approvals from ASIC and shareholder approval at the AGM, Ernst & Young has been nominated and selected to become the new auditor of the Company.

The Corporations Act 2001 (Cth) requires that shareholders approve the appointment of the new auditor.

If ASIC consents to UHY Haines Norton's resignation as the Company's auditor, the Directors unanimously recommend that shareholders vote in favour of the appointment of Ernst & Young as the Company's auditor. If ASIC does not consent to UHY Haines Norton's resignation as the Company's auditor, UHY Haines Norton will continue as the Company's auditor and this Resolution 4 will not be put to the Meeting.

*Directors' Recommendation:*

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

## **Resolution 5 – Issue of 45,513 Performance Rights to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Short Term Incentive Scheme (2017 STIS)**

Shareholder approval is sought for 45,513 Performance Rights to be issued to Mr Michael Kavanagh under the Nanosonics Omnibus Equity Plan (**Omnibus Plan**) under the terms of the 2017 STIS.

Under Australian Securities Exchange (**ASX**) Listing Rule 10.14, an issue of securities to a Director under an employee incentive scheme is required to be approved by shareholders. If approval under ASX Listing Rule 10.14 is obtained, the issue of securities to Mr Kavanagh will not be included in the Company's annual 15% limit under ASX Listing Rule 7.1.

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

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 Mr Kavanagh, consequent on the issue for which shareholder approval under Resolution 5 is sought, is 45,513 shares.

The Performance Rights will vest in accordance with the rules of the Omnibus Plan and the invitation and is dependent on the vesting conditions, which are included in the General Explanatory Notes, set out below.

The number of Performance Rights to be granted under the 2017 STIS is based on the relative achievement of the financial hurdles set by the Board and on Mr Kavanagh's performance across a number of targets approved at the beginning of the financial year. Further details of Mr Kavanagh's remuneration entitlements are set in the Remuneration Report on pages 31 to 48 of the 2017 Annual Report.

### *Directors' recommendation:*

The Board, excluding Mr Kavanagh, recommends that shareholders vote in favour of the Resolution. Voting exclusions apply.

## **General Explanatory Notes applying to Resolution 5**

### ***Vesting Date and Service Condition***

The Performance Rights will only vest if Mr Kavanagh remains in continuous employment with Nanosonics Limited in the position of CEO and President, or equivalent, until 31 August 2018 (**Vesting Date**).

Any Performance Rights which fail to meet the Service Condition above will lapse immediately. There will be no retesting.

### ***Expiry date***

Vested Performance Rights will automatically lapse, if not exercised before, three years after the Vesting Date.

### ***Consideration***

As Mr Kavanagh's grant forms part of his STIS remuneration, the Performance Rights will be granted to Mr Kavanagh at no cost and no amount is payable on vesting and subsequent exercise of the Performance Rights (that is, nil exercise price).

The Performance Rights will be granted under, and subject to, the Omnibus Plan.

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

### ***Value of the Performance Rights***

The share price used to determine the value of the Performance Rights is \$2.46 and is based on the 5 day volume weighted average price of Nanosonics shares as at 31 August 2017.

In the future, it is anticipated that the Company will determine the value of Performance Rights based on the volume weighted average price of the shares in the Company during the 5 day period prior to and including the date of the announcement of the Company's full year results and the 5 days following the announcement of those results.

### ***Change of control***

Where:

- (a) a takeover bid is made for the Company and the Board recommends acceptance of that bid by the Company's shareholders;
- (b) a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- (c) the Board determines that some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,

the Board may, in its absolute discretion, determine that any Performance Rights that have not vested will vest on the date determined by the Board.

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

### ***Termination of employment***

If Mr Kavanagh ceases employment, for any reason other than as a result of a change of control, before the Performance Rights vest, unless the Board determines otherwise, the Performance Rights will automatically lapse.

### ***Other information***

- Details of Mr Kavanagh's other remuneration entitlements and his interests in the Company's securities can be found in Resolution 6.
- It is intended that, if approved, the Performance Rights shall be issued to Mr Kavanagh within 60 days of this Meeting and in any event, no later than 12 months after the date of this Meeting.
- The Company will not apply to the ASX for official quotation of the Performance Rights granted under the Omnibus Plan. Shares issued pursuant to the vesting of Performance Rights will rank equally with shares then on issue.
- There is no loan scheme in relation to the Performance Rights or the Omnibus Plan.
- Mr Kavanagh is prohibited from hedging the share price exposure in respect of the Performance Rights during the vesting period applicable to those Performance Rights.
- Mr Kavanagh is the only eligible Director entitled to participate in the Omnibus Plan.

### **Issues of securities under the STIS since the last approval by shareholders as required under ASX Listing Rule 10.15**

The last approval from shareholders under the STIS was sought and obtained at the 2013 AGM held on 8 November 2013 for the proposed issue of Performance Rights for \$0.00 cash consideration and with a \$0.00 exercise price to Mr Kavanagh. Since that last approval, a total of 155,363 Performance Rights were issued to Mr Kavanagh. All of these Performance Rights have vested and been exercised. Of the 155,363 shares allocated to Mr Kavanagh, 118,540 were new shares issued and 36,823 were shares purchased on-market by the Company.

## **Resolution 6 – Issue of 25,733 Performance Rights and 340,424 Options to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Long-Term Incentive Scheme (2017 LTIS)**

Shareholder approval is sought for the issue of 25,733 Performance Rights and 340,424 Options in the Nanosonics Omnibus Equity Plan (**Omnibus Plan**) to Mr Michael Kavanagh under the terms of the 2017 LTIS.

As noted in Resolution 5, under the ASX Listing Rule 10.14, an issue of securities to a Director under an employee incentive scheme is required to be approved by shareholders. If approval under ASX Listing Rule 10.14 is obtained, the issue of securities to Mr Kavanagh will not be included in the Company's annual 15% limit under ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires this Notice of Meeting to include the following information in relation to the Performance Rights and Options granted to Mr Kavanagh under the terms of the Omnibus Plan.

Each vested Performance Right and Option, if any, will be converted to one ordinary share on exercise. Accordingly, the maximum number of shares that may be acquired by Mr Kavanagh, consequent on the issue for which shareholder approval under Resolution 6 is sought, is 366,157 shares.

The number of Performance Rights and Options that will vest in accordance with the rules of the Omnibus Plan and the invitation is dependent on the vesting conditions, which are included in the General Explanatory Notes set out below.

The 2017 LTIS grant of Performance Rights and Options represents a value equal to approximately 60% of Mr Kavanagh's base remuneration for the 2017-18 financial year.

Mr Kavanagh's other remuneration entitlements for the 2017-18 financial year are as follows:

- Total Fixed Remuneration: \$530,400 (base remuneration \$510,351 and superannuation \$20,049); and
- Short-Term Incentive (maximum opportunity): \$255,176.

Mr Kavanagh currently owns, or has a beneficial interest in, the following securities of the Company at the date of this Notice of AGM:

- Shares (direct): 150,000
- Shares (indirect): 1,655,363
- Performance Rights: 206,882 – held under the Nanosonics Employee Share Option Plan
- Performance Rights: 42,138 – held under the Omnibus Plan
- Options: 211,306 – held under the Omnibus Plan

### *Director's Recommendation:*

The Board, excluding Mr Kavanagh, recommends that shareholders vote in favour of the resolution. Voting exclusions apply.

## General Explanatory Notes applying to Resolution 6

### Structure

For the 2017 LTIS, Mr Kavanagh can elect to receive a combination of Performance Rights and Options, provided a minimum of 20% of the value of the award is received as Performance Rights and 20% of the value of the award is received as Options. The value and number of Performance Rights and Options Mr Kavanagh has elected to take are summarised below:

	Value \$	Value %	Number
Performance Rights	61,242	20%	25,733
Options	244,969	80%	340,424
<b>Total</b>	<b>306,211</b>	<b>100%</b>	<b>366,157</b>

The Performance Rights and Options will be granted under, and subject to, the Omnibus Plan. Performance Rights and Options do not carry any dividend or voting rights prior to exercise.

### Terms and Conditions of the 2017 LTIS

#### ***Vesting Conditions***

Vesting of the Performance Rights and Options granted to Mr Kavanagh will be subject to both Performance and Service Vesting Conditions.

#### ***Performance Conditions***

In considering the performance hurdles previously awarded under the LTI plan, the Board has formed the view that over the next period of the Company's development, EPS will not be the most appropriate measure of share price growth and should therefore not be used as a performance measure for management. Over the next period, the Board believes that share price growth will be primarily influenced by the Company's successful geographical expansion into new markets and its ability to develop and launch new products in the infection prevention market. Accordingly, it is proposed that the 2017 LTIS be subject to two Total Shareholder Return (TSR) Performance Conditions based on a comparator group of companies in the same or similar industry, and a comparator group of companies in a relevant ASX index.

The performance measures used under the Company's LTI plan will be reviewed annually by the Board.

Based on the above, it is proposed that the 2017 LTIS be subject to two external TSR Performance Conditions as detailed below:

#### Relative TSR Performance: Tranche 1

50% of the total number of Performance Rights and Options granted will vest subject to Nanosonics' relative TSR performance against the companies within the 2017 LTIS Comparator Group 1 over the Measurement Period 24 August 2017 to the date of the release of Nanosonics' 2019-20 financial results.

#### Relative TSR Performance: Tranche 2

50% of the total number of Performance Rights and Options granted will vest subject to Nanosonics' relative TSR performance against the companies within the 2017 LTIS Comparator Group 2 over the Measurement Period 24 August 2017 to the date of the release of Nanosonics' 2019-20 financial results.

Vesting of the Performance Rights and Options, subject to Relative TSR Performance (Tranches 1 and 2), shall be in the following proportions:

Nanosonics TSR vs 2017 LTIS Comparator Group	Proportion of Performance Rights to Vest
Below the 50 <sup>th</sup> percentile	0%
50 <sup>th</sup> to 75 <sup>th</sup> percentile	30% to 100% (pro-rata)
At the 75 <sup>th</sup> Percentile	100%
Straight line interpolation will apply to the incremental results.	

#### Total Shareholder Return (TSR)

TSR will be measured by an independent third party following the end of the respective Measurement Periods. TSR, for the purpose of the 2017 LTIS, is defined as share price performance, including the value of all reinvested dividends. The dividend is calculated as being reinvested as from the day the share is traded exclusive of the right to the dividend (ex-date).

#### The 2017 LTIS Comparator Group 1

The recommended group of companies set out below has been selected by the Board as comprising companies that are ASX-listed that have Global Industry Classification Standard (GICS) codes 3510 – Health Care Equipment and Services. The group of companies is:

ANN	Ansell Limited	ONE	Oneview Healthcare plc
API	Australian Pharmaceutical Industries Limited	ONT	1300SMILES Limited
AXP	AirXpanders, Inc.	OSP	Osprey Medical Inc.
CAJ	Capitol Health Limited	PGC	Paragon Care Limited
CGS	CogState Limited	PME	Pro Medicus Limited
COH	Cochlear Limited	PSQ	Pacific Smiles Group Limited
EHE	Estia Health Limited	PRY	Primary Health Care Limited
ELX	Ellex Medical Lasers Limited	REG	Regis Healthcare Limited
GMV	G Medical Holdings Innovations Limited	RHC	Ramsay Health Care Limited
HSO	Healthscope Limited	RVA	REVA Medical, Inc.
IDX	Integral Diagnostics Limited	SIG	Sigma Healthcare Limited
IPD	ImpediMed Limited	SHL	Sonic Healthcare Limited
JHC	Japara Healthcare Limited	SOM	SomnoMed Limited
LHC	LifeHealthcare Group Limited	VRT	Virtus Health Limited
NVC	National Veterinary Care Limited		

Should a company named in the table above be delisted, or the Board in its discretion considers for any reason whatsoever that it is no longer meaningful to include a company within the comparator list above, then the company's relative position at the time it is removed will be set for the duration of the Measurement Period.

In any event, the Board's decision is final in determining relative performance.

### The 2017 LTIS Comparator Group 2

The recommended group of companies, as described below, has been selected by the Board as comprising companies that are ASX-listed that make up the S&P/ASX 300 Small Ordinaries Index, which is comprised of companies included in the S&P/ASX 300, but not in the S&P/ASX 100 Index. The Board has determined to remove some of the companies in this broader index, as their relevance to investors in Nanosonics is questionable. Through the exclusion of certain industry sub-sectors to make the measure more relevant, the Board has determined to exclude the following sectors:

- Materials (primarily resource companies);
- Energy;
- Financials;
- REITS;
- Utilities;
- Industrials;
- Telecommunications; and
- Consumer indexes.

In the Board's judgement, this retains a substantial number of companies as a foundation for comparative purposes. The group of companies is:

ACX	Aconex Limited	MSB	Mesoblast Limited
APT	Afterpay Touch Group Limited	MVF	Monash IVF Group Limited
APX	Appen Limited	MYO	MYOB Group Limited
ALU	Altium Limited	NTC	Netcomm Wireless Limited
API	Australian Pharmaceutical Industries Limited	NXT	Nextdc Limited
CL1	Class Limited	PRY	Primary Health Care Limited
EHE	Estia Health Limited	REG	Regis Healthcare Limited
GBT	GBST Holdings Limited	SIG	Sigma Pharmaceuticals Limited
HSN	Hansen Technologies Limited	SRX	Sirtex Medical Limited
IPD	Impedimed Limited	SPL	Starpharma Holdings Limited
IFM	Infomedia Limited	TNE	Technology One Limited
IRE	IRESS Limited	VRT	Virtus Health Limited
ISD	iSentia Group Limited	WTC	Wisetech Global Limited
JHC	Japara Healthcare Limited	XRO	Xero Limited
MYX	Mayne Pharma Group Limited		

### **Service Condition**

In addition to the Performance Conditions above, the Performance Rights and Options will only vest if Mr Kavanagh remains in continuous employment with Nanosonics in his current or equivalent position from the date of grant to the respective Vesting Date of each Tranche.

### **Vesting Date**

Tranche 1 and Tranche 2: 31 August 2020

### **Expiry date**

The Performance Rights and Options of each Tranche will automatically lapse, if not exercised before, 3 years after the respective Vesting Date.

### **Vesting of Performance Rights and Options and issue of Nanosonics shares**

- Any Performance Rights and Options that fail to meet the Performance Conditions or Service Condition above will lapse immediately; there will be no re-testing.

- Any Performance Rights and Options that vest on 31 August 2020 will be held in the Omnibus Plan for a maximum period of 3 years i.e. until 31 August 2023. Mr Kavanagh will be able to exercise any vested Performance Rights and Options during that period.

### Consideration

The Performance Rights will be granted for nil consideration with a nil exercise price.

The Options will be granted for nil consideration with an exercise price of \$2.38, payable on exercise of the Options.

### Value of the Performance Rights and Options

The value of the Performance Rights has been assessed by an independent consultant applying a Binominal Approximation Option Pricing methodology.

The value of the Options has been assessed by an independent consultant applying a Black Scholes methodology taking into account Company's share price volatility, the expected dividend yield over the period of the grant and the risk-free interest rate using the 3-year government bond rate.

The share price used to determine the value of the Performance Rights and Options is based on the volume weighted average price of the shares in the Company during the 5 day period prior to and including the date of the announcement of the Company's 2017 full year results on and the 5 days following the announcement of those results.

The total value of the Performances Rights and Options to be granted to Mr Kavanagh amounts to \$306,211. The valuations of the Performance Rights and Options are based on variables shown below:

Input Variables	
Share Price	\$2.38
Exercise Price - Performance Rights	\$0.00
Exercise Price - Options	\$2.38
Risk-free rate	1.945%
Expected dividend yield	0.0%
Volatility	41.6%
Assessed value per Performance Right	\$2.38
Assessed value per Option	\$0.7196

An independent valuation at the date of grant, in accordance with AIFRS-2, will be undertaken and the value of these Performance Rights and Options will be expensed in accordance with the accounting standard.

Depending on the future value of Nanosonics' shares, the estimated value of the benefit to Mr Kavanagh under a number of scenarios assuming that the performance hurdles are met is as follows:

Future NAN Share Price	Potential Value of the Benefit to Mr Kavanagh (\$'000)*	Company Market Capitalisation if Potential Benefit Achieved (\$'million)^
\$2.25	57.9	673
\$2.50	105.2	748
\$3.00	288.3	898
\$3.50	471.3	1,047
\$4.00	654.4	1,197

\* Assumes that performance and service conditions are met and does not include any dividend benefit.

^ Assumes a constant issued capital.

### ***Change of control***

Where:

- (a) a takeover bid is made for the Company and the Board recommends acceptance of that bid by the Company's shareholders;
- (b) a Court orders that a meeting of shareholders of the Company be held to consider a scheme of arrangement between the Company and its shareholders; or
- (c) the Board determines that some other transaction has occurred, or is likely to occur, which involves a change of control of the Company,

the Board may, in its absolute discretion, determine that any Performance Rights or Options that have not vested will vest on the date determined by the Board.

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

### ***Termination of employment***

If Mr Kavanagh 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 and Options will automatically lapse.

### ***Other information***

- It is intended that, if approved, the Performance Rights and Options shall be issued to Mr Kavanagh within 60 days of this Meeting and in any event, no later than 12 months after the date of this Meeting.
- The Company will not apply to the ASX for official quotation of the Performance Rights and Options granted under the Omnibus Plan. Shares issued pursuant to the vesting of Performance Rights and Options will rank equally with shares then on issue.
- There is no loan scheme in relation to the Performance Rights and Options or the Omnibus Plan.
- Mr Kavanagh is prohibited from hedging the share price exposure in respect of the Performance Rights and Options during the vesting period applicable to those Performance Rights and Options.
- Mr Kavanagh is the only eligible Director entitled to participate in the Omnibus Plan.

### **Issues of securities under the LTIS since the last approval by shareholders as required under ASX Listing Rule 10.15**

The last approval from shareholders was sought and obtained at the 2016 AGM held on 4 November 2016 for the proposed issue of 42,138 Performance Rights and 211,306 Options to Mr Michael Kavanagh. These Performance Rights and Options were issued after approval at the 2016 AGM pursuant to the current Omnibus Plan for no cash consideration, are subject to performance and service vesting conditions, and have a vesting date of 31 August 2019. The Performance Rights have no exercise price and the Options have an exercise price of \$2.85. All remain on issue at the date of this Notice of AGM.

## **Resolution 7 – Amendment to the 2015 Long Term Incentive Scheme to remove the “deemed exercise” provisions and allow exercise any time during the 3 years after 31 August 2018**

### **Background**

The Company made an application to the Australian Securities Exchange (**ASX**) to seek a waiver of ASX Listing Rule 6.23.3 to allow the Company to make a change to the terms of the 2015 Long Term Incentive Scheme (**2015 LTIS**) by removing the “deemed exercise” provisions and extending the expiry date for exercise of vested Performance Rights from 30 September 2018 to 31 August 2021 (the **Waiver Application**). The ASX approved the Waiver Application on 23 August 2017 subject to the condition that the Company seek shareholder approval for the change.

### **The 2015 AGM**

At the 2015 Annual General Meeting of the Company on 6 November 2015, approval from shareholders by way of ordinary resolution was sought and granted for the issue of:

- (i) 206,882 performance rights to Mr Michael Kavanagh pursuant to the Nanosonics Employee Share Option Plan (**ESOP**) under the terms of the 2015 LTIS in respect of the 2015-2016 financial year; and
- (ii) 70,992 performance rights to Dr Ronald Weinberger pursuant to the ESOP under the terms of 2015 LTIS in respect of the 2015-2016 financial year.

Further Performance Rights were also issued to other employees of the Company resulting in the total number of Performance Rights being issued under the 2015 LTIS being 1,038,813.

### **Terms of the issue of the Performance Rights**

The vesting of the Performance Rights in the 2015 LTIS was subject to certain performance hurdles and service conditions, and the vesting date for the Performance Rights was identified as 31 August 2018 (**Vesting Date**).

The Explanatory Notes of the 2015 Notice of Meeting for each resolution relating to the Performance Rights stated: *“The Performance Rights of each Tranche will automatically lapse, if not exercised before, 30 days after the respective Vesting Date”* and elsewhere in the Explanatory Notes that *“Any Performance Rights that vest on 31 August 2018 will be automatically exercised”*.

The Company’s Waiver Application identified that the terms of issue and 2015 Notice of Meeting should not have provided for automatic exercise on vesting, and should have stated: *“The Performance Rights of each Tranche will automatically lapse, if not exercised before, 3 years after the respective Vesting Date”*.

### **Changes to the tax laws**

The relevant legislative framework, being Division 83A of the Income Tax Assessment Act 1997, was amended effective 1 July 2015. Under the pre-1 July 2015 version of the Division 83A the vesting of the Performance Rights triggered an automatic tax liability. Therefore, it had been the Company’s practice in connection with allocations of performance rights to include a deemed exercise in the terms of issue to allow the holder to immediately sell some of the resulting shares to meet the tax liability.

The structure of the Performance Rights under the 2015 LTIS followed the structure of the previous year's award. However, under the amendments to Division 83A effective 1 July 2015, it became possible for the tax liability to be deferred to the date on which the Performance Rights were actually exercised (**New Tax Legislation**). The terms of the issue of Performance Rights in 2015 did not take into account the change in legislation. The Company's Waiver Application to the ASX submitted that if the Performance Rights vest on the Vesting Date, they could be held on trust for a maximum period of 3 years. The holders of the Performance Rights (including Mr Kavanagh and Dr Weinberger) would then be able to exercise any vested Performance Rights at a time of their choosing and take advantage of the intended benefits of the New Tax Legislation.

***Waiver Application***

The Waiver Application was approved on the basis that the number of Performance Rights was insignificant (0.33% of the Company's issued capital on a fully diluted basis), and the amendments are unlikely to have an impact on the market for the Company's quoted securities and are subject to shareholder approval. Accordingly, shareholder approval is sought to allow the Company to amend the terms of the 2015 LTIS by extending the exercise period so it expires on 31 August 2021.

***Directors' Recommendation:***

The Board, excluding Mr Kavanagh, recommends that shareholders vote in favour of this Resolution. Voting exclusions apply.

## Resolution 8 – Re-insertion of Proportional Takeover Provision in Constitution

### ***Background***

A proportional takeover bid is an off-market bid under which an offer is made for only a proportion of each shareholder's securities. The Corporations Act 2001 (Cth) permits a company to include in its constitution provisions prohibiting the registration of a transfer of securities resulting from a proportional takeover bid, unless the relevant holders of the securities in a meeting approve the bid. It is a requirement of the Corporations Act 2001 (Cth) that such provisions in a company's constitution apply for a maximum period of three years, unless renewed earlier by special resolution. In the case of the Company, such proportional takeover bid approval provisions (existing clause 1.6 of the Constitution) (**Provisions**) have lapsed. The Directors consider that it is in the best interests of shareholders to renew these Provisions in their existing form. Accordingly, a special resolution is being put to shareholders under section 648G of the Corporations Act 2001 to renew Provisions. If renewed by shareholders at the Meeting, the Provisions will operate for a further three years from the date of the Meeting (i.e. until 3 November 2020), subject to further renewal.

### ***Effect of Provisions***

The effect of the Provisions, as renewed, will be that where a proportional takeover bid is made for securities in the Company (i.e. a bid is made for a specified proportion, but not all, of each holder's bid class securities), the Directors must convene a meeting of holders of the relevant securities to vote on a resolution to approve that bid. The meeting must be held, and the resolution voted on (other than by the bidder and their associates), at least 14 days before the last day of the bid period. To be passed, the resolution must be approved by a majority of votes at the meeting. However, the Corporations Act 2001 (Cth) also provides that, if the meeting is not held within the time required, then a resolution to approve the proportional takeover bid will be deemed to have been passed. If the resolution to approve the proportional takeover bid is passed or deemed to have been passed, the transfer of securities resulting from acceptance of an offer under that bid will be permitted, and the transfers registered, subject to the Corporations Act 2001 (Cth) and the Constitution of the Company. If the resolution is rejected, the registration of any transfer of shares resulting from an offer under the proportional takeover bid will be prohibited, and the bid deemed to be withdrawn. The Provisions, as renewed, will not apply to full takeover bids.

### ***Reasons for proposing the resolution***

The Board considers that shareholders should continue to have the opportunity to vote on a proposed proportional takeover bid. In the absence of the Provisions, as renewed, a proportional takeover bid for the Company may enable effective control of the Company to be acquired by a person who has not offered to acquire 100% of the Company's shares (and, therefore, has not offered to pay a 'control premium' that reflects 100% ownership).

As a result, if a proportional takeover bid for the Company is made:

- shareholders may not have the opportunity to dispose of all their shares; and
- shareholders risk becoming part of a minority interest in the Company or suffering loss following such a change of control if the market price of the Company's shares decreases or the Company's shares become less attractive and, accordingly, more difficult to sell.

If the Provisions are renewed, the Board considers that this risk will be minimised by enabling shareholders to decide whether a proportional takeover bid should be permitted to proceed.

### ***Acquisition proposals***

At the date of this notice, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

### ***Potential advantages and disadvantages***

The Corporations Act 2001 (Cth) requires these explanatory notes to discuss the potential future advantages and disadvantages of the Provisions for both directors and shareholders.

To re-insert the Provisions will enable the Directors to formally ascertain the views of the shareholders in respect of a proportional takeover bid. Without such Provisions, the Directors are dependent upon their perception of the interests and views of shareholders. Other than this advantage, the Directors consider that there are no advantages or disadvantages for them as they remain free to make a recommendation on whether a proportional takeover bid should be accepted.

For shareholders, the potential advantages of the Provisions, as re-inserted, are that they will provide all relevant holders with the opportunity to consider, discuss in a meeting called specifically for the purpose, and vote on whether a proportional takeover bid should be approved. This affords the relevant shareholders an opportunity to have a say in the future ownership and control of the Company and help the shareholders to avoid being locked into a minority. Your Directors believe this will encourage any proportional takeover bid to be structured so as to be attractive to at least a majority of the relevant shareholders. It may also discourage the making of a proportional takeover bid that might be considered opportunistic. Finally, knowing the view of a majority of the relevant shareholders may help each individual holder to assess the likely outcome of the proportional takeover bid and decide whether or not to accept an offer under the bid.

A potential disadvantage for shareholders arising from the Provisions, if re-inserted, is that proportional takeover bids may be discouraged by the further procedural steps that the Provisions entail and, accordingly, this may reduce any takeover speculation element in the price of the Company's securities. Shareholders may be denied an opportunity to sell a portion of their securities at an attractive price where the majority rejects an offer from persons seeking control of the Company.

On balance, the Directors do not perceive those or any other possible disadvantages as justification for not re-inserting the Provisions.

#### ***Directors' Recommendation:***

The Board recommends that shareholders vote in favour of the special Resolution. A special Resolution must be passed by at least 75% of the votes cast by shareholders who are entitled to vote on the matter.

**Annexure A - Notice of nomination of Ernst & Young**

**Domkirke Pty Ltd**  
**as trustee for**  
**The Richard England Superannuation Fund**  
ACN 068 461 325

Level 23  
Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Tel: 02 9253 3815  
Fax: 02 9253 9900  
Mob: 0419 806 674

GPO Box 4824  
SYDNEY NSW 2001

Email: richard@rafengland.com.au

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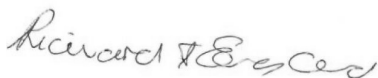
15 September 2017

The Secretary  
Nanosonics Limited  
14 Mars Road,  
Lane Cove West, NSW 2066

Dear Mr Grant

For the purposes of Section 328B(1) of the Corporations Act 2001, I, Richard England, in my capacity as Director of Domkirke Pty Limited, a Member of Nanosonics Limited (the **Company**), hereby nominate Ernst & Young as auditor of the Company at the Annual General Meeting to be held on 3 November.

Yours sincerely



Richard England  
Director  
Domkirke Pty Limited

## **Annexure B - Proportional takeover provisions to be re-inserted at clause 1.6 of the Company's Constitution**

### **1.6 Plebiscite on proportional takeover scheme**


- (a) Where offers have been made under a takeover scheme in respect of shares included in a class of shares in the Company where each offer relates to a proportion of the shares in the class that the offeree holds ("proportional takeover scheme"):
- (i) the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the proportional takeover scheme is prohibited unless and until a resolution to approve the proportional takeover scheme ("approving resolution") is passed in accordance with the provisions of this rule 1.6;
  - (ii) a person (other than the offeror or an associate of the offeror) who, as at the end of the day on which the first offer under the proportional takeover scheme was made, held shares included in that class is entitled to vote on an approving resolution, and for the purposes of so voting, and notwithstanding anything to the contrary contained in this Constitution, is entitled to one vote for each of the last mentioned shares and the offeror or associate is not entitled to vote on an approving resolution;
  - (iii) an approving resolution shall be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the resolution; and
  - (iv) an approving resolution that has been voted on shall be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one half, and otherwise shall be taken to have been rejected.
- (b) The provisions of this Constitution that apply in relation to general meetings of the Company apply, with such modifications as the circumstances require, in relation to a meeting that is convened pursuant to this rule 1.6 as if the last mentioned meeting was a general meeting of the Company.
- (c) Where offers have been made under a proportional takeover scheme the directors shall ensure that a resolution to approve the proportional takeover scheme is voted on in accordance with this rule 1.6 before the fourteenth day before the last day of the offer period under the proportional takeover scheme or such other day as may be prescribed from time to time by the Corporations Act ("relevant day").
- (d) Where a resolution to approve a proportional takeover scheme under which offers have been made is voted on in accordance with this rule 1.6 before the relevant day in relation to the proportional takeover scheme and is rejected, then:
- (i) notwithstanding sections 652A, 652B and 652C of the Corporations Act, all offers under the proportional takeover scheme that have not, as at the end of the relevant day, been accepted, and all offers under the proportional takeover scheme that have been accepted and from whose acceptance binding contracts have not, as at the end of the relevant day, resulted ("accepted offers"), are deemed to be withdrawn at the end of the relevant day;

- (ii) the offeror shall, as soon as practicable after the end of the relevant day, return to each person who has accepted any of the accepted offers any documents that were sent by the person to the offeror with the acceptance of the offer;
  - (iii) the offeror is entitled to rescind, and shall, as soon as practicable after the end of the relevant day, rescind, each contract resulting from the acceptance of an offer made under the proportional takeover scheme; and
  - (iv) a person who has accepted an offer made under the proportional takeover scheme is entitled to rescind the contract (if any) resulting from that acceptance.
- (e) This rule 1.6 shall cease to have effect on the third anniversary of the date of adoption or last renewal of the rule.

NAN

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

**Lodge your vote:**

 **Online:**  
[www.investorvote.com.au](http://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](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000



**Proxy Form**

**XX**



**Vote and view the annual report online**

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



**Your access information that you will need to vote:**

**Control Number: 999999**

**SRN/HIN: I9999999999 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 on Wednesday, 1 November 2017.**

**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 or abstain as they choose (to the extent permitted by law). 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](http://www.investorcentre.com) under the help tab, "Printable 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

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

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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 Brisbane Room, Sofitel Sydney Wentworth Hotel, 61-101 Phillip Street, Sydney NSW, Australia on Friday, 3 November 2017 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, 5, 6 and 7 (except where I/we have indicated a different voting intention below) even though Items 3, 5, 6 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** 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, 5, 6 and 7 by marking the appropriate box in step 2 below.

## 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 Re-election of a Director - Mr Richard England	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of a Director - Dr David Fisher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SPECIAL BUSINESS

5 Issue of 45,513 Performance Rights to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Short Term Incentive Scheme (2017 STIS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Issue of 25,733 Performance Rights and 340,424 Options to the Chief Executive Officer and President, Mr Michael Kavanagh, under the 2017 Long-Term Incentive Scheme (2017 LTIS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Amendment to the 2015 Long Term Incentive Scheme to remove the "deemed exercise" provisions and allow exercise any time during 3 years after 31 August 2018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Re-insertion of Proportional Takeover Provisions in Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## 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

999999A

Computershare +

## QUESTIONS FROM SHAREHOLDERS

Your questions are important to the Company.

Please click on the Contact tab on the Nanosonics Limited website ([www.nanosonics.com.au](http://www.nanosonics.com.au)) to submit any general questions you may have.

If you have specific questions about Nanosonics Limited that you would like the Company's Directors or Auditor (UHY Haines Norton) to respond to at the Annual General Meeting (AGM), please send them to the Company in one of the following ways:

- fill out this page and send it to the mail, facsimile or email address provided below; or
- click on the Contact tab on the Company's website and fill out the Enquiry Form provided; or
- send an email to [info@nanosonics.com.au](mailto:info@nanosonics.com.au).

Questions received by the Company will be collated and as many questions as possible will be responded to at the AGM, to be held at the Brisbane Room, Sofitel Sydney Wentworth Hotel, 61-101 Phillip Street, Sydney NSW Australia on Friday, 3 November 2017, commencing at 11:00am (AEDT). Please note that we will not be able to reply to these questions individually.

Shareholder's name: \_\_\_\_\_

Shareholder's address: \_\_\_\_\_

\_\_\_\_\_

(SRN) or (HIN): \_\_\_\_\_

**Questions:**

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

To enable the Company and / or Auditor to prepare considered responses to your questions at the AGM, they should be received by the Company via one of the following methods by Friday, 27 October 2017:

- By email: [info@nanosonics.com.au](mailto:info@nanosonics.com.au)  
By facsimile: +61 2 9418 3743  
By mail: 14 Mars Road, Lane Cove, NSW 2066