2 December 2008

The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY    NSW    2000

Dear Sir/Madam

Ellex Medical Lasers Limited (ASX Code: ELX)
Despatch of Letter to Shareholders

Ellex Medical Lasers Limited hereby confirms that the enclosed letter, which sets out the details contained in the Appendix 3B lodged on 2 December 2008, has been despatched to shareholders today.

Yours faithfully

Ellex Medical Lasers Limited

Victor Previn
Chairman

Encl.
2 December 2008

Dear Shareholder

Ellex Medical Lasers Limited (ASX Code: ELX)
Partially Underwritten Non-Renounceable Rights Offer
Notification of information contained in Appendix 3B lodged on 2 December 2008

This letter is to notify you that on 1 December 2008, Ellex Medical Lasers Limited (Ellex) announced to the ASX a partially underwritten, non-renounceable rights issue (Rights Offer). You will receive your copy of the Letter of Offer and the Entitlement and Acceptance Form shortly. The Letter of Offer has been lodged with the ASX and is available on the ASX website (www.asx.com.au) and Ellex’s website (www.ellex.com)

The offer is for one (1) share for every two (2) existing shares held as at 5pm (Adelaide time) on 10 December 2008 (Record Date) at an issue price of $0.10 per share. A maximum of 34,265,420 new ordinary shares in Ellex may be issued pursuant to the Rights Offer (New Shares), to raise a maximum amount of $3,426,542.

Ellex has entered into an Underwriting Agreement with respect to the Rights Offer whereby Taylor Collison Limited has agreed to partially underwrite the Rights Offer to the extent that it will subscribe for up to a maximum of 32% of the shares offered under the Rights Offer. The minimum amount to be received by the Company pursuant to the Rights Offer will accordingly be $1,100,000.

The proceeds from the Rights Issue will be used to fund Ellex’s general working capital and strengthen the Company’s balance sheet.

This offer is open to shareholders of Ellex as at the Record Date with registered addresses in Australia and New Zealand. Ellex has decided that it is unreasonable to make the Rights Offer to shareholders at the Record Date with a registered address outside Australia or New Zealand (Overseas Shareholders), having regard to the number of Overseas Shareholders, the number and value of New Shares they would be offered and, in particular, the costs of complying with the relevant legal and regulatory requirements in those places where the Overseas Shareholders domicile. Accordingly, Overseas Shareholders will not be eligible to participate in the Rights Offer.

Ellex will seek quotation on the ASX of the New Shares issued pursuant to the Rights Offer.

The key information and dates are set out below for your information.
Summary of key information

<table>
<thead>
<tr>
<th>Type of offer</th>
<th>Partially Underwritten, Non-Renounceable, Pro-Rata Rights Offer of 34,265,420 ordinary shares to Australia and New Zealand resident shareholders on the Record Date.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue price for each New Share</td>
<td>$0.10</td>
</tr>
<tr>
<td>Offer ratio (Entitlement)</td>
<td>One (1) New Share for every two (2) Existing Shares at the Record Date.</td>
</tr>
<tr>
<td>Underwriter and underwriting and management fee</td>
<td>Taylor Collison Limited has agreed to partially underwrite the Rights Offer to the extent of 32% of the Rights Offer, with the minimum amount to be received by the Company accordingly being $1,100,000, for a total underwriting and management fee of $50,000.</td>
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</tbody>
</table>

Proposed timetable

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement of Rights Offer</td>
<td>Monday 1 December 2008</td>
</tr>
<tr>
<td>&quot;Ex&quot; Date</td>
<td>Thursday, 4 December 2008</td>
</tr>
<tr>
<td>Record Date</td>
<td>Wednesday 10 December 2008</td>
</tr>
<tr>
<td>Letter of Offer mailing date</td>
<td>Friday 12 December 2008</td>
</tr>
<tr>
<td>Offer closes</td>
<td>Tuesday 30 December 2008</td>
</tr>
<tr>
<td>Date of issue of New Shares</td>
<td>Wednesday 7 January 2009</td>
</tr>
<tr>
<td>Despatch of shareholding statements</td>
<td>Friday 9 January 2009</td>
</tr>
</tbody>
</table>

This timetable is indicative only and may be subject to change, subject to the ASX Listing Rules.

For further information regarding the offer please contact Computershare Investor Services on 1300 556 161 (for callers within Australia) and +61 3 9415 4000 (for callers outside Australia).

Yours faithfully,

Ellex Medical Lasers Limited

Victor Previn
Chairman

ABN 15 007 702 927