



Notice of Annual General Meeting and Explanatory Memorandum

iSonea Limited:	ACN 009 234 173
Date of Meeting:	Thursday 15 th November 2012
Time of Meeting:	2:30pm (Melbourne time) Registration from 2:15pm
Place of Meeting:	Giorgios Restaurant Function Room, 1235 High Street, Armadale Victoria, 3143

<p>This is an important document. It should be read in its entirety. If you are in doubt as to the course you should follow, consult your financial or other professional adviser.</p>
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iSONEA LIMITED

ACN 009 234 173

Notice is given that the 2012 Annual General Meeting of iSonea Limited ("the **Company**" or "**iSonea**") will be held at Giorgios Restaurant function room, 1235 High Street, Armadale Victoria, 3143 on Thursday 15th November 2012 at 2:30pm (Melbourne, Victorian, daylight saving time), for the purposes of considering and, if thought fit, passing each of the resolutions referred to in this Notice of Annual General Meeting.

Further details in respect of each of the resolutions proposed in this Notice of Annual General Meeting are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting. The details of the resolutions contained in the Explanatory Memorandum should be read together with, and form part of, this Notice of Annual General Meeting.

Please read this Notice of Annual General Meeting carefully and consider directing your proxy on how to vote on each resolution by marking the appropriate box on the proxy form included with this Notice of Annual General Meeting. Shareholders who intend to appoint the Chairman as proxy (including appointment by default) should have regard to Proxy and Voting Instructions on page 6 of this Notice of Annual General Meeting.

ORDINARY BUSINESS

2012 Annual Financial Statements

To lay before the Meeting and consider the 2012 Annual Financial Statements of the Company in respect of the year ended 30 June 2012 and comprising the Annual Financial Report, the Directors' Report and the Auditor's Report. At the meeting, a representative of the Company's auditors will be invited to attend to answer questions about the audit of the Company's 2012 Annual Financial Statements.

Ordinary Resolution – Resolution #1 – Non-binding resolution to adopt Remuneration Report

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

"THAT for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report for the financial year ended 30 June 2012 as disclosed in the Directors' Report is adopted."

Voting Exclusion and Restriction Statement:

The Company will disregard all votes cast on Resolution 1 by, or on behalf of:

- *a member of the key management personnel (KMP), details of whose remuneration are included in the Remuneration Report for the year ended 30 June 2012; or*
- *a closely related party of a KMP,*

whether the votes are cast as a shareholder, proxy or in any other capacity.

However, the Company will not disregard a vote cast on Resolution 1 by a KMP or a closely related party of a KMP if it is cast as a proxy and it is not cast on behalf of a KMP or a closely related party of a KMP and either:

- *the proxy is appointed by writing that specifies how the proxy is to vote on the resolution proposed in Resolution 1; or*
- *the proxy is the Chairman of the meeting and the appointment of the Chairman as proxy specifies the way the proxy is to vote on Resolution 1 and expressly authorises the Chairman to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a KMP for the Company or if the Company is part of a consolidated entity, for the entity.*

If you are a KMP or a closely related party of a KMP (or are acting on behalf of any such person) and purport to cast a vote that will be disregarded by the Company (as indicated above), you may be liable for an offence for breach of voting restrictions that apply to you under the Corporations Act.

NOTICE OF 2012 ANNUAL GENERAL MEETING



KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of KMP include its directors and certain senior executives.

A closely related party of a member of the KMP means any of the following:

- a spouse, child or dependent of the member;*
- a child or dependent of the member's spouse;*
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;*
- a company the member controls; or*
- a person prescribed by regulations (as at the date of this notice of meeting, no additional persons have been prescribed by regulation).*

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 5 of this Notice of Annual General Meeting.

Further details in respect of this Resolution 1 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Ordinary Resolution – Resolution #2 – Re-Election of Non-Executive Director - Mr Jerome Korten

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

"THAT Mr Jerome Korten, a Non-Executive Director of the Company, who retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a Director of the Company."

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

Ordinary Resolutions – Resolutions #3A, B, C, D and E – Issue of Shares to Directors

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

- A "THAT for the purposes of ASX Listing Rule 10.11, shareholders approve the issue of 500,000 ordinary shares in the Company to Dr Stewart Washer, a director of the Company, and/or his nominee on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."
- B "THAT for the purposes of ASX Listing Rule 10.11, shareholders approve the issue of 500,000 ordinary shares in the Company to Mr Ross Haghighat, a director of the Company, and/or his nominee on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."
- C "THAT for the purposes of ASX Listing Rule 10.11, shareholders approve the issue of 500,000 ordinary shares in the Company to Mr Jerome Korten, a director of the Company, and/or his nominee on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."
- D "THAT for the purposes of ASX Listing Rule 10.11, shareholders approve the issue of 500,000 ordinary shares in the Company to Dr David Dantzker, a director of the Company, and/or his nominee on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."
- E "THAT for the purposes of ASX Listing Rule 10.11, shareholders approve the issue of 500,000 ordinary shares in the Company to Dr Ross Macdonald, a director of the Company, and/or his nominee on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."

Voting Exclusion and Restriction Statement:

The Company will disregard any votes cast on Resolutions 3A, B, C, D and E by:

- persons who are to receive securities in relation to the Company;
- persons who may participate in the proposed issue and persons who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; or
- an associate of those persons.

However, the Company need not disregard a vote on Resolutions 3A, B, C, D or E 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.

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 5 of this Notice of Annual General Meeting.

Further details in respect of these Resolutions 3A, B, C, D and E are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Ordinary Resolution – Resolution #4 – Issue of Shares to Mr Ben Richards

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

"THAT for the purposes of ASX Listing Rule 7.1, shareholders approve the issue of ordinary shares in the Company in an amount of AU\$30,000 to Mr Ben Richards as consideration for consultancy services performed by Mr Ben Richards for the Company, on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."

Voting Exclusion and Restriction Statement:

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

- persons who are to receive securities in relation to the Company;
- persons who may participate in the proposed issue and persons who might obtain a benefit except a benefit solely in the capacity of a holder of ordinary shares, if the resolution is passed; or
- an associate of those persons.

However, the Company need not disregard a vote on Resolution 4 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.

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 5 of this Notice of Annual General Meeting.

Further details in respect of this Resolution 4 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Ordinary Resolution – Resolution #5 – Ratification of prior issue of shares

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

"THAT for the purposes of ASX Listing Rule 7.4, shareholders ratify the prior issue of 17,500,000 ordinary shares to Investment Holdings Pty Ltd (ACN 006 336 303), an investment company of Bruce Mathieson, dated 31 August 2012 at an issue price of \$1,050,000 (or \$0.06/share), on the basis as set out in the Explanatory Memorandum which accompanied and formed part of the Notice of Annual General Meeting."

Voting Exclusion and Restriction Statement:

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

- persons who participated in the issue; or
- an associate of those persons.

However, the Company need not disregard a vote on Resolution 5 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.

NOTICE OF 2012 ANNUAL GENERAL MEETING



Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 5 of this Notice of Annual General Meeting.

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

SPECIAL BUSINESS

Special Resolution – Resolution #6 – Approval of 10% Placement Issue

To consider and, if thought fit, pass the following as a special resolution:

"THAT, pursuant to and in accordance with ASX Listing Rule 7.1A and for all other purposes, the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and on the terms and conditions described in the Explanatory Memorandum to this Notice of Meeting, be and is hereby approved."

Voting Exclusion and Restriction Statement:

The Company will, in accordance with ASX Listing Rule 14.11, disregard any votes cast in respect of Resolution 6 by a person who may participate in the 10% placement issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this resolution is passed, and any associates of those persons. As at the date of this Notice of Meeting the Company has no specific plans to issue equity securities under the 10% placement issue and therefore it is not known who (if any) may participate in a potential (if any) issue of equity securities under the 10% placement issue.

However, the Company need not disregard a vote cast on the resolution 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 Chairman of 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.

Shareholders who intend to appoint the Chairman as proxy (including an appointment by default) should refer to the Proxy and Voting Instructions on page 5 of this Notice of Annual General Meeting.

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

OTHER BUSINESS

To consider any other business that may be brought before the Meeting in accordance with the Constitution of the Company and the Corporations Act.

By the order of the Board;

A black and white image of a handwritten signature, likely belonging to Mr Peter Vaughan.

Mr Peter Vaughan
Company Secretary

Dated: Wednesday 10th October 2012

*The accompanying Explanatory Memorandum, Proxy Form
and Voting Instructions form part of this Notice of Meeting.*

PROXY AND VOTING INSTRUCTIONS

Proxy Instructions

A Shareholder who is entitled to attend and vote at this meeting may appoint:

- (a) one proxy if the Shareholder is only entitled to one vote; and
- (b) one or two proxies if the Shareholder is entitled to more than one vote.

Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes, in which case any fraction of votes will be disregarded.

The proxy may, but need not, be a member of the Company.

Where a Shareholder appoints two proxies, on a show of hands, neither proxy may vote if more than one proxy attends and on a poll each proxy may only exercise votes in respect of those shares or voting rights the proxy represents.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) 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) must be lodged at the registered office of the Company or sent by facsimile transmission to the Company's registered office on +61 (0)3 9822 7735 not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the Shareholder (or in the case of a joint holding, by each joint holder) or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chairman of the meeting as your proxy. In that case, your shares will not be voted on Resolution 1 (Remuneration Report) unless you direct the Chairman of the meeting as your proxy how to vote by marking the appropriate box on the proxy form.

The appointment of one or more duly appointed proxies will not preclude a Shareholder from attending this meeting and voting personally. If the Shareholder votes on a resolution, the proxy must not vote as the Shareholder's proxy on that resolution.

A proxy form is attached to this Notice.

How the Chairman will vote undirected proxies

The Chairman of the meeting will vote undirected proxies on, and in favour of, all of the proposed resolutions (this includes Resolution 1).

Proxies that are undirected on Resolution 1 (Remuneration Report)

If you appoint the Chairman of the meeting as your proxy (or if he maybe appointed by default) and do not direct him how to vote on Resolution 1, he will vote your proxy in favour of that item of business, even if the Chairman of the meeting has an interest in the outcome of Resolution 1 and votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

Corporate Representatives

Any corporation which is a Shareholder of the Company may appoint a proxy, as set out above, or authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the Chairperson of the meeting) a natural person to act as its representative at any general meeting.

Corporate representatives are requested to bring appropriate evidence of appointment as a representative in accordance with the constitution of the Company. Attorneys are requested to bring the original or a certified copy of the power of attorney pursuant to which they were appointed. Proof of identity will also be required for corporate representatives and attorneys.

Voting Entitlement

For the purposes of section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Board has determined that Shareholders entered on the Company's Register of Members as 15th November 2011 at 5:00pm (Melbourne, Victorian, daylight saving time) are entitled to attend and vote at the meeting. Transactions registered after that time will be disregarded in determining the Shareholders entitled to attend and vote at the meeting.

On a poll, Shareholders have one vote for every fully paid ordinary share held. Holders of options are not entitled to vote.

In the case of joint holders of shares, if more than one holder votes at any meeting, only the vote of the first named of the joint holders in the share register of the Company will be counted.

ISONEA LIMITED

ACN 009 234 173

("the Company")

2012 ANNUAL GENERAL MEETING

PURPOSE OF INFORMATION

This Explanatory Memorandum ("this **Memorandum**") accompanies and forms part of the Company's Notice of the 2012 Annual General Meeting ("**AGM**") to be held at Giorgios Restaurant function room, 1235 High Street, Armadale Victoria, 3143 on Thursday 15th November 2012 at 2:30pm (Melbourne, Victorian, daylight saving time).

The Notice of the 2012 Annual General Meeting incorporates, and should be read together with, this Memorandum.

ORDINARY BUSINESS

2012 Annual Financial Statements

The 2012 Annual Financial Statements, comprising the Financial Report, Directors' Report and Auditor's Report for the year ended 30 June 2012 will be laid before the meeting. Shareholders will have the opportunity to ask questions about or make comments on the 2012 Annual Financial Statements and the management of the Company. A representative of the auditor will be invited to attend to answer questions about the audit of the Company's 2012 Annual Financial Statements.

The Company's 2012 Annual Financial Statements are set out in the Company's 2012 Annual Report which can be obtained from the Company's website, www.isonea.com or upon request to the Company Secretary at the Company's registered office, Suite 1, 1233 High Street, Armadale, Victoria, 3143, Australia (telephone +61 (0)3 9824 5254).

There is no requirement for these reports to be formally approved by Shareholders. No resolution is required to be moved in respect of this item.

Ordinary Resolution – Resolution #1: Non-binding Resolution - Remuneration Report

The Company is required, pursuant to the Corporations Act 2001, to propose at each annual general meeting a non-binding resolution that the Remuneration Report (which forms part of the Director's Report in the Annual Financial Statements) be adopted.

The purpose of Resolution 1 is to lay before the Shareholders the Company's Remuneration Report for the year ended 30 June 2012 so that Shareholders attending the 2012 Annual General Meeting of the Company will have an opportunity to discuss and put questions in respect of the Remuneration Report and the management of the Company, and vote on an advisory and non-binding resolution to adopt the Remuneration Report.

The Board will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the meeting when reviewing the Company's remuneration policies.

The vote on the resolution for the adoption of the Remuneration Report is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on the resolution at the 2012 Annual General Meeting are voted against the adoption of the Remuneration Report, then:

- (a) if comments are made on the Remuneration Report at the Annual General Meeting, the Company's remuneration report for the financial year ending 30 June 2013 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- (b) if, at the Company's 2013 annual general meeting, at least 25% of the votes cast on the resolution for adoption of the remuneration report for the relevant financial year are against its adoption, the Company will be required to put to shareholders a resolution proposing that a general meeting (**Spill Meeting**) be called to consider the election of Directors (**Spill Resolution**). The Spill Meeting must be held within 90 days of the date of the 2013 annual general meeting. For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Resolution is passed, all of the Directors (other than any managing director) will cease to hold office immediately before the end of the Spill Meeting unless re-elected at that meeting.

The Remuneration Report forms part of the Directors' Report which has been unanimously been adopted by resolution of the Board. The Directors have resolved in favour of the Remuneration Report and commend it to Shareholders for adoption. The Company encourages all Shareholders to cast their votes on Resolution 1.

If you chose to appoint a proxy, you are encouraged to direct your proxy how to vote on this Resolution by marking either "For", "Against" or "Abstain" on the proxy form for this Resolution. If you appoint the Chairman of the meeting as your proxy (or if he maybe appointed by default) and do not direct him how to vote on this Resolution 1, he will vote your proxy in favour of that item of business.

Ordinary Resolution – Resolution #2: Re-Election of Non-Executive Director - Mr Jerome Korten

Pursuant to the Constitution of the Company, one-third of the Directors (excluding the Managing Director) or, if their number is not a multiple of three, the number nearest to one-third, not exceeding one third, are required to retire by rotation at each Annual General Meeting. The Company has five directors, one of whom is the Managing Director. Accordingly, one director is required to retire by rotation at the 2012 Annual General Meeting.

Mr Jerome Korten retires by rotation and being eligible offers himself for re-election.

Appointed to Board: 20 October 2010

Last elected by Shareholders: 30 November 2010

Experience: Mr Jerome Korten is a Medical Device Company Executive with expertise in product development, business development and regulatory approval planning. Mr Korten was previously the CEO of Versamed, Inc., he is now working as an advisor to investment bankers in the healthcare field and serves as a mentor to inventors in academia for the NYC Investment Fund. Mr Korten has been a Director for three medical device companies. His technical expertise is in algorithm development and instrumentation design with a focus on cardio-pulmonary measurements and embedded engineering.

Committees: Member of Audit, Risk and Compliance Committee and member of the Remuneration & Nomination Committee.

Ordinary Resolutions - Resolutions #3A, B, C, D and E: Issue of Shares to directors

ASX Listing Rule 10.11 requires a company to obtain approval of shareholders to issue shares to a related party of the Company. A related party includes a director of the Company. Resolutions 3A, B, C, D and E are proposed to obtain shareholder approval for the issue of 500,000 ordinary shares in the Company to each of the current directors of the Company (Dr Stewart Washer, Mr Ross Haghighat, Mr Jerome Korten, Dr David Dantzker and Dr Ross Macdonald), and/or their nominees. The shares are to be issued to the directors as remuneration for additional services provided to the Company.

The following information is provided in accordance with the requirements of ASX Listing Rule 10.13:

- (a) the number of securities to be issued is 500,000 fully paid ordinary shares in the capital of the Company for each director;
- (b) the shares will be issued to:
 - A) Dr Stewart Washer, and/or his nominee;
 - B) Mr Ross Haghighat, and/or his nominee;
 - C) Mr Jerome Korten, and/or his nominee;
 - D) Dr David Dantzker, and/or his nominee; and
 - E) Dr Ross Macdonald, and/or his nominee;
- (c) the shares will be issued no later than one (1) month after the date of the meeting (or such other date as is permitted by an ASX waiver of the Listing Rules, the *Corporations Act 2001* and/or the Australian Securities and Investments Commission); and
- (d) no funds will be raised by the issue of the shares the subject of Resolutions 3A, B, C, D or E.

The table below sets out the number of shares and options in the Company held by each of the directors and, subject to approval of Resolutions 3A, B, C, D and E, the number of shares they will receive.

	Proposed Shares to be Issued	Current Shares (directly and indirectly) Held*	Current Options (directly and indirectly) Held	Total Shares (directly and indirectly) to be Held subject to approval of Resolutions 3A, B, C, D or E
Stewart Washer	500,000	590,000	-	1,090,000
Ross Haghighat	500,000	3,582,685	324,820	3,882,685
Jerome Korten	500,000	590,500	46,875	1,900,500
David Dantzker	500,000	191,812	-	691,812
Ross Macdonald	500,000	-	-	500,000

* Please note that these current balances are true and correct at time of printing and do not take into consideration any of the Director's intentions to subscribe to Rights Issue shares.

ASX Listing Rule 7.1 requires the prior approval of shareholders in General Meeting to issue securities if the number of those securities exceeds 15% of the number of the same class of securities at the commencement of the relevant 12 month period. This rule does not apply in respect of an issue made with the approval of holders of ordinary securities under ASX Listing Rule 10.11. If approval is given under ASX Listing Rule 10.11, approval is not required under ASX Listing Rule 7.1.

As the shares are incentive shares and form part of the directors' remuneration, it is not necessary to seek approval under Chapter 2E of the *Corporations Act* to issue the shares in Resolutions 3A, B, C, D or E.

Each of the directors because of their interest make no recommendation in relation to these Resolutions 3A, B, C, D and E.

Ordinary Resolution – Resolution #4: Issue of Shares to Mr Ben Richards

Resolution 4 is proposed to obtain shareholder approval for approve the issue of ordinary shares in the Company in an amount of AU\$30,000 to Mr Ben Richards as consideration for consultancy services performed by Mr Ben Richards for the Company.

This issuance of fully paid ordinary shares (ISN) to Mr Ben Richards of AU\$30,000 is in lieu of cash payment for public and investor relations consulting services performed by Mr Richards for the period July 2012 to June 2013.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.3:

- (a) the number of securities to be issued will be the number of fully paid ordinary shares in the Company amounting to AU\$30,000. The number of shares to be issued will be calculated by determining the price of shares at the time of issue, but the price will not be less than 85% of the volume weighted average market (closing) price (**VWAP**) of the Company's listed ordinary shares calculated over the last five (5) days on which sales of ordinary shares were recorded on ASX before the issue was made;
- (b) the shares will be issued no later than three (3) months after the date of the meeting (or such other date as is permitted by an ASX waiver of the Listing Rules, the *Corporations Act 2001* and/or the Australian Securities and Investments Commission);
- (c) no funds will be raised by the issue of the shares the subject of Resolution 4. The shares will be issued in lieu of a cash payment by the Company by way of consideration for services performed by Mr Ben Richards for the company in relation to public and investor relations consultancy services;
- (d) the shares will be issued to Ben Richards and/or his nominee;
- (e) the shares will be fully paid ordinary shares in the capital of the Company ranking equally with the Company's existing listed ordinary shares. The Company will apply to ASX for quotation of the shares; and
- (f) the shares referred will be allotted within 3 months of Resolution 4 being approved by shareholders.

Shareholder approval for the proposed issue of shares to Mr Ben Richards (and/or his nominee) is required pursuant to ASX Listing Rule 7.1. ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any twelve (12) month period, any equity securities or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that twelve (12) month period.

One circumstance where an issue is not taken into account in the calculation of this 15% limit is where entry into an agreement to issue securities has the prior approval of shareholders at a general meeting. By obtaining shareholder approval to the issue of the shares the subject of this Resolution 4, the Company maintains the ability to issue further securities up to the 15% limit without further shareholder approval to take advantage of opportunities which may arise to raise additional capital.

Ordinary Resolution – Resolution #5: Ratification of prior issue of shares

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the prior issue of 17,500,000 shares to Investment Holdings Pty Ltd (ACN 006 336 303), an investment company of Bruce Mathieson, on 31 August 2012 at an issue price of \$1,050,000 (or \$0.06/share).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company's shareholders ratify the previous issue of securities made pursuant to ASX Listing Rule 7.1 (provided that the previous issue of securities did not breach ASX Listing Rule 7.1) those securities will be deemed to have been issued with shareholder approval for the purposes of ASX Listing Rule 7.1.

By ratifying the prior issue of 17,500,000 shares, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity without the requirement to obtain prior Shareholder approval.

The following information is provided in accordance with the requirements of ASX Listing Rule 7.5:

- (a) The number of ordinary shares previously issued was 17,500,000 shares;
- (b) The issue price of the ordinary shares was \$0.06 (6 cents);
- (c) The shares issued were fully paid ordinary shares in the Company having the same terms and rights as, and ranking equally with, the Company's existing listed fully paid ordinary shares;
- (d) Bruce Mathieson paid \$1,050,000 to the Company for the ordinary shares on 31 August 2012; and
- (e) The shares were issued to Investment Holdings Pty Ltd (ACN 006 336 303), an investment company of Bruce Mathieson.
- (f) The funds will be used toward the development of the AirSonea™ and SonoSentry devices and the rollout of the next generation AsthmaSense smart phone apps.

SPECIAL BUSINESS

Special Resolution – Resolution #6: Approval of 10% placement issue

1. General

The ASX has recently introduced new fundraising rules to provide more flexibility for smaller companies to raise additional capital in an easier and potentially less costly manner. ASX Listing Rule 7.1A enables eligible entities to issue equity securities (as that term is defined in the ASX Listing Rules) up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1. An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue equity securities under the 10% Placement Facility. The exact number of equity securities (if any) to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 2(c) below). The Company may use funds raised from any 10% Placement Facility for funding of specific projects and/or general working capital. It may also use the 10% Placement Facility for non-cash consideration purposes such as joint venture, licensing or collaboration agreements or the acquisition of new products (although the Company presently has no proposal to do so).

The Directors of the Company believe that Resolution 6 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

2. Description of ASX Listing Rule 7.1A**(a) Shareholder approval**

The ability to issue equity securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity Securities

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company.

The Company, as at the date of the Notice, has on issue three classes of equity securities, Shares, listed options and unlisted options.

(c) Formula for calculating 10% Placement Facility

ASX Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of the issue or agreement:

- (A) plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the 12 months;
- (C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under ASX Listing Rules 7.1 and 7.4; and
- (D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in ASX Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%.

E is the number of equity securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

(d) ASX Listing Rule 7.1 and ASX Listing Rule 7.1A

The ability of an entity to issue equity securities under ASX Listing Rule 7.1A is in addition to the entity's 15% placement capacity under ASX Listing Rule 7.1.

The actual number of equity securities that the Company will have capacity to issue under ASX Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (refer to section 2(c) above).

(e) Minimum Issue Price

The issue price of equity securities issued under ASX Listing Rule 7.1A must be not less than 75% of the VWAP of equity securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

(f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under ASX Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking), **(10% Placement Period)**.

3. ASX Listing Rule 7.1A

The effect of Resolution 6 will be to allow the Directors to issue the equity securities under ASX Listing Rule 7.1A during the 10% Placement Period without using the Company's 15% placement capacity under ASX Listing Rule 7.1.

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

4. Specific Information required by ASX Listing Rule 7.3A

Pursuant to and in accordance with ASX Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The equity securities will be issued at an issue price of not less than 75% of the VWAP for the Company's equity securities over the 15 trading days immediately before:
 - (i) the date on which the price at which the equity securities are to be issued is agreed; or
 - (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.
- (b) If Resolution 6 is approved by the Shareholders and the Company issues equity securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the below table (in the case of unlisted options, only if the unlisted options are exercised).

There is a risk that:

- (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Annual General Meeting; and
- (ii) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The table below shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A(2) as at the date of this Notice of Meeting.

The table below also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under ASX Listing Rule 7.1 that are approved at a future Shareholders' meeting; and

- (ii) two examples of where the price of ordinary securities has decreased by 50% and increased by 50% as against the current market price.

Variable "A" in ASX Listing Rule 7.1A.2		Dilution		
		\$0.03 50% decrease in Deemed Price	\$0.06 Deemed Price	\$0.12 100% Increase in Deemed Price
Current Variable A 215,267,054 Shares	10% Voting Dilution	21,526,705 Shares	21,526,705 Shares	21,526,705 Shares
	Funds raised	\$645,801	\$1,291,602	\$2,583,205
50% increase in current Variable A 322,900,581 Shares	10% Voting Dilution	32,290,058 Shares	32,290,058 Shares	32,290,058 Shares
	Funds raised	\$968,702	\$1,937,403	\$3,874,807
100% increase in current Variable A 430,534,108 Shares	10% Voting Dilution	43,053,411 Shares	43,053,411 Shares	43,053,411 Shares
	Funds raised	\$1,291,602	\$2,583,205	\$5,166,409

* Please note that the balances shown above are true and correct at time of printing and do not take into consideration any shares which may be issued in accordance with the Renounceable Rights Issue announced on by iSonea on 27 Sept 2012.

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum securities available under the ASX Listing Rule 7.1A being 10% of the Company's shares on issue at the date of the Meeting;
 - (ii) No unlisted options are exercised into fully paid ordinary securities before the date of the issue of securities under ASX Listing Rule 7.1A. The Company has 7,143,490 unlisted options on issue at the date of this Notice of Meeting;
 - (iii) The table does not demonstrate an example of dilution that may be caused to a particular shareholder by reason of placements under ASX Listing Rule 7.1A, based on that shareholder's holding at the date of the Meeting;
 - (iv) The table only demonstrates the effect of issues of securities under ASX Listing Rule 7.1A. It does not consider placements made under ASX Listing Rule 7.1, the "15% rule";
 - (v) The price of ordinary securities is deemed for the purposes of the table above to be \$0.06, being the closing price of the Company's listed securities on ASX on 3 October 2012 (**Deemed Price**). The Deemed Price is indicative only and does not consider the 20% discount to market that the securities may be placed at; and
 - (vi) The table does not demonstrate the effect of listed or unlisted options being issued under ASX Listing Rule 7.1A, it only considers the issue of the fully paid ordinary securities.
- (c) The Company will only issue and allot the equity securities during the 10% Placement Period. The approval under Resolution 6 for the issue of the equity securities will cease to be valid in the event that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (a significant change to the nature or scale of activities or ASX Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the equity securities for the following purposes:
- (i) non-cash consideration including for joint venture, licensing or collaboration agreements or the acquisition of new products (although the Company presently has no proposal to do so). In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3; or

- (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards advancing specific Company projects and/or general working capital.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to factors including but not limited to the following:

- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (ii) the effect of the issue of the Equity Securities on the control of the Company;
- (iii) the financial situation and solvency of the Company; and
- (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

Further, if the Company were to pursue an acquisition and were it to be successful in acquiring new resources assets or investments, it is possible that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

- (e) The Company has not previously obtained Shareholder approval under ASX Listing Rule 7.1A.
- (f) A voting exclusion statement is included in the Notice of Meeting to which this Explanatory Memorandum relates. At the date of that Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

The Directors unanimously recommend Shareholders vote in favour of Special Resolution – Resolution #6.

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iSONEA LIMITED

ACN 009 234 173
("the Company")

<<Shareholder Name 1>>
<<Shareholder Name 2>>
<<Shareholder Address 1>>
<<Shareholder Address 2>>
<<Shareholder Address 3>>
<<Shareholder Address 4>>

Please Return Completed Form to:
The Company Secretary
iSonea Limited
PO Box 8694
Armadale, Victoria
AUSTRALIA 3143
OR: Fax: +61 (0)3 9822 7735

YOUR VOTE IS IMPORTANT.

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 5:00PM ON 13 NOVEMBER 2012

PROXY FORM

I/We _____

of _____

being a member(s) of iSonea Limited

and entitled to: _____ shares hereby appoint:

☐

The Chairman of the meeting OR

Name of Proxy: _____

Address of Proxy: _____

or in the absence of 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) on my/our behalf at the 2012 Annual General Meeting of the Company to be held at Giorgios Restaurant function room, 1235 High Street, Armadale Victoria, 3143 on Thursday 15th November 2012 at 2:30pm (Melbourne, Victorian, daylight saving time) and at any adjournment or postponement of that meeting.

If two proxies are appointed, complete the following sentence:

This proxy is authorised to exercise votes/ % of my/our total voting rights.

If you do not wish to direct your proxy how to vote, please place a mark in the box:

☐

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 vote in accordance with the Chairman's voting intentions on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel (which includes the Chairman) and acknowledge that the Chairman may exercise my/our proxy.

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 Resolution 1 by marking the appropriate box below.

All other resolutions:

If you appoint the Chairman of the meeting as your proxy (or if he maybe appointed by default) and do not direct him how to vote, he will vote your proxy in favour of that item of business. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman intends to cast your votes in favour of the resolution.

If you appoint a proxy, the Company encourages you to direct your proxy how to vote on each item of business.

Proxy Instructions:

To instruct your proxy how to vote, insert 'X' in the appropriate column against each resolution set out below. If you do not instruct your proxy how to vote on a resolution, your proxy may vote as he/she thinks fit or abstain from voting.

I/We direct my/our proxy to vote as indicated below:		For	Against	Abstain
Resolution 1.	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Re-Election of Non-Executive Director – Mr Jerome Korten	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3A.	Issue of Shares to Dr Stewart Washer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3B.	Issue of Shares to Mr Ross Haghighat	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3C.	Issue of Shares to Mr Jerome Korten	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3D.	Issue of Shares to Dr David Dantzker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3E.	Issue of Shares to Dr Ross Macdonald	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4.	Issue of Shares to Mr Ben Richards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5.	Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6.	Approval of 10% Placement Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If a person:

(Signature)

Name (Print)

Date: / /

If a Corporate Entity:

EXECUTED by:

in accordance with the
Corporations Act

Name of Corporate Entity (print)

(Signature)

(Signature)

Date: / /

Date: / /

This proxy and any power of attorney or other authority under which it is signed (or a certified copy) must be lodged at:

- (a) Suite 1, 1233 High Street, Armadale, Victoria 3143, Australia; or
- (b) by facsimile on +61 (0)3 9822 7735 by 5:00pm Australian Eastern Daylight Saving Time on 13th November 2012, being not less than 48 hours before the time for holding the meeting or adjourned meeting as the case may be.

CONTACT DETAILS:

Phone: _____

Email: _____