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**PULSE HEALTH LIMITED**  
**ABN 69 104 113 760**

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**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 10.00am (AEDT)

**DATE:** 26 November 2009

**PLACE:** Offices of Pulse Health Limited  
Suite 4, Level 5  
241 O’Riordan Street  
Mascot NSW 2020

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (02) 9419 2966.*



20 October 2009

Dear Shareholder

## NOTICE OF ANNUAL GENERAL MEETING

Pulse Health Limited (the **Company**) is convening an Annual General Meeting (**Meeting**) of shareholders on 26 November 2009 and we invite you to attend. The meeting will be held at the Offices of Pulse Health Limited, Suite 4, Level 5, 241 O'Riordan Street, Mascot NSW 2020 at 10.00am and will consider:

- The 2009 Annual Report;
- Adoption of the Remuneration Report as required by the *Corporations Act 2001* in a non-binding resolution. The Remuneration Report is contained in the 2009 Annual Report;
- Re-election of directors. Dr Landa retires by rotation and in accordance with the Company's Constitution offers himself for re-election;
- Ratification of past issue of ordinary shares and options to Sophisticated Investors under Listing Rule 7.4;
- Ratification of past issue of Convertible Notes under Listing Rule 7.4;
- Approval of issue of Convertible Notes to a related party under Listing Rule 10.11;
- Approval of issue of Shares to Sophisticated Investors under Listing Rule 7.1 at 6 cents per Share raising up to \$4m and a further placement under a weighted average share price pricing mechanism;
- Adoption of Loan Share Plan for the Chief Executive Officer, Dr Ian Kadish;
- Proposed issue and allotment of options to Chief Executive Officer, Dr Ian Kadish; and
- Approval to issue shares at 6 cents per Share in consideration for early conversion of Convertible Notes, including approval of this arrangement to a related party under Listing Rule 10.11.

Attached to this letter is a Notice of Annual General Meeting and an Explanatory Memorandum setting out details on each of the resolutions to be proposed at the Meeting.

If you are unable to attend the Meeting, I encourage you to vote using the Proxy Form which is also enclosed. If you are able to attend, please bring this letter and package with you to facilitate your entitlement to vote.

The Board recommends that you vote in favour of all resolutions, noting that:

- (a) For the Resolutions on participation of related party in issue of Convertible Notes, Mr Gregory has refrained from making a recommendation in relation to Resolution 5 and 6 due to a personal interest in those resolutions; and



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- (b) For the Resolutions on participation of related party in the issue of Shares in consideration for early conversion of Convertible Notes, Mr Gregory has refrained from making a recommendation in relation to Resolution 11 and 12 due to a personal interest in those resolutions.

The Board looks forward to meeting those shareholders who can attend the Annual General Meeting in person. For those who are unable to attend, should you have any queries in relation to the Annual General Meeting or have any other matters you wish to discuss at any other time throughout the upcoming year, please do not hesitate to contact the Company Secretary either by phone or in writing. Full contact details of Mr David Franks are as follows:

Mr David Franks (Company Secretary)

Pulse Health Limited

Suite 4, Level 5, 241 O'Riordan Street, Mascot NSW 2020

Phone (02) 9419 2966 Fax (02) 9215 8999 Email [dfranks@fa.com.au](mailto:dfranks@fa.com.au)

**IMPORTANT NOTICE – AVAILABILITY OF 2009 ANNUAL REPORT**

Shareholders are reminded that the 2009 Annual Report is only mailed to those shareholders who have elected to receive it in hard copy. The 2009 Annual Report can be viewed on the Company's web site at <http://www.pulsehealth.net.au/>

Thank you for your continued support.

Yours sincerely

**Mr Stuart James  
Chairman  
Pulse Health Limited**

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The Annual General Meeting of the Shareholders of Pulse Health Limited which this Notice of Meeting relates to will be held at 10.00am (AEDT), 26 November 2009 at:

Offices of Pulse Health Limited  
Suite 4, Level 5  
241 O'Riordan Street  
Mascot NSW 2020

**YOUR VOTE IS IMPORTANT**

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The business of the Annual General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Meeting as soon as possible and:

- (a) send or deliver the proxy form to Pulse Health Limited, Suite 4, Level 5, 241 O'Riordan Street, Mascot NSW 2020; or
- (b) send the proxy form by facsimile to the Company on facsimile number (02) 9215 8999.

so that it is received not later than 10.00am (AEDT), 24 November 2009.

**Proxy forms received later than this time will be invalid.**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders of Pulse Health Limited will be held at Offices of Pulse Health Limited, Suite 4, Level 5, 241 O’Riordan Street, Mascot NSW 2020 at 10.00am (AEDT) on 26 November 2009.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company on 24 November 2009 at 7.00pm (AEDT).

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

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### BUSINESS

#### ADOPTION OF THE ANNUAL FINANCIAL REPORT

To receive the Annual Financial Report, including Directors’ declarations and accompanying reports of the Directors and auditors for the financial year ended 30 June 2009.

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#### RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, approval is given to the adoption of the Remuneration Report as contained in the Company’s financial report for the year ended 30 June 2009.”*

**Short Explanation:** The vote on this resolution is advisory only and does not bind the Directors or the Company.

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#### RESOLUTION 2 – RE-ELECTION OF DIRECTOR, DR BARRY LANDA

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for all purposes, Dr Barry Landa, a director of the Company who retires by rotation in accordance with clause 8.1(e) of the Constitution and, being eligible, is re-elected as a Director of the Company.”*

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### RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify the allotment and issue of 3,500,000 Shares to Equitas Nominees Pty Ltd <Group A A/C> on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the Shares and any of their associates.

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### RESOLUTION 4 – RATIFICATION OF ISSUE OF OPTIONS

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify the allotment and issue of 2,625,000 Options to Equitas Nominees Pty Ltd <Group A A/C> on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the Options and any of their associates.

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### RESOLUTION 5 – RATIFICATION OF ISSUE OF CONVERTIBLE NOTES

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, shareholders ratify the allotment and issue of 8,250,000 Convertible Notes on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the Convertible Notes and any of their associates.

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## RESOLUTION 6 – CONVERSION OF CONVERTIBLE NOTES INTO SHARES BY RELATED PARTY

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11, Listing Rule 10.12 Exemption 10 and for all other purposes, approval is given for Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory, to participate in the issue and allotment of up to 2,000,000 Shares upon conversion of the 2,000,000 Convertible Notes previously issued under Listing Rule 10.12 Exemption 10 on the term set out in the Explanatory Statement.”*

**Short Explanation:** Under the ASX Listing Rules, an issue of securities to a director requires prior shareholder approval. For the purposes of ASX Listing Rule 10.11, shareholder approval is being sought to allow the Directors to be issued securities in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Finance Associates Pty Ltd <Super Fund A/C>, Mr Gregory and any associate of those persons.

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## RESOLUTION 7 – ISSUE OF SHARES

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot up to 66,666,667 Shares at an issue price of 6 cents per share on the terms set out in the Explanatory Statement.”*

**Short Explanation:** An equity issue can be approved by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.

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## RESOLUTION 8 – ISSUE OF SHARES

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue and allot up to 125,000,000 Shares at an issue price of not less than 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the date on which the issue is made on the terms set out in the Explanatory Statement.”*

**Short Explanation:** An equity issue can be approved by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a security holder, if the Resolution is passed and any associates of those persons.



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## RESOLUTION 9 – PROVISION OF FINANCIAL ASSISTANCE

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

*“That, for the purposes of Section 260B of the Corporations Act and for all other purposes, Shareholders approve the giving of financial assistance to Dr Ian Kadish to fund the subscription for new fully paid ordinary shares in the capital of the Company and otherwise on the terms and conditions set out in the Explanatory Statement.”*

**Short Explanation:** Under Section 260B(1) of the Corporations Act, Shareholder approval for financial assistance by a Company must be given by a special resolution passed at a general meeting of the Company or a resolution agreed to, at a general meeting, by all Shareholders. In this case, the Company is providing financial assistance to Dr Ian Kadish and therefore the financial assistance requires approval by the shareholders of the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Dr Kadish or his nominee/s and any of his associates.

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## RESOLUTION 10 – ISSUE OF OPTIONS TO CEO

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX and for all other purposes, approval is given for the Directors to issue and allot up to 6,000,000 Options to Dr Ian Kadish (and/or his nominee/s) on the terms set out in the Explanatory Statement.”*

**Short Explanation:** An equity issue can be approved by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Dr Ian Kadish or his nominee/s and any associate of those persons.

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## RESOLUTION 11 – APPROVAL FOR ISSUE OF SHARES IN CONSIDERATION FOR EARLY CONVERSION OF CONVERTIBLE NOTES

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, shareholders approve the allotment and issue of up to 13,750,000 Shares in consideration for early conversion of Convertible Notes on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** An equity issue can be ratified by shareholders in accordance with the Listing Rules. This allows the Company flexibility to issue securities in the future up to the threshold of 15% of its total ordinary shares in any 12 month period. Please refer to the Explanatory Statement for details.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by any person who participated in the issue of the Convertible Notes and any of their associates.

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**RESOLUTION 12 – APPROVAL FOR ISSUE OF SHARES IN CONSIDERATION FOR EARLY CONVERSION OF CONVERTIBLE NOTES BY RELATED PARTY**

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To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 10.11, Listing Rule 10.12 Exemption 10 and for all other purposes, approval is given for Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory, to participate in the issue and allotment of up to 3,333,333 Shares in consideration for early conversion of Convertible Notes on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Short Explanation:** Under the ASX Listing Rules, an issue of securities to a director requires prior shareholder approval. For the purposes of ASX Listing Rule 10.11, shareholder approval is being sought to allow the Directors to be issued securities in the Company.

**Voting Exclusion:** The Company will disregard any votes cast on this resolution by Finance Associates Pty Ltd <Super Fund A/C>, Mr Gregory and any associate of those persons.

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**DATED: 20 October 2009**

**BY ORDER OF THE BOARD**



**MR DAVID FRANKS  
COMPANY SECRETARY  
PULSE HEALTH LIMITED**

**Voting Exclusion Note:**

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a 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.

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at 10.00am (AEDT), 26 November 2009 at:

Offices of Pulse Health Limited  
Suite 4, Level 5  
241 O'Riordan Street  
Mascot NSW 2020

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### ADOPTION OF THE ANNUAL FINANCIAL REPORT

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of Directors and Auditors for the year ended 30 June 2009.

In accordance with the Corporations Act 2001, shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Financial Report.

During the discussion of this item, the Company's auditor will be present and will answer qualifying questions.

#### *Written questions for the auditor*

If you would like to submit a written question to the Company's auditor, please post your question to the Company Secretary or fax it to (02) 9215 8999. Written questions must relate to the content of the auditor's report to be considered at the Annual General Meeting or the conduct of the audit. A list of qualifying questions will be made available at the Annual General Meeting.

Please note that all questions must be received at least five business days before the Annual General Meeting, that is by no later than 10.00am on 19 November 2009.

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### 1 RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

At a listed company's Annual General Meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. The vote on this resolution is advisory only and does not bind the Directors or the Company

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## 2 RESOLUTION 2 - RE-ELECTION OF DIRECTOR, DR BARRY LANDA

Clause 8.1(e) of the Constitution requires that if the Company has three or more Directors, one third of those Directors (rounded down to the nearest whole number) must retire at each Annual General Meeting.

The Company currently has three Directors, and accordingly one must retire. A Director who retires under clause 8.1(e) is eligible for re-election.

Dr Barry Landa will retire by rotation and seeks re-election.

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## 3 RESOLUTION 3 – RATIFICATION OF ISSUE OF SHARES

### 3.1 Background

As announced to the market on 31 July 2009, the Company undertook a capital raising of 3,500,000 Shares at an issue price of \$0.10 per Share to raise \$350,000 (**July Share Placement**). The July Share Placement was made within the Company's 15% capacity.

### 3.2 ASX Listing Rules

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in Annual General Meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of the total of 3,500,000 Shares is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

Outlined below is the information required to be provided to Shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities allotted and issued was 3,500,000 Shares;
- (b) the Shares were issued at \$0.10 each to raise \$350,000 in total for the purpose of part repayment of the Convertible Notes maturing on 30 June 2009;
- (c) the terms and conditions of the Shares allotted and issued are identical to the Company's existing Shares; and
- (d) the allottees of the Shares were to a sophisticated and professional investor, being to Equitas Nominees Pty Ltd <Group A A/C>. The allottee is not a related party or associate of the Company.

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## 4 RESOLUTION 4 – RATIFICATION OF ISSUE OF OPTIONS

### 4.1 Background

As announced to the market on 31 July 2009, the Company undertook a capital raising of 3,500,000 Shares at an issue price of \$0.10 per Share to raise \$350,000 (**July Share Placement**). The July Share Placement was made under Listing Rule 7.1.

As part of the capital raising, there was a 3 for 4 free attaching option, exercisable at \$0.10 expiring three years from the issue date. The Options were issued to the following party in the following amounts:

- (a) Equitas Nominees Pty Ltd <Group A A/C> – 2,625,000 Options exercisable at \$0.10 on or before 31 July 2012.

### 4.2 ASX Listing Rules

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in Annual General Meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of the total of 2,625,000 Options to the parties set out in Section 4.1 is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

Outlined below is the information required to be provided to Shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities allotted and issued was 2,625,000 Options;
- (b) the Options were issued for free in connection with the July Share Placement. No funds were raised from the issue of the Options;
- (c) the terms and conditions of the Options allotted and issued are set out in Section 4.3 below; and
- (d) the allottee of the Options was Equitas Nominees Pty Ltd <Group A A/C> (in the amounts set out in Section 4.1). The allottee is not a related party or associate of the Company.

### 4.3 Terms of Options

Each Option will entitle the holder to subscribe for one Share in the Company on the following terms:

- (a) the Options will be exercisable at any time prior to 5.00pm AEDT on 31 July 2012 (**Expiry Date**). Options not exercised on or before the Expiry Date will automatically lapse;
  - (b) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
  - (c) each Option will entitle the holder to subscribe (in respect of each Option held) for a fully paid ordinary share in the Company (Share) with an exercise price of 10 cents;
  - (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
  - (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
  - (f) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last business day of the month in which such notice is received;
  - (g) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 7 business days before the record date (to determine entitlements to the issue), to exercise Options;
  - (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option Holder are to be changed in a manner consistent with the ASX Listing Rules.
  - (i) subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Options may be transferred at any time prior to the Expiry Date;
  - (j) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise; and
  - (k) in the event of a takeover under Chapter 6 of the Corporations Act (Takeover) all Options shall vest immediately and the Option holder shall have the right to elect to convert the Options into fully paid ordinary shares at the highest takeover price (as adjusted from time to time) and the Options shall convert into the number of Shares calculated as follows:  
  
(Takeover Price less Option Exercise Price) times Number of Options divided by Takeover Price.
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## 5 RESOLUTION 5 – RATIFICATION OF ISSUE OF CONVERTIBLE NOTES

### 5.1 Background

As announced to the market on 31 July 2009, the Company undertook a capital raising of 8,250,000 Convertible Notes at a face value of \$0.10 per Convertible Note to raise \$825,000 (**July Note Placement**). The July Note Placement was made within the Company's 15% capacity. The July Note Placement was made as part repayment of the Convertible Notes maturing on 30 June 2009.

Included in the July Note Placement was a total of 2,000,000 Convertible Notes, raising \$200,000, to Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory. Under the terms of the Convertible Notes, these 2,000,000 Convertible Notes are unable to be converted into Shares by Finance Associates Pty Ltd <Super Fund A/C> unless the issue of the Shares is first approved by shareholders. Under Listing Rule 10.12 Exemption 10, an agreement such as a Convertible Note can be conditional on such an approval. Resolution 6 seeks shareholder approval in this regard.

### 5.2 ASX Listing Rules

ASX Listing Rule 7.1 requires that a listed company obtain shareholder approval prior to the issue of securities representing more than 15% of the issued capital of that company in any 12 month period.

ASX Listing Rule 7.4.2 sets out an exception to ASX Listing Rule 7.1. This rule provides that where a company in Annual General Meeting ratifies the previous issue of securities made without approval under ASX Listing Rule 7.1, those securities shall be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

Shareholder ratification for the issue of the total of 8,250,000 Convertible Notes is now sought pursuant to ASX Listing Rule 7.4 to reinstate the Company's capacity to issue up to 15% of its issued capital, if required, in the next 12 months without shareholder approval.

Outlined below is the information required to be provided to Shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4:

- (a) the total number of securities allotted and issued was 8,250,000 Convertible Notes which are convertible into a maximum of 6,250,000 Shares. Should shareholders approve Resolution 6, the maximum would increase to 8,250,000 Shares in total;
- (b) the Convertible Notes were issued at a face value of \$0.10 each to raise \$825,000 in total as part repayment of the Convertible Notes maturing on 30 June 2009.
- (c) the terms and conditions of the Convertible Notes allotted are outlined in Schedule 2. The Convertible Notes are a separate class of securities, however any Shares issued upon conversion will rank equally with the Company's then issued Shares. Conversion and subsequent issue of Shares upon conversion will happen at the discretion of the holder of the Convertible Notes provided conversion complies with the terms of Convertible Notes; and

- (d) the allottees of the Convertible Notes were to sophisticated and professional investors , being as follows. The allottees of the 6,250,000 Convertible Notes able to be converted into a maximum of 6,250,000 Shares are not related parties or associates of the Company.

Note Holder	No of Notes
<b>1. Noteholder able to convert into Ordinary Shares</b>	
E.Almonte atf The Almonte Superannuation Fund	400,000
Versailles Holding Pty Ltd	600,000
Walter George Franks and Robyn Ann Franks <Franks Family Superannuation Fund>	250,000
Sarah Franks <Delphini Family Trust>	275,000
BJ Retail Pty Ltd <Jamsi Family Trust>	250,000
Regan's Express Pty Limited	750,000
Mr William Henry Hernstadt	500,000
Densville Pty Limited <David Segal Super Fund A/C>	125,000
John M E Percival and Josephine M Gregan <Korat Superannuation Fund>	600,000
PEH Nominees (NSW) Pty Limited	2,000,000
Bagawa Pty Ltd	500,000
	<u>6,250,000</u>
<b>2. Noteholder unable to convert into Ordinary Shares unless approved by Resolution 6</b>	
Finance Associates Pty Ltd <Super Fund A/C>	2,000,000
	<u>2,000,000</u>
	<b>8,250,000</b>

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## 6 RESOLUTION 6 – PARTICIPATION OF RELATED PARTY IN ISSUE OF CONVERTIBLE NOTES

Included in the July Note Placement was a total of 2,000,000 Convertible Notes, raising \$200,000, to Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory. Under the terms of the Convertible Notes, these 2,000,000 Convertible Notes are unable to be converted into Shares by Finance Associates Pty Ltd <Super Fund A/C> unless the issue of the Shares is first approved by shareholders. Under Listing Rule 10.12 Exemption 10, an agreement such as a Convertible Note can be conditional on such an approval.

Resolution 6 seeks Shareholder approval for Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory, to be able to convert their Convertible Notes into Shares like other non-related Convertible Note holders. These Convertible Notes are the same securities being ratified in Resolution 5, with the exception that Finance Associates Pty Ltd <Super Fund A/C> is presently unable to convert their Convertible Notes into Shares without first obtaining approval from shareholders (**Related Party Convertible Notes**).

It is the view of the Directors that Shareholder approval is not required under Chapter 2E of the Corporations Act as the issue of the Related Party Convertible Notes comes within the arm's length terms exception in Section 210 of the Corporations Act.

Shareholder approval for Finance Associates Pty Ltd <Super Fund A/C> to be able to convert their Convertible Notes into Shares is required pursuant to Listing Rule 10.11 and Listing Rule 10.12 Exemption 10.



## 6.1 Listing Rules

Listing Rule 10.11 provides that a company must not issue securities to a related party without obtaining prior shareholder approval (subject to certain exceptions set out in Listing Rule 10.12).

Listing Rule 10.12 Exemption 10 provides that a company may enter into an agreement with a related party to issue equity securities conditional on holders of ordinary securities approving the issue before this issue is made. If the Company relies on this exemption, the Company must not issue the equity securities without approval.

The directors of a public company, and entities controlled by a director, are considered a "related party" of the company for the purpose of the Listing Rules under Sections 228(2)(a) and 228(4) of the Corporations Act.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Related Party Convertible Notes as approval is sought under Listing Rule 10.11. Shareholders should note that the issue of Related Party Convertible Notes will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

It is the view of the Directors that the remaining exceptions in Listing Rule 10.12 do not apply in the current circumstances.

Listing Rule 10.13 requires the following information be provided to Shareholders:

- (a) the allottee of the Related Party Convertible Notes for the purpose of Resolution 6 is Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory (**Related Party**);
- (b) the maximum number of Shares to be issued upon conversion of the Related Party Convertible Notes to the Related Party is 2,000,000;
- (c) under Listing Rule 10.13.3, equity securities approved by shareholder are to be issued not later than 1 month after the date of this Annual General Meeting (or such later date as permitted by any ASX waiver or modification by the ASX Listing Rules). As the Convertible Notes are already issued, upon receiving shareholder approval for Resolution 6, the Shares to be issued upon conversion of the Related Party Convertible Notes can be allotted by the Company at any time up to and including the maturity date, being 30 June 2010. Any issue of Shares is expected that they will be allotted on one date;
- (d) the Shares to be issued upon conversion of the Related Party Convertible will rank equally with the Company's then issued Shares. Conversion and subsequent issue of Shares upon conversion will happen at the discretion of the holder of the Convertible Notes provided conversion complies with the terms of Convertible Notes;
- (e) the Related Party Convertible Notes will rank equally with Convertible Notes issued pursuant to Resolution 5; and
- (f) other terms and conditions of the Related Party Convertible Notes are contained in Schedule 2 of this Explanatory Statement.

## 7 RESOLUTION 7 – ISSUE OF SHARES

Resolution 7 seeks Shareholder approval for the allotment and issue of up to 66,666,667 Shares at an issue price of 6 cents per Share (**Share Placement**).

Shareholder approval is required pursuant to Listing Rule 7.1.

### 7.1 Listing Rules

Listing Rule 7.1 prohibits a listed company from issuing, during any 12 month period, any equity securities or other securities with rights of conversion to equity (including an Option) if the number of those securities exceeds 15% of its issued capital, unless an exception applies or the issue has the prior approval of Shareholders in general meeting.

The Company is seeking shareholder approval for the proposed Placement under Resolution 7. The effect of this Resolution will be to permit the Directors to issue the Placement securities at any time within 3 months of the General Meeting (or a longer period if approved by ASX) without impacting the Company's 15% capacity.

Listing Rule 7.3 requires the following information be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- (a) the maximum number of securities to be issued under the Share Placement is 66,666,667;
- (b) the Share Placement securities will be issued no later than three (3) months after the date of the General Meeting (or a longer period if approved by ASX) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued at a price of 6 cents per Share;
- (d) it is intended that the Shares will be issued to Sophisticated Investors. The allottees will not be related parties or associates of the Company;
- (e) the Shares will rank equally with the Company's then issued Shares; and
- (f) funds raised from the issue of Share Placement securities will be used to assist the Company to partly pay back debt facilities, to acquire health care, retirement living and/or aged care facilities, together with related businesses, rights and associated chattels or to reduce short term finance taken on by the Company in connection with any such acquisition or for working capital purposes.

## 8 RESOLUTION 8 – ISSUE OF SHARES

Resolution 8 seeks Shareholder approval for the allotment and issue of up to 125,000,000 Shares at an issue price of not less than 80% of the average market price of the Shares calculated over the previous 5 days on which sales in the Shares were recorded before the day on which the issue is made (**Share Placement**).

Shareholder approval is required pursuant to Listing Rule 7.1.

### 8.1 Listing Rules

Listing Rule 7.1 prohibits a listed company from issuing, during any 12 month period, any equity securities or other securities with rights of conversion to equity (including an Option) if the number of those securities exceeds 15% of its issued capital, unless an exception applies or the issue has the prior approval of Shareholders in general meeting.

The Company is seeking shareholder approval for the proposed Placement under Resolution 8. The effect of this Resolution will be to permit the Directors to issue the Placement securities at any time within 3 months of the General Meeting (or a longer period if approved by ASX) without impacting the Company's 15% capacity.

Listing Rule 7.3 requires the following information be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- (a) the maximum number of securities to be issued under the Share Placement is 125,000,000;
- (b) the Share Placement securities will be issued no later than three (3) months after the date of the General Meeting (or a longer period if approved by ASX) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued at a price of not less than 80% of the average market price of the Shares calculated over the last 5 days on which sales in the Shares were recorded before the day on which the Share Placement issue is made;
- (d) it is intended that the Shares will be issued to Sophisticated Investors. The allottees will not be related parties or associates of the Company;
- (e) the Shares will rank equally with the Company's then issued Shares; and
- (f) funds raised from the issue of Share Placement securities will be used to assist the Company to partly pay back debt facilities, to acquire health care, retirement living and/or aged care facilities, together with related businesses, rights and associated chattels or to reduce short term finance taken on by the Company in connection with any such acquisition or for working capital purposes.

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## 9 RESOLUTION 9 – PROVISION OF FINANCIAL ASSISTANCE

### 9.1 Background

The Company is proposing a loan to Dr Ian Kadish of an amount up to \$250,000 (**Loan**) in order to subscribe for Shares (**Loan Shares**).

To be able to draw on the Loan and subscribe for Loan Shares, Dr Kadish must first invest, using his own financial resources as consideration, in the subscription of new fully paid ordinary shares in the capital of the Company (**Investment**).

For each dollar Investment made by Dr Kadish, the Company will fund the equivalent amount, up to \$250,000 in total, for the subscription of new fully paid ordinary shares in the capital of the Company (if requested by Dr Kadish). The request for the Loan must be made in writing within 3 business days of Dr Kadish's Investment.

The price paid per Share by Dr Kadish for the Loan Shares utilising the Loan, will be the equivalent to the price paid per Share by Dr Kadish for the Investment.

The Loan can be drawn at any time during the loan period and in any number of tranches.

### 9.2 Section 260A of the Corporations Act

Under Section 260A of the Corporations Act, a company may financially assist a person to acquire shares in the company only if the giving of financial assistance does not materially prejudice the interest of the company or its shareholders, or the company's ability to pay its creditors, or the financial assistance has been approved by the company's shareholders.

Shareholder approval for financial assistance by the company must be given by a special resolution. No votes may be cast in favour of the resolution by the person receiving the financial assistance.

Whilst the Company is of the view that the giving of the financial assistance to Dr Kadish does not materially prejudice the interests of the Company or the Shareholders or the Company's ability to pay its creditors, it is nevertheless seeking Shareholder approval.

There is no definition in the Corporations Act of what is meant by "financial assistance". Whether a transaction involves financial assistance is a question of fact to be answered in light of the circumstances. Accordingly, the expression would appear to be intended to be given a wide meaning.

The Directors are of the view that the transaction contemplated involves providing financial assistance to Dr Kadish and that the exceptions under Section 260C of the Corporations Act may not apply in the current circumstances.

### 9.3 Information Required by Section 260B(4)

The Company seeks Shareholder approval under Section 260A of the Corporations Act so that it can provide financial assistance to Dr Kadish to acquire the Loan Shares.

The material terms of the Loan are as follows:

- (a) the purpose of the Loan is to fund Dr Kadish's subscription for Shares.

- (b) the amount of the Loan is up to AUD\$250,000;
- (c) the AUD\$250,000 will be repayable on or before that date which is five years from the date of approval by Shareholders or if Dr Kadish ceases to be an employee of the Company, whichever is the earlier;
- (d) To be able to draw on the Loan and subscribe for Loan Shares, Dr Kadish must first invest, using his own financial resources as consideration, in the subscription of new fully paid ordinary shares in the capital of the Company (**Investment**). For each dollar Investment made by Dr Kadish, the Company will fund the equivalent amount, up to \$250,000 in total, for the subscription of new fully paid ordinary shares in the capital of the Company (if requested by Dr Kadish). The request for the Loan must be made within 3 business days of Dr Kadish's Investment.
- (e) The price paid per Share by Dr Kadish for the Loan Shares utilising the Loan, will be the equivalent to the price paid per Share by Dr Kadish for the Investment.
- (f) the Loan will be interest free. In the event that the loan is subject to fringe benefits tax or any other tax, Dr Kadish's remuneration under his employment contract shall be reduced accordingly to take into account the amount of tax payable;
- (g) the Loan will be unsecured and Dr Kadish's liability will be limited to the value of the Loan Shares;
- (h) the Loan Shares will be subject to a holding lock until the Loan is repaid; and
- (i) any dividends received on the Loan Shares will be treated as follows:
  - (i) all dividends will be paid at the top marginal tax rate less any imputation credits; and
  - (ii) the balance will be used to pay off the Loan.

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## 10 RESOLUTION 10 – ISSUE OF OPTIONS TO CEO

Following the appointment of Dr Ian Kadish as Chief Executive Officer, the Company entered into an executive services agreement with Dr Kadish (**Agreement**). Pursuant to the Agreement, the Company shall, subject to approval of this Resolution, grant to Dr Kadish 6,000,000 Options on the terms outlined below (**Kadish Options**).

The Board considers that in view of the financial, legal and other responsibilities assumed by Chief Executive Officers of public companies, the payment of monetary fees alone is not an adequate reward and does not provide an adequate incentive to enable the Company to attract and retain Chief Executive Officers of the requisite level of experience and qualifications. The Board considers that equity participation by way of the grant of Options to the Chief Executive Officer is appropriate for these purposes. In addition, the Board considers that the issue of Kadish Options will contribute to the preservation of the Company's cash reserves.

In determining the quantity and terms of the Kadish Options, consideration was given to the experience and role of Dr Kadish, his overall remuneration, the current

market price of Shares and the terms of option packages granted to Chief Executive Officers of similar standing in comparable companies within the health care sector.

Shareholder approval is required pursuant to Listing Rule 7.1.

## 10.1 Listing Rules

Listing Rule 7.1 prohibits a listed company from issuing, during any 12 month period, any equity securities or other securities with rights of conversion to equity (including an Option) if the number of those securities exceeds 15% of its issued capital, unless an exception applies or the issue has the prior approval of Shareholders in general meeting.

The Company is seeking shareholder approval for the proposed Placement under Resolution 11. The effect of this Resolution will be to permit the Directors to issue the Kadish Options at any time within 3 months of the General Meeting (or a longer period if approved by ASX) without impacting the Company's 15% capacity.

Listing Rule 7.3 requires the following information be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- (i) the party that will be allotted the Kadish Options is Dr Ian Kadish or his nominee;
- (ii) the maximum number of Kadish Options to be issued to Dr Kadish is 6,000,000;
- (iii) the Kadish Options will be granted for nil consideration, accordingly no funds will be raised from the grant of the Kadish Options;
- (iv) the Kadish Options are exercisable as outlined in the following table on or before 31 May 2011 and the full terms and conditions of the Kadish Options are set out in Schedule 1;

Number of Options	Exercise Price	Vesting Condition : The Volume Weighted Average Price (VWAP) of the Shares on the ASX over any 60 day trading period between the date of Shareholder approval to 31 May 2011, equals or exceeds:
2,000,000	10 cents	10 cents
1,000,000	15 cents	15 cents
1,000,000	20 cents	20 cents
1,000,000	30 cents	30 cents
1,000,000	40 cents	40 cents

- (v) the Kadish Options will be granted not later than 3 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated that the Kadish Options will be issued on one date;
- (vi) funds raised from the exercise of the Kadish Options will be applied to general working capital including advancing the development of the health care businesses;
- (vii) the purpose of the grant of the Kadish Options is to provide consideration for performance of work into the future by Dr Kadish for the Company and to secure the ongoing commitment of Dr Kadish to the continued growth of the Company; and
- (viii) the Shares issued upon exercise of the Kadish Options will rank equally in all respects with the Company's existing issued Shares.

## 10.2 Terms of Options

The full terms and conditions of the Kadish Options are set out in Schedule 1.

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## 11 RESOLUTION 11 – APPROVAL FOR ISSUE OF SHARES IN CONSIDERATION FOR EARLY CONVERSION OF CONVERTIBLE NOTES

### 11.1 Background

As announced to the market on 31 July 2009, the Company undertook a capital raising of 8,250,000 Convertible Notes at a face value of \$0.10 per Convertible Note to raise \$825,000 (**July Note Placement**). The July Note Placement was made within the Company's 15% capacity. The July Note Placement was made as part repayment of the Convertible Notes maturing on 30 June 2009. The July Note Placement is subject to a resolution at this meeting, being Resolution 5.

Under the terms of the Convertible Notes, the Notes can be converted at any time up to and including 30 June 2010 at 10 cents per Share.

As a means of raising additional capital, reducing the total amount of borrowings in the Company and improving the Company's debt to equity ratio and interest cover ratio, the Company wishes to offer the Convertible Note holders the incentive to convert their Notes into equity.

In consideration for converting their Notes early, the Company wishes to reduce the conversion price from 10 cents per Share to 6 cents per Share.

### 11.2 ASX Listing Rules

Listing Rule 7.1 prohibits a listed company from issuing, during any 12 month period, any equity securities or other securities with rights of conversion to equity (including an Option) if the number of those securities exceeds 15% of its issued capital, unless an exception applies or the issue has the prior approval of Shareholders in general meeting.

The Company is seeking shareholder approval for the proposed Placement under Resolution 11. The effect of this Resolution will be to permit the Directors to issue the

securities at any time within 3 months of the General Meeting (or a longer period if approved by ASX) without impacting the Company's 15% capacity.

Listing Rule 7.3 requires the following information be provided to Shareholders when seeking approval for the purposes of Listing Rule 7.1:

- (a) the maximum number of securities to be issued is 10,416,667 Shares. Should shareholders approve Resolution 12, the maximum would increase to 13,750,000 Shares in total;
- (b) under the terms of the offer to the holders of Convertible Notes, the holders must irrevocable agree in writing by 25 November 2009 to convert their Notes into Shares at 6 cents per Share subject to shareholder approval of Resolution 11. Each holder will receive a Deed prior to this date documenting the early conversion offer at 6 cents per Share. The Shares will be issued no later than ten (10) business days after the date of the General Meeting assuming shareholder approval is obtained and the holder has consented to early conversion. It is intended that allotments will occur on the same date;
- (c) the Shares will be issued at a price of 6 cents per Share;
- (d) the Shares will rank equally with the Company's then issued Shares;
- (e) no funds will be raised from the issue of Shares however the issue of shares will result in the repayment of the liability associated with the early conversion of the Convertible Note;
- (f) the Shares will be issued to Sophisticated Investors, being the current Convertible Note holders, as follows. The holders of the 6,250,000 Convertible Notes able to be converted into a maximum of 10,416,667 Shares and are not related parties or associates of the Company.

Note Holder	No of Notes	No of Shares
<b>1. Noteholder able to convert into Ordinary Shares</b>		
E.Almonte atf The Almonte Superannuation Fund	400,000	666,667
Versailles Holding Pty Ltd	600,000	1,000,000
Walter George Franks&Robyn Franks<Franks Family Superannuation Fund>	250,000	416,667
Sarah Franks <Delphini Family Trust>	275,000	458,334
BJ Retail Pty Ltd <Jamsi Family Trust>	250,000	416,667
Regan's Express Pty Limited	750,000	1,250,000
Mr William Henry Hernstadt	500,000	833,333
Densville Pty Limited <David Segal Super Fund A/C>	125,000	208,333
John M E Percival and Josephine M Gregan <Korat Superannuation Fund>	600,000	1,000,000
PEH Nominees (NSW) Pty Limited	2,000,000	3,333,333
Bagawa Pty Ltd	500,000	833,333
	<b>6,250,000</b>	<b>10,416,667</b>
<b>2. Noteholder unable to convert into Ordinary Shares unless approved by Resolution 12</b>		
Finance Associates Pty Ltd <Super Fund A/C>	2,000,000	3,333,333
	<b>2,000,000</b>	<b>3,333,333</b>
	<b>8,250,000</b>	<b>13,750,000</b>



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## 12 RESOLUTION 12 – APPROVAL FOR ISSUE OF SHARES IN CONSIDERATION FOR EARLY CONVERSION OF CONVERTIBLE NOTES BY RELATED PARTY

Included in the July Note Placement was a total of 2,000,000 Convertible Notes, raising \$200,000, to Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory. Under the terms of the Convertible Notes, these 2,000,000 Convertible Notes are unable to be converted into Shares by Finance Associates Pty Ltd <Super Fund A/C> unless the issue of the Shares is first approved by shareholders. Under Listing Rule 10.12 Exemption 10, an agreement such as a Convertible Note can be conditional on such an approval. This July Note Placement is subject to a resolution at this meeting, being Resolution 6.

Under the terms of the Convertible Notes, the Notes can be converted at any time up to and including 30 June 2010 at 10 cents per Share.

As a means of raising additional capital, reducing the total amount of borrowings in the Company and improving the Company's debt to equity ratio and interest cover ratio, the Company wishes to offer the Convertible Note holders the incentive to convert their Notes into equity.

In consideration for converting their Notes early, the Company wishes to reduce the conversion price from 10 cents per Share to 6 cents per Share.

Resolution 12 seeks Shareholder approval for Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory, to be able to convert their Convertible Notes into Shares like other non-related Convertible Note holders. These Convertible Notes are the same securities being ratified in Resolution 11, with the exception that Finance Associates Pty Ltd <Super Fund A/C> is presently unable to convert their Convertible Notes into Shares without first obtaining approval from shareholders (**Related Party Convertible Notes**).

It is the view of the Directors that Shareholder approval is not required under Chapter 2E of the Corporations Act as the issue of the Related Party Convertible Notes comes within the arm's length terms exception in Section 210 of the Corporations Act.

Shareholder approval for Finance Associates Pty Ltd <Super Fund A/C> to be able to convert their Convertible Notes into Shares is required pursuant to Listing Rule 10.11 and Listing Rule 10.12 Exemption 10.

### 12.1 Listing Rules

Listing Rule 10.11 provides that a company must not issue securities to a related party without obtaining prior shareholder approval (subject to certain exceptions set out in Listing Rule 10.12).

Listing Rule 10.12 Exemption 10 provides that a company may enter into an agreement with a related party to issue equity securities conditional on holders of ordinary securities approving the issue before this issue is made. If the Company relies on this exemption, the Company must not issue the equity securities without approval.

The directors of a public company, and entities controlled by a director, are considered a "related party" of the company for the purpose of the Listing Rules under Sections 228(2)(a) and 228(4) of the Corporations Act.

Approval pursuant to Listing Rule 7.1 is not required in order to issue the Related Party Convertible Notes as approval is sought under Listing Rule 10.11. Shareholders should note that the issue of Related Party Convertible Notes will not be included in the 15% calculation for the purposes of Listing Rule 7.1.

It is the view of the Directors that the remaining exceptions in Listing Rule 10.12 do not apply in the current circumstances.

Listing Rule 10.13 requires the following information be provided to Shareholders:

- (a) the allottee of the Related Party Shares for the purpose of Resolution 12 is Finance Associates Pty Ltd <Super Fund A/C>, a director related entity of Mr Andrew Gregory (**Related Party**);
- (b) the maximum number of Shares to be issued upon early conversion of the Related Party Convertible Notes to the Related Party is 3,333,333;
- (c) the Shares will be issued at a price of 6 cents per Share;
- (d) under the terms of the offer to the holders of Convertible Notes, the Related Party holders must irrevocable agree in writing by 25 November 2009 to convert their Notes into Shares at 6 cents per Share subject to shareholder approval of Resolution 12. The Related Party holder will receive a Deed prior to this date documenting the early conversion offer at 6 cents per Share. The Shares will be issued no later than ten (10) business days after the date of the General Meeting assuming shareholder approval is obtained and the Related Party holder has consented to early conversion. It is intended that allotments will occur on the same date;
- (e) the Shares to be issued upon early conversion of the Related Party Convertible Note will rank equally with the Company's then issued Shares;
- (f) the Related Party Shares will rank equally with Shares issued pursuant to Resolution 11; and
- (g) no funds will be raised from the issue of Shares however the issue of shares will result in the repayment of the liability associated with the early conversion of the Convertible Note.

## GLOSSARY

**Annual General Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691).

**Board** means the board of Directors of the Company as constituted from time to time.

**Company** or **Pulse Health** means Pulse Health Limited (ABN 69 104 113 760).

**Constitution** means the Constitution of the Company.

**Convertible Notes** means the convertible notes to be ratified pursuant to Resolution 5 and the conversion of the Relation Party Notes into Shares pursuant to Resolution 6.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the directors of the Company.

**AEDT** means Australian Eastern Daylight Time, Sydney, New South Wales.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Listing Rules** means the Listing Rules of ASX.

**Notice** means the notice of meeting, which forms part of this Memorandum.

**Option** or **Options** means an option to acquire a fully paid ordinary share in the capital of the Company.

**Resolutions** means the resolutions set out in the Notice, or any one of them, as the context requires.

**Share** or **Shares** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

## SCHEDULE 1

### TERMS AND CONDITIONS OF KADISH OPTIONS

Each option will entitle the holder to subscribe for one Share in the Company on the following terms:

- (a) the options may be exercisable at any time prior to 5:00pm EST on 31 May 2011 (**Expiry Date**) subject to the Vesting Conditions outlined in Section (c). Options not exercised on or before the Expiry Date will automatically lapse;
- (b) the exercise price of each option is outlined in the following table;

Tranche	Number of Options	Exercise Price
A	2,000,000	10 cents
B	1,000,000	15 cents
C	1,000,000	20 cents
D	1,000,000	30 cents
E	1,000,000	40 cents

- (c) the Options vest as follows:
  - (i) Tranche A on the date upon the 60 day Volume Weighted Average Price (**VWAP**) between the date of Shareholder Approval and 31 May 2011 equalling or exceeding 10 Cents;
  - (ii) Tranche B on the date upon the 60 day VWAP between the date of Shareholder Approval and 31 May 2011 equalling or exceeding 15 Cents;
  - (iii) Tranche C on the date upon the 60 day VWAP between the date of Shareholder Approval and 31 May 2011 equalling or exceeding 20 Cents;
  - (iv) Tranche D on the date upon the 60 day VWAP between the date of Shareholder Approval and 31 May 2011 equalling or exceeding 30 Cents; and
  - (v) Tranche E on the date upon the 60 day VWAP between the date of Shareholder Approval and 31 May 2011 equalling or exceeding 40 Cents;
- (d) the options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;

- (e) upon the exercise of an option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation. The options will not be listed on ASX;
- (f) a summary of the terms and conditions of the options, including the Notice of Exercise, will be sent to all holders of options when the initial holding statement is sent;
- (g) there will be no participating entitlement inherent in the options to participate in the new issues of capital which may be offered to Shareholders during the currency of the options. Prior to any new pro rata issue of securities to Shareholders, holder of options will be notified by the Company in accordance with the requirements of the ASX Listing Rules;
- (h) in the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the options, the exercise price of the options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2;
- (i) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the expiry date, all rights of an option holder are to be changed in a manner consistent with the ASX Listing Rules; and
- (j) Shares issued pursuant to the exercise of an option will be issued not more than 14 days after the date of the Notice of Exercise

## SCHEDULE 2

### TERMS AND CONDITIONS OF CONVERTIBLE NOTES AND RELATED PARTY CONVERTIBLE NOTES

The material terms and conditions of the Convertible Notes are as follows:

<b>Number of notes</b>	8,250,000 notes
<b>Issue Price</b>	The notes were issued with a face value of \$0.10
<b>Amount</b>	\$825,000
<b>Use of Proceeds</b>	The funds were used to assist with the refinancing of the pre-existing series of Convertible Notes of the Company which had reached maturity (repaid on 31 July 2009).
<b>Conversion Price</b>	Holders may convert their notes into fully paid ordinary shares in PHG at a deemed issue price of 10 cents per share.
<b>Conversion</b>	Subject to members' approval (if applicable), the notes are convertible at any time exclusively at the option of the note holders or any subsequent holder at any time prior to the Maturity Date, and on conversion the face value of the notes will be applied towards the allotment of fully paid ordinary shares in PHG at the Conversion Price.
<b>Maturity Date</b>	30 June 2010
<b>Coupon</b>	The notes will pay 10.0% interest p.a., payable quarterly in arrears on 1st July, October, January and April each year, subject to adjustment in the first quarterly period for date of funds receipt.
<b>Conversion Price adjustment.</b>	The Conversion Price is subject to adjustment for bonus issues and capital reorganisations.
<b>Ranking on Conversion</b>	Each share issued on conversion will rank equally from the date of receipt of conversion notice with all existing ordinary shares then on issue.
<b>Early Redemption Rights</b>	<p>If prior to 31 December 2009 the Company issues or agrees to issue new convertible notes that are or will be listed on ASX note holders may require the Company to redeem their notes by way of issuing to the holder the New ASX Convertible Notes.</p> <p>The Company must redeem the notes if an event of default occurs in relation to the Company or the Company is required to obtain members' approval for the conversion of notes and fails to</p>

	<p>do so.</p> <p>If the Pulse Health Group sells Bega Valley Private Hospital prior to the Maturity Date, the net proceeds of sale will be applied to the Redemption of Notes rateably amongst note holders.</p>
<b>Participation Rights</b>	Prior to conversion, note holders are not entitled to participate in rights issues, any return of capital, bonus issue or capital reconstruction.
<b>Voting Rights</b>	Note holders are not entitled to vote at Annual General Meetings of the Company prior to the conversion of the Notes into ordinary shares.
<b>Security</b>	The company's obligations in respect of the notes are secured by a first ranking fixed charge over Bega Valley Private Hospital Pty Ltd (to be released upon the sale of it or its assets) and a second ranking floating charge over all assets of PHG.
<b>Event of Default</b>	On the occurrence of an Event of Default any note holder can elect to exercise its security rateably for the benefit of all note holders in accordance with the terms of the charges and the participation deed (but subject to the priority arrangements between the note holders and the Company's senior lender).
<b>Maturity</b>	The company will at the close of business on the Maturity Date redeem at face value plus accrued interest each note not previously converted into ordinary fully paid ordinary shares in PHG.

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**PROXY FORM**

**APPOINTMENT OF PROXY  
PULSE HEALTH LIMITED  
ABN 69 104 113 760**

I/We

being a Member of Pulse Health Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, 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, as the proxy sees fit at the Annual General Meeting to be held at 10.00am (AEDT) on 26 November 2009 at the Offices of Pulse Health Limited, Suite 4, Level 5, 241 O'Riordan Street, Mascot NSW 2020 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

<b>Voting on Business of the Annual General Meeting</b>		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
Resolution 1	Adoption of remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of director, Dr Barry Landa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Ratification of Issue of Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Ratification of Issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Conversion of Convertible Notes into Shares by Related Party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Provision of Financial Assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Issue of Options to CEO	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Approval for Issue of Shares in Consideration for Early Conversion of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Approval for Issue of Shares in Consideration for Early Conversion of Convertible Notes by Related Party	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If the Chair of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in this box.

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even though he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair of the Meeting will not cast your votes on these Resolutions and your votes will not be counted in computing the required majority if a poll is called on these Resolutions. The Chair of the Meeting intends to vote in favour of these Resolutions.

**YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.**

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll. If two proxies are being appointed, the proportion of voting rights this proxy represents is: \_\_\_\_\_%

