
**ANNUAL GENERAL
MEETING 2005**

Monday 28 November 2005 at 2:00 pm

**Notice of
Annual
General
Meeting**

ELLEX MEDICAL LASERS LIMITED
ABN 15 007 702 927
Level 1, 82 Gilbert Street
Adelaide, South Australia 5000

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Ellex Medical Lasers Limited will be held at Rydges South Park, Cnr South Terrace and West Terrace, Adelaide, South Australia, at 2:00 pm on Monday 28 November 2005 for the purpose of transacting the following business.

Ordinary Business

1. Accounts & Reports

To receive and consider the financial statements of the Company and its controlled entities for the year ended 30 June 2005 and the related Directors' Reports, Directors' Declarations and Auditors' Report.

2. Directors

To consider and if thought fit, pass the following Ordinary Resolutions:

- (a) To elect Mr V Previn as a Director. Mr Previn retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.
- (b) To elect Mr Alex Sundich as a Director having been appointed as a Non-Executive Director since the last Annual General Meeting

3. Directors' & Employees' Share Option Plan

To consider and if thought fit, pass the following Ordinary Resolutions:

- (a) To approve the issue of shares and options under the Employee Share Option Plan as an exception to Listing Rule 7.1 (being Exception 9 in Listing Rule 7.2).

(b) That for the purpose of Listing Rule 10.14, the Company may issue to Mr P Falzon 2,400,000 performance based options for nil consideration to take ordinary shares in the Company exercisable as follows:

- a. one-third at 30¢ vesting on 31 August 2006;
- b. one-third at 40¢ vesting on 31 August 2007;
- c. one-third at 50¢ vesting on 31 August 2008.

Voting Exclusion Statement

The Company will disregard any votes cast in relation to Resolution 3 by:

- ♦ Mr Peter Falzon; and
- ♦ an associate of Mr Peter Falzon.
- ♦ Mr Victor Previn; and
- ♦ an associate of Mr Victor Previn.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4. Remuneration Report

To adopt the remuneration report as set out in the Directors' Report which forms part of the Annual Report for the year ended 30 June 2005.

Other Business

To deal with any other business that may be properly brought forward.

Shareholder Information

1. A shareholder entitled to attend and vote at this meeting is entitled to appoint not more than two proxies (who need not be shareholders of the Company) to attend and vote on a poll in the shareholder's place.
2. The appointment of two proxies should specify the percentage of voting rights or number of securities to be applied to each proxy and if not specified then each proxy may exercise half your votes with fractions disregarded. A single proxy exercises all voting rights.
3. The proxy form must be signed by the shareholder or the shareholder's attorney duly authorised in writing, or if the shareholder is a corporation under its corporate seal or by its duly authorised attorney or representative.

If an attorney is to attend the meeting please submit the relevant power of attorney for noting and return.

If a representative of the corporation is to attend the meeting the appropriate letter of representation should be produced before admission.
4. In the case of joint holders the proxy form may be signed by any one holder.
5. The Company has determined in accordance with Corporations Regulation 7.11.37, that for the purpose of voting at the meeting, shares will be taken to be held by those who hold them at 10:00 pm on Friday 25 November 2005.
6. Proxies will only be valid and accepted by the Company if they were signed and forwarded to either the Company addressed to The Company Secretary, at 82 Gilbert Street, Adelaide SA 5000 or faxed to 08 8221 5645 or alternatively the share registry, in the business reply paid envelope provided, so as to be received not later than 48 hours before the meeting.

7. The Company's principal registry is maintained at the following address:

Computershare Investor Services Pty
Limited
GPO Box 1903
ADELAIDE SA 5001

Telephone: 1300 556 161
61 3 9415 4000 (Outside Australia)
Facsimile: 08 8236 2305

By order of the Board
Kevin McGuinness
Company Secretary
Adelaide

Explanatory Notes

Resolution 2 – Appointment of Directors

Victor Previn, Director

Victor Previn was appointed a Director on 9 July 2001 and his appointment was ratified at the 2001 AGM. He has considerable experience in engineering, business development and global distribution of ophthalmic equipment and is currently Technical Director for Ellex. Prior to this, he was Managing Director of Ellex for 2 years before the appointment of Peter Falzon as Chief Executive Officer. He was appointed Chairman of the Board on 22 July 2005. Victor is also a member of the Ellex Medical Advisory Board.

Alexander Sundich, Director

Alex Sundich was appointed a Non-Executive Director on 22 July 2005. Alex is currently Chief Financial Officer of Record Investments Limited, an ASX listed company with a market capitalisation of over \$1 billion dollars, having held this position since February 2003. Prior to this position, Alex was an investment banker for 15 years, involved in mergers and acquisitions and capital raisings. During his investment banking career, Alex gained experience in advising industrial and resources companies on financial and strategic matters.

Resolution 3 – Directors' and Employees' Share Option Plan

Approval of Issues under the Directors' and Employees' Share Option Plan – Resolution 3(a)

The current plan was approved by shareholders at a general meeting in July 2001. The terms of the option plan were amended at the 2002 AGM.

The Directors have also approved a variation to the terms of the plan to exclude any Non-Executive Director. A copy of the plan is attached to this notice.

The resolution put forward will enable the company to exclude any options issued under the plan from the limit under Listing Rule 7.1 whereby the company may only issue up to 15% of its issued capital in any one year without shareholder approval.

On 7 October 2005, Ellex advised the ASX that it intended to issue options to key executives, including the Chief Executive Officer, totalling 4.2 million vesting over the next 3 financial years and subject to the performance hurdles described below. This represents 6.8% of the current issued capital of Ellex. Whilst Ellex has no current plans to issue further shares, the Board believes that it is important for the company to retain the flexibility to do so and that this flexibility is enhanced by the resolution being approved by shareholders.

Issue of Options to Mr P Falzon – Resolution 3(b)

It is proposed that a total of 2,400,000 options are to be issued to Mr P Falzon, a Director of Ellex, under the Directors' and Employees' Share Option Plan. As Mr P Falzon is a Director of the Company, Listing Rule 10.14 provides that shareholder approval is required for the proposed issue.

These options will vest in three equal tranches on 31 August 2006, 2007 and 2008 subject to the performance criteria set out below being achieved. Once vested Mr P Falzon will have 3 years from the date of vesting to exercise the options.

Peter Falzon was appointed the Chief Executive Officer of Ellex on 1 March 2005. The Board believes that the proposed options package is in the best interests of the company by more directly incentivising the CEO to improve the performance of Ellex. This is done through the specific performance criteria described below, which must be achieved for the options to vest. In addition the options are structured with exercise prices materially higher than the recent trading prices for Ellex shares.

Performance Criteria

Vesting of options will be subject to the following performance being achieved:

- Achieving 15% Compound Annual Growth in "Product Revenues" (other income is excluded) with the year ended June 2005 being the "base year". If in a particular year revenue does not grow 15% but the CAGR from the base year is greater than 15% per annum then the performance criteria will have been met; and
- Achieving the following EBITDA:
 - ◆ Year to June 2006 – 7.5% of total revenue
 - ◆ Year to June 2007 – 10.0% of total revenue
 - ◆ Year to June 2008 – 12.5% of total revenue

The following persons referred to in Listing Rule 10.14 are entitled to participate in the scheme:

- ♦ Peter J Falzon
- ♦ Victor K Previn

At the 2003 Annual General Meeting, shareholders approved the issue of 50,000 options to Mr KR Johnson and 100,000 options to Mr P Falzon. These options were issued on 15 January 2004. Mr P Falzon has agreed to forfeit these options subject to approval of the options put to this meeting.

At the 2004 Annual General Meeting shareholders approved the issue of 500,000 options to Mr V Previn. These options have not been formally issued and Mr Previn has agreed to forfeit these options.

Mr A Sundich is not entitled to receive options under the Directors' and Employees' Share Option Plan as he is a Non-Executive Director.

No other options have been issued to Directors since the last approval.

Details of any options issued under the Employee Share Option Plan will be published in each annual report in the period in which the options are issued and that approval of options was obtained under Listing Rule 10.14.

Any additional persons whom require shareholder approval under Listing Rule 10.14 who become entitled to participate in the Employee Share Option Plan after the resolution was approved and who were not named in the notice of meeting will not participate until approval is obtained under Listing Rule 10.14.

The options proposed under this resolution will be issued no later than 30 September 2008 subject to the performance criteria set out above being met.

The Directors recommend the issue of options in accordance with this notice.

Resolution 4 – Remuneration Report

The Directors' Report, which forms part of the Annual Report for the year ended 30 June 2005, outlines the remuneration arrangements in place for Directors and Executives of Ellex Medical Lasers Limited (the Company).

The Corporations Act 2001 requires that a resolution be put to shareholders each year to adopt the remuneration report. The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Chairman of the meeting will allow reasonable opportunity for shareholders to ask questions about or comment on the Remuneration Report at the AGM. The Directors recommend that shareholders vote in favour of adopting the Remuneration Report, and the Chairman intends to vote all open proxies in favour of the resolution.

Directors and Employees Share Option Plan

for

**Ellex Medical Lasers Limited
(ACN 007 702 927)
("the company")
and its subsidiaries**

Table of contents

1	Name of plan.....	1
2	Purpose of the plan.....	1
3	ASX listing rules.....	1
4	Maximum number of options to be granted and shares to be issued	1
5	Who is eligible to participate	1
6	Offers	1
7	How is an offer made.....	1
8	How is an offer to be accepted	1
9	Accepting part offers.....	2
10	Option certificate	2
11	Rights to shares	2
12	Restrictions and duration of options.....	2
13	When can options be exercised.....	2
14	Exercise of options.....	2
15	Remaining options	2
16	Time for allotment and issue.....	3
17	Shares to rank equally	3
18	Pro rata issue.....	3
19	Notification of adjustment.....	3
20	Reconstructions	3
21	Rounding of entitlements	3
22	Sub-division or consolidation of shares	3
23	Value of shares to be increased or decreased	4
24	No additional benefits	4
25	Fraction of a share to be disregarded	4
26	Entitlement to dividends.....	4
27	Assignability of options	4
28	New issues.....	4
29	Notices	4

30	Jurisdiction	4
31	Amendment of the plan.....	4
32	Administration	4
33	Quotation of shares.....	5
34	Dispute resolution procedure	5
35	Suspension of plan	5
36	Notice of suspension.....	5
37	Termination of plan	5
38	Severance.....	6
39	Acknowledgment of risk.....	6
40	Definitions	6

Name of plan

- 1 This plan is to be known as the Ellex Medical Lasers Limited Directors and Employees Share Option Plan.

Purpose of the plan

- 2 The object of this plan is to promote the interests of the company by providing management and employees who are responsible for the management, growth and financial success of the company with the opportunity to acquire an interest in the company.

ASX listing rules

- 3 This plan is subject to the ASX listing rules. If the plan is inconsistent with the ASX listing rules, the company must follow those rules to the extent of the inconsistency.

Maximum number of options to be granted and shares to be issued

- 4 Notwithstanding any other provision of this plan, the company must not grant nor issue that number of options and shares which in aggregate exceed more than 10% of the company's prevailing issued share capital.

Who is eligible to participate

- 5 All eligible persons, being all directors (excluding non-executive directors), full-time employees or casuals of the company or its subsidiaries, are eligible to participate.

Offers

- 6 In its absolute discretion, the board may make offers to eligible persons to accept options to acquire shares. The board may determine to which eligible persons it will make offers and the number of options they will be offered.

How is an offer made

- 7 Offers shall be made to eligible persons in writing. The offers must specify:
- the maximum number of options available to the eligible person;
 - the exercise price of each option;
 - whether or not the options can only be exercised after certain periods of time;
 - the duration of the options, and
 - shall be accompanied by an application and a copy of this plan.

How is an offer to be accepted

- 8 An eligible person or a nominee of the eligible person may accept the offer by completing the application and delivering it to the company at its registered office by 5.00 pm on or before the acceptance date.

Accepting part offers

- 9 An eligible person may accept part of the options offered. But, an eligible person may not later take up the remaining options, unless they are re-offered by the board. If an eligible person accepts part of an offer, he or she can do so only if the number of shares acquired will not be less than a marketable parcel as defined by the listing rules.

Option certificate

- 10 The board shall issue an option certificate or holding statement (as the case may be) for the options to an eligible person as soon as practicable after receiving the application.

Rights to shares

- 11 On exercise of an option, the holder is entitled to be allotted one fully paid ordinary share (subject to any adjustments referred to below).

Restrictions and duration of options

- 12 Each option shall:
- expire immediately upon the termination of employment or office for cause or if the eligible person who was offered the options voluntarily resigns;
 - expire 5 years after the date it is granted unless the terms of grant provide otherwise.
 - Subject to the law, the board may in its complete discretion impose restrictions upon when the options may be exercised by the eligible person.

When can options be exercised

- 13 Options must be exercised before they expire. An option may be exercised by an option holder at the following times and in the following circumstances:
- within 90 days of the redundancy or retirement of the eligible person;
 - within 120 business days of the death or total and permanent disablement of the eligible person (as determined by the board in its absolute discretion); or
 - where a takeover offer is made and the person making the takeover offer becomes entitled to more than 50% of the issued shares, at any time within 10 business days of the date of first exceeding the 50% entitlement level.

Exercise of options

- 14 An option must be exercised by the option holder sending:
- an exercise notice,
 - the relevant option certificate (if any), and
 - payment of the exercise price in cleared funds for each option exercised, to the registered office of the company before 5.00 pm. on the expiration date.

Remaining options

- 15 If an option is exercised in part the board shall note on the option certificate the number of options remaining. The information contained on such copy or record shall be conclusive evidence of the number of options remaining.

Time for allotment and issue

- 16 The board shall allot to the option holder, within 10 business days of the receipt of the exercise notice and payment in full of the exercise price for all options exercised, so many shares as corresponds with the number of options exercised. The board may issue a share certificate for such shares if applicable.

Shares to rank equally

- 17 The shares allotted when an option is exercised shall rank equally in all respects with the other shares on issue.

Pro rata issue

- 18 If the company makes a pro rata issue of shares, an option holder is entitled to exercise an option for the exercise price determined in accordance with ASX listing rule 6.22.

Notification of adjustment

- 19 The board shall notify each option holder and the ASX of any adjustment to the number of shares, options or other securities over which their options exist or variation in exercise price within one month of the record date for the bonus issues or pro rata issues.

Reconstructions

- 20 If the company reduces its issued share capital by way of:
- A return of capital, the number of options immediately prior to the reduction shall remain the same. The exercise price of each option shall be reduced by the same amount as the reduction of the value of each share.
 - A pro rata cancellation of capital, the number of options immediately prior to the cancellation shall be decreased in the same proportion as is the issued capital. The exercise price of each option shall be amended by an amount inversely proportionate to the reduction in the issued capital.
 - Reduction of capital by a cancellation of paid up capital that is lost or not represented by available assets where no securities are cancelled, the number of options and the exercise price of each option must remain unaltered.

Rounding of entitlements

- 21 The same provisions with respect to rounding of entitlements as sanctioned by general meeting of the company approving the reduction of issued capital shall apply to the options. In all other respects this plan will continue to apply.

Sub-division or consolidation of shares

- 22 If the shares are subdivided or consolidated, the number of options shall be increased or decreased in the same proportions as are the shares in the reconstruction of the issued capital of the company. The provisions with respect to rounding of entitlements as sanctioned by the meeting of the company approving the reconstruction shall apply to the options. In all other respects this plan will continue to apply.

Value of shares to be increased or decreased

- 23 If the value of the shares is increased or decreased as a consequence of the consolidation or subdivision of shares, the exercise price of each option shall be increased or decreased by an amount inversely proportionate to the change in the value of the share.

No additional benefits

- 24 No benefits may be conferred upon any option holder which are not conferred on any other shareholder.

Fraction of a share to be disregarded

- 25 Where an entitlement to an option holder results in the option holder becoming entitled to a fraction of a share, the fraction shall be disregarded.

Entitlement to dividends

- 26 An option holder is only entitled to receive a dividend on a share where the option for that share was exercised on or before the day the dividend was declared.

Assignability of options

- 27 Each option is personal to each option holder. In the absolute discretion of the Board, an option may be assigned provided that the proposed assignee first agrees in writing to be bound by the terms of grant of the option.

New issues

- 28 An option holder may not participate in a new issue of shares, whether by way of rights issue, bonus issue or otherwise without exercising the option.

Notices

- 29 Any notice regarding the options shall be sent to the respective addresses of the option holder as recorded in the register of option holders maintained by the company.

Jurisdiction

- 30 This plan shall be governed by and construed in accordance with the laws of the State of South Australia. Each of the option holders submits to the non-exclusive jurisdiction of the Courts of South Australia.

Amendment of the plan

- 31 In proposing any amendment to the plan, the board must observe any requirements about the amendment of this plan imposed by the ASX listing rules.

Administration

- 32 The board shall administer this plan free of charge and in accordance with the ASX listing rules. The board shall keep a register of option holders as required by law.

Quotation of shares

- 33 The company will use all reasonable endeavours to obtain quotation of the shares on the official list of the ASX.

Dispute resolution procedure

- 34 If an eligible person has any dispute or grievance concerning the interpretation of this plan the following procedures apply:
- The eligible person may write to the company advising them of the dispute or grievance. The company shall consider the information provided to it and provide a written response to that person within 14 days.
 - If the eligible person is not satisfied with this response, then he or she may submit the dispute to an independent expert who will act as a mediator. An independent expert will be a person agreed to by the company or, if the company does not agree, shall be appointed by the President of the Law Society of South Australia.
 - The independent expert will determine the procedures of the mediation and the executive and the company will bear their own costs and share the fees of the independent expert. The independent expert will be instructed to complete the dispute resolution within 21 days of receiving instructions, unless the eligible person and the company agree otherwise. The eligible person and the company must fully co-operate with the independent expert including by providing all information that he or she reasonably requests.
 - An eligible person must not commence legal proceedings in respect of a dispute or grievance until the independent expert certifies that this dispute resolution procedure has been completed. However, this does not prevent an eligible person from seeking urgent injunctive relief.

Suspension of plan

- 35 The board may suspend the plan at any time. If the board suspends the plan notice shall be given to the eligible persons in such manner as the board determines. No offers under the plan shall be made during any period during which the plan is suspended.

Notice of suspension

- 36 Where the board suspends the plan the notice of suspension shall specify:
- the date from which the operation of the plan is to be suspended; and
 - whether the operation of the plan is to be suspended in general or in respect of certain rules or persons.
 -
 - The board may by notice to the executives revoke a suspension of the plan.

Termination of plan

- 37 The board may terminate the plan at any time. If the plan is terminated, the board shall not make any further issue of options under the plan but shall continue to administer the plan in accordance with these terms.

Severance

38 If any term of this plan is unenforceable, it shall be read down so as to be enforceable. If such a rule cannot be so read down, the offending words shall be severed from this plan without affecting the enforceability of the remaining provisions (or parts of those provisions) of these rules. Those remaining provisions shall continue to apply.

Acknowledgment of risk

39 An eligible person who chooses to participate in the plan does so at his or her own risk and acknowledges that:

- he or she may suffer financial detriment; and
- the company, the board, their officers or any other employees do not represent that the market value of shares will be maintained or exceeded.

Definitions

40 In this plan, unless the context indicates a contrary intention:

acceptance date	means the last day upon which an executive may accept the offer made by the company, which shall be not later than 60 days from the date of the offer;
application	means a form substantially in the form set out in Annexure "A" or such other form as the board approves;
ASX	means Australian Stock Exchange Limited (ACN 008 624 691);
ASX listing rules	means the listing rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the official list of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX;
board	means the board of directors of the company from time to time;
business day	means any day other than a Saturday, Sunday or other day designated by the ASX not to be a business day;
casuals	part time employees who have been employed for at least 1 year
company	means Ellex Medical Lasers Limited (ACN 007 702 927);
date of issue	means the date on which an option is granted or issued to an option holder;
date of offer	means the date on which an option is offered to an eligible person;
director	means full-time or part-time director of the company or any of its subsidiaries (but excludes a non-executive director);
eligible person	means a director (but excludes a non-executive director), full-time employee or casual of the company or its subsidiaries
exercise notice	means a notice substantially in the form set out in Annexure "B" or such other form as the board may approve;
exercise price	means the price as determined by the board at which each option for each share may be exercised, provided that the price is not less than \$0.20;

month	means calendar month;
non-executive director	means a director who is not employed in any executive capacity with the company or its subsidiaries
option	means an option to acquire one ordinary share credited as fully paid in the capital of the company;
option holder	means the registered holder of options under this plan, the legal personal representative in the event of the death or the total and permanent disablement of such person and their permitted assigns;
record date	means a date on which shareholders' entitlements, any bonus issue or right issue are determined;
retirement	means the termination of an option holder's engagement as a full time salaried executive by reason of reaching the age of 65 years or more or the lawful age of retirement whichever is sooner;
shares	means fully paid ordinary shares in the capital of the company allotted under this plan;
takeover offer	includes both a takeover offer as defined in Division 1 of Part 6.3 of the Corporations Law and any offer made pursuant to a takeover announcement as defined in Division 1 of Part 6.4 of the Corporation Law
termination of employment or office for cause	means the valid termination of employment or office on grounds of misconduct or unsatisfactory performance including failure or refusal to perform his or her duties, acting in bad faith, being involved in illegal acts or acting negligently

ANNEXURE "A"

Ellex Medical Lasers Limited Directors and Employees Option Plan (The "plan")

APPLICATION

TO: The Directors
Ellex Medical Lasers Limited
(the "Company")

FROM:
(ELIGIBLE PERSON)

OF:
(SPECIFY ADDRESS)

1. I apply for options to acquire fully paid ordinary shares in the capital of the company (the "shares") as specified in the offer to me dated the day of, ..200 ... (the "offer") or as amended in accordance with the plan.
2. I have read and understood the plan.
3. I agree to take any shares allotted to me as a result of any exercise of options, subject to the terms and conditions of the plan, the offer, and the Company's constitution.

DATED this day of,

SIGNED
(Signature of eligible person)

ANNEXURE "B"

Ellex Medical Lasers Limited Directors and Employees Option Plan (The "plan")

EXERCISE NOTICE

I, (the "option holder")
(specify name)

of
(specify address)

being the holder of options issued in accordance with the plan give the directors of the company notice that I exercise options to acquire fully paid ordinary shares in the capital of the company (the "shares") in accordance with the plan.

A cheque payable to the company is attached in the sum of \$..... being the total moneys payable for the number of options being exercised.

I acknowledge that:

- I am bound by the plan, the company's constitution; and
- the company may only issue shares to me as a consequence of exercise of the options the subject of this exercise notice under the plan.

DATED this day of,

SIGNED
(Signature of option holder))