



Eastland Medical
Systems LTD

ASX Release

NOTICE OF GENERAL MEETING

In terms of ASX Listing Rules, we enclosed the following documents which are being mailed to the Company's shareholders:

1. Notice of General Meeting of Eastland Medical Systems Ltd to be held on Tuesday, 2nd August 2011 at 10:00am (WST), at The Boulevard Centre, 99 The Boulevard, Floreat
2. Explanatory Statement
3. Proxy Form with instructions

Further information:

Stephen Carter
Chief Executive Officer
Director
Eastland Medical Systems Ltd
Tel: +61 8 6142 5555
sjcarter@eastlandmedical.com.au

EASTLAND MEDICAL SYSTEMS LTD

ABN 35 090 987 250

NOTICE OF GENERAL MEETING

DATE: Tuesday, 2 August 2011

TIME: 10:00 am (WST)

VENUE: The Boulevard Centre
99 The Boulevard
Floreat

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 advisors prior to voting.

Should you wish to discuss the matters in this Notice of Meeting, please do not hesitate to contact the Chief Executive Officer on +61 8 6142 5555

29/25 Walters Drive, Osborne Park, WA 6017
Phone: 08 6142 5555 Fax: 08 9446 4895
Email: eastland@eastlandmedical.com.au

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VENUE

The General Meeting of the Shareholders of the Company to which this Notice of Meeting relates will be held at 10.00 am (WST) on Tuesday, 2 August 2011 at:

- **The Boulevard Centre, 99 The Boulevard, Floreat WA**

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

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

VOTING BY PROXY

Please note that failure to complete and deliver the proper proxy form, or the failure to follow the instructions contained in the proper proxy form, may result in your vote not being counted when determining whether a quorum exists or when tallying the final votes. Even if you intend to attend the General Meeting in person, please sign, date and return the applicable proxy form as soon as possible.

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- **By Mail:** By posting to Eastland Medical Systems Ltd share registry at the following address:
Advanced Share Registry Ltd, PO Box No 1156, Nedlands WA 6909, Australia or
- **By Facsimile:** 61 8 9389 7871 (Advanced Share Registry Ltd.) **OR**
61 8 9446 4895 (Eastland Medical Systems Ltd); or
- **In Person:** Advanced Share Registry Ltd, 150 Stirling Highway, Nedlands WA

so that it is received not later than 10:00 am (WST) on 31 July 2011

Proxy Forms received after this time will be invalid.

DETERMINATION OF VOTING ENTITLEMENTS

In accordance with regulation 7.11 of the Corporations Regulations 2001 [Cwlth] for the purposes of the meeting, persons holding shares at 31 July 2011 at 10.00 am (WST) will be treated as shareholders. This means that if you are not the registered holder of a relevant share at that time you will not be entitled to attend and vote in respect to that share at the General Meeting.

NOTICE OF GENERAL MEETING
TUESDAY, 2 AUGUST 2011



**Eastland Medical
Systems LTD**

ABN 35 090 987 250

NOTICE IS HEREBY GIVEN that the General Meeting of the Shareholders of *Eastland Medical Systems Ltd* ("Company") will be held at The Boulevard Centre, 99 The Boulevard, Floreat on Tuesday, 2 August 2011 at 10:00am (WST).

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

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

AGENDA

1. RESOLUTION 1 – APPROVAL TO ISSUE OPTIONS UNDER PRIORITY OFFER

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

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 98,145,130 Options at an issue price of \$0.005 each and exercisable at \$0.05 each on or before 31 December 2012 pursuant to a priority entitlement offer to Qualifying Optionholders on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, 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.

2. RESOLUTION 2 – PARTICIPATION BY PETER JOOSTE QC IN PRIORITY OFFER

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

"That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, Peter Jooste QC (or his nominee) may participate in the issue of Options the subject of Resolution 1 by subscribing for a maximum of 50,000 Options at an issue price of \$0.005 each, and each exercisable at \$0.05 on or before 31 December 2012 on the terms and conditions set out in the Explanatory Statement."

Eastland Medical Systems Ltd

Voting Exclusion: The Company will disregard any votes cast on Resolution 2 by Peter Jooste QC (or his nominee) or any of his associates. However, 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.

3. RESOLUTION 3 – PARTICIPATION BY MICHAEL STEWART IN PRIORITY OFFER

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

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, Michael Stewart (or his nominee) may participate in the issue of Options the subject of Resolution 1 by subscribing for a maximum of 240,000 Options at an issue price of \$0.005 each, and each exercisable at \$0.05 on or before 31 December 2012 on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 3 by Michael Stewart (or his nominee) or any of his associates. However, 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.

4. RESOLUTION 4 – RATIFICATION OF ALLOTMENTS OF PRIOR ISSUE OF 28,033,297 ORDINARY SHARES

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

“That pursuant to Listing Rule 7.4 of the Listing Rules of ASX Limited, and for all other purposes, shareholders approved and ratify the allotment and issue of 28,033,297 fully paid ordinary shares issued at \$0.03 per share on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting”.

Voting Exclusion: The Company will disregard any votes cast on Resolution 4 by the recipients of this allotment, and any associates of those recipients.

However, 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 a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF UNLISTED DIRECTOR OPTIONS TO PETER JOOSTE QC

To consider and, if thought fit, pass the following Ordinary resolution with or without amendment:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue 7,500,000 unlisted options to subscribe for ordinary shares in the Company each exercisable at \$0.06 on or before

Eastland Medical Systems Ltd

30 June 2013 to Peter Jooste QC, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

Voting Exclusion: The Company will in accordance with section 224 of the Corporations Act disregard any votes cast on Resolution 5 by Peter Jooste QC or any associate of Peter Jooste QC.

However, 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; and
- it is not cast on behalf of Peter Jooste QC or an associate of Peter Jooste QC.

6. RESOLUTION 6 – ISSUE OF UNLISTED DIRECTOR OPTIONS TO MICHAEL STEWART

To consider and, if thought fit, pass the following Ordinary resolution with or without amendment:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue 7,500,000 unlisted options to subscribe for ordinary shares in the Company each exercisable at \$0.06 on or before 30 June 2013 to Mr Michael Stewart, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

Voting Exclusion: The Company will in accordance with section 224 of the Corporations Act disregard any votes cast on Resolution 6 by Michael Stewart or any associate of Michael Stewart.

However, 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; and
- it is not cast on behalf of Michael Stewart or an associate of Michael Stewart.

7. RESOLUTION 7 – ISSUE OF UNLISTED DIRECTOR OPTIONS TO STEPHEN CARTER

To consider and, if thought fit, pass the following Ordinary resolution with or without amendment:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, the Company is authorised to issue 7,500,000 unlisted options to subscribe for ordinary shares in the Company each exercisable at \$0.06 on or before 30 June 2013 to Mr Stephen Carter, a Director of the Company, or his nominee, on the terms and conditions set out in this Notice and accompanying Explanatory Memorandum.”

Voting Exclusion: The Company will in accordance with section 224 of the Corporations Act disregard any votes cast on Resolution 7 by Stephen Carter or any associate of Stephen Carter.

However, 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; and
- it is not cast on behalf of Stephen Carter or an associate of Stephen Carter.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Dated this 1st day of July 2011

By Order of the Board,



Joseph Ohayon
Company Secretary

A member is entitled to attend and vote, or to appoint a proxy to attend and vote in their stead. That person need not be a member of the company but should be a natural person over the age of 18 years.

Proxy Forms must be lodged no later than 10:00am WST on Friday 31st July 2011. They can be lodged:

- **By Mail:** By posting to Eastland Medical Systems Ltd share registry at the following address:
Advanced Share Registry Ltd, PO Box No 1156, Nedlands WA 6909; or
- **By Facsimile:** 61 8 9389 7871 (Advanced Share Registry Ltd); or
61 8 9446 4895 (Eastland Medical Systems Ltd); or
- **In Person:** Advanced Share Registry Ltd, 150 Stirling Highway, Nedlands, WA

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10:00am (WST) on Tuesday, 2 August 2011 at The Boulevard Centre, 99 The Boulevard, Floreat, Western Australia.

The 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.

1. RESOLUTION 1 – APPROVAL TO ISSUE OPTIONS UNDER PRIORITY OFFER

1.1 General

The Company announced to the ASX on 31 May 2011 a priority entitlement offer to Qualifying Optionholders to enable them to subscribe for additional Options at an issue price of \$0.005 each on the basis of one (1) Option for every one (1) Expired Option they held at the Record Date (**Priority Offer**). The Company will be issuing a prospectus in respect of the offer (**Prospectus**). Qualifying Optionholders are those persons who held Expired Options EMSO at 5pm 31 May 2011 and Expired Options EMSOB at 5pm 30 June 2011.

Resolution 1 seeks Shareholder approval for the allotment and issue of up to 98,145,130 Options pursuant to the priority entitlement offer to Qualifying Optionholders (**Option Placement**).

Director participation in the Priority Offer (in their capacity as Qualifying Shareholders) is subject to Resolutions 2 and 3 of this Notice of Meeting.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Directors to issue the Options pursuant to the Option Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

1.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing rule 7.3, the following information is provided in relation to the Option Placement:

- (a) the maximum number of Options to be issued is 98,145,130
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Options will be issued for \$0.005 each;

- (d) the Options will be allotted and issued to Qualifying Optionholders (the issue of Options to Directors or their associates in their capacity as Qualifying Optionholders is the subject of Resolutions 2 and 3);
- (e) the Options will be issued on the terms and conditions set out in Schedule 1. It is the Company's intention to seek quotation for the options on the ASX following completion of the Priority Offer. However, there is no guarantee that ASX will grant quotation of these options and/or quote these options on ASX, as ASX has the discretion to grant quotation for an entity's securities and there are minimum requirements that must be met before quotation may be granted (including, without limitation, minimum spread requirements); and
- (f) the Company intends to use the funds raised from the Option Placement towards working capital for the company and to the funding of the development of the ArTiMist™ project.

The Directors recommend that the Shareholders of the Company vote in favour of Resolution 1.

2. RESOLUTION 2 AND 3 – PARTICIPATION BY DIRECTORS IN PRIORITY OFFER

2.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of up to 290,000 Options to Messrs Peter Jooste QC and Michael Stewart (**Related Parties**) on the terms and conditions set out below. The Related Parties will be allotted and issued the Options under the Prospectus.

The purpose of Resolutions 2 and 3 is to enable the Related Parties to participate in a Priority Offer of Options to Qualifying Optionholders in their capacity as Qualifying Optionholders.

Related Party participation will be on exactly the same terms as the placement made to the unrelated parties.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Options to the Related Parties requires the Company to obtain Shareholder approval because the issue of Options constitutes giving a financial benefit and as Directors, Messrs Peter Jooste QC and Michael Stewart are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Options to the Related Parties.

2.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Options:

- (a) the related parties are Messrs Peter Jooste QC and Michael Stewart and they are related parties by virtue of being Directors;
- (b) the maximum number of Options (being the nature of the financial benefit being provided) to be issued to the Related Parties is:
 - (i) 50,000 Options to Peter Jooste QC; and
 - (ii) 240,000 Options for Michael Stewart.
- (c) the Options will be issued to the Related Parties no later than 1 month from the date of approval (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Options will be issued on one date;
- (d) the Options will be issued at \$0.005 each;
- (e) the Company intends to use the funds raised from the Option placement to the related parties towards working capital for the Company and to the funding of the development of the ArTiMist™ project;
- (f) the terms and conditions of the Options are set out in Schedule 1. It is the Company's intention to seek quotation for the Options on the ASX following completion of the Priority Offer. However, there is no guarantee that ASX has the discretion to grant quotation for an entity's securities and there are minimum requirements that must be met before quotation may be granted (including, without limitation, minimum spread requirements);
- (g) the relevant interests of the Related Parties in securities of the Company (assuming they receive the Options the subject of Resolutions 2 and 3, but not including the Options the subject of Resolutions 5 and 6) are set out below:

Related Party	Shares	Options	Convertible Notes
Peter Jooste QC	2,533,333 ¹	50,000 ¹	Nil
Michael Stewart	983,334 ²	240,000 ²	200,000 ²

1. Held indirectly by Zulu (WA) Proprietary of which Mr Jooste is a Director and a beneficial owner.
2. Held indirectly by Kamala Holdings Pty Ltd as trustee for the Kamala (1994) Super Fund and the Asten Discretionary Trust of which Mr Stewart is a Director and beneficiary. Convertible notes are exercisable into 6,666,666 Shares.

- (h) the impact of passing Resolutions 2 and 3 on Messrs Jooste QC and Stewart's voting power in the Company, assuming they receive the full amount of the Options the subject of Resolutions 2 and 3 and assuming the issue of 98,145,130 Options but

excluding the Director Options the subject of Resolutions 5 and 6, is set out in the following table;

Related Party	% voting power (undiluted)¹	% voting power (fully diluted)²
Peter Jooste QC	0.43%	0.36%
Michael Stewart	0.17%	1.10%

1. Assumes 594,372,331 Shares on issue.

2. Assumes exercise of 98,145,130 Options and 701,000 convertible notes maturing 30 June 2012 that may be converted into 23,366,666 Shares.

- (i) details of the Related Parties' base salaries or fees per annum (including superannuation), as applicable, and the total financial benefits to be received by them in this current period as a result of the grant of the Options the subject of Resolutions 2 and 3 (but excluding the grant of Director Options the subject of Resolutions 5 and 6) are as follows:

Director	Current financial year (1 July 2010 to 30 June 2011) (\$)	Value of Incentive Options (\$)	Total Financial Benefit (\$)
Peter Jooste QC	61,217	Nil	61,217
Michael Stewart	52,417	Nil	52,417

- (j) if the Options issued to the Related Parties are exercised, a total of 290,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 594,372,331 to 594,662,331 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.05%, comprising 0.01% by Peter Jooste QC and 0.04% by Michael Stewart.

The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company;

- (k) in the event the Options are exercised by the Related Parties, the following amounts will need to be paid to the Company:
- (i) \$2,500 by Peter Jooste QC; and
 - (ii) \$12,000 by Michael Stewart.

The Company will therefore receive \$14,500 from the Related Parties should all the Options the subject of Resolutions 2 and 3 be issued;

- (l) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	7.4 cents	19 October 2010
Lowest	2.1 cents	16 June 2011
Last	2.4 cents	30 June 2011

- (m) the primary purpose of the issue of Options to the Related Parties is to enable them to participate in the Priority Offer to Qualifying Optionholders on the same basis as other Optionholders;
- (n) Peter Jooste QC declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution. Messrs Stewart and Carter, who do not have a material interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2. Messrs Stewart and Carter are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (o) Michael Stewart declines to make a recommendation to Shareholders in relation to Resolution 3 due to his material personal interest in the outcome of the Resolution. Messrs Jooste QC and Carter, who do not have a material interest in the outcome of Resolution 3, recommend that Shareholders vote in favour of Resolution 3. Messrs Jooste QC and Carter are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to the Related Parties as approval is being obtained under ASX Listing rule 10.11. Accordingly, the issue of Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

3. **RESOLUTION 4 – RATIFICATION OF ALLOTMENTS OF PRIOR ISSUE OF 28,033,297 ORDINARY SHARES**

3.1 **General**

On 16 March 2011, the Company issued 28,033,297 Shares as part of a placement as announced to ASX on 17 March 2011. The Shares were issued at an issue price of \$0.03 per Share to raise a total \$840,998.94. Funds raised under the placement were used for working capital.

The subscribers pursuant to this issue were not related parties of the Company.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX

Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

3.2 Specific Information required by Listing Rule 7.5

Listing Rule 7.5 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) the 28,033,297 Shares were allotted and issued on 16 March 2011 to sophisticated investor clients of Shaw Stockbroking, StoneBridge Securities, RM Corporate Finance and Patersons Securities.
- (b) the Shares were issued at an issue price of \$0.03 per Share;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company and were issued on the same terms and conditions as the Company's existing Shares;
- (d) a total of \$0.84 million was raised for working capital purposes; and
- (e) a voting exclusion statement is included in the Notice.

4. Resolutions 5 to 7 – Approval to Issue Unlisted Director Options

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 22,500,000 Unlisted Options (**Director Options**) to Messrs Jooste QC, Stewart and Carter (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, namely Messrs Jooste QC, Stewart and Carter are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

4.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Jooste QC, Stewart and Carter and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 7,500,000 Director Options to Mr Peter Jooste QC
 - (ii) 7,500,000 Director Options to Mr Michael Stewart
 - (iii) 7,500,000 Director Options to Mr Stephen Carter
- (c) the Director Options will be granted to the Related Parties no later than 1 month from the date of approval (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 2;
- (f) the Company's advisers have reviewed the value of the Director Options to be granted to the Related Parties using the Black & Scholes Option Pricing Model ("BSModel"), which is the most widely used and recognised model for pricing options. The acceptance of this model is due to its derivation being grounded in economic theory. The value of an option calculated by the BSModel is a function of a number of variables and is rounded to the nearest one hundredth of a cent. The valuation of the Director Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.023
VWAP share Price	\$0.026
Exercise price	\$0.06
Risk Free Interest Rate	6.25%
Volatility	92%
Expiry date	30 June 2013

Accordingly, the total value of the 22,500,000 Director Options to be granted to the Related Parties is \$154,676.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the Director Options are granted would have an impact on their value.

- (g) the relevant interests of the Related Parties in securities of the Company (assuming they receive the Director Options the subject of Resolutions 2 and 3, and including the Director Options the subject of Resolutions 5 to 7) are set out below:

Related Party	Shares	Options	Convertible Notes
Mr Peter Jooste QC	2,533,333 ¹	7,550,000 ¹	Nil
Mr Michael Stewart	983,334 ²	7,740,000 ²	200,000 ²
Mr Stephen Carter	Nil	7,500,000	Nil

1. Held indirectly by Zulu (WA) Proprietary of which Mr Jooste is a Director and a beneficial owner.
2. Held indirectly by Kamala Holdings Pty Ltd as trustee for the Kamala (1994) Super Fund and the Asten Discretionary Trust of which Mr Stewart is a Director and beneficiary. Convertible notes are exercisable into 666,666 Shares.

- (h) the impact of passing Resolutions 5 to 7 on the Related Parties voting power in the Company, assuming they receive the full amount of the Options the subject of Resolutions 2 and 3 and assuming the issue of 98,145,130 Options, is set out in the following table.

Related Party	% voting power (undiluted) ¹	% voting power (fully diluted) ²
Peter Jooste QC	0.43%	1.37%
Michael Stewart	0.17%	2.08%
Stephen Carter	Nil	1.02%

1. Assumes 594,372,331 Shares on issue.
2. Assumes exercise of 98,145,130 Options 22,500,000 Director Options and 701,000 convertible notes maturing 30 June 2012 that may be converted into 23,366,666 Shares.

- (i) details of the Related Parties' base salaries or fees per annum (including superannuation), as applicable, and the total financial benefits to be received by them in this current period as a result of the grant of the Options the subject of Resolutions 2 and 3 and the grant of Director Options the subject of Resolutions 5 to 7 are as follows:

Director	Current financial year (1 July 2010 to 30 June 2011) (\$)	Value of Incentive Options (\$)	Total Financial Benefit (\$)
Peter Jooste QC	61,217	\$51,558	\$112,775
Michael Stewart	52,417	\$51,558	\$103,975
Stephen Carter ¹	\$111,115	\$51,558	\$162,673

1. Stephen Carter was appointed as CEO/Director on 26 October 2010.

- (j) if the Director Options granted to the Related Parties are exercised, a total of 22,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 594,372,331 to 616,872,331 (assuming that no other Options are exercised and no other Shares other than those contemplated by the Resolutions of this Notice of Meeting are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 3.6%, comprising 1.2% by Mr Jooste QC, 1.2% by Mr Stewart and 1.2% by Mr Carter.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

- (k) in the event the Options are exercised by the Related Parties, the following amounts will need to be paid to the Company:
- (i) \$450,000 by Peter Jooste QC;
 - (ii) \$450,000 by Michael Stewart; and
 - (iii) \$450,000 by Stephen Carter.

The Company will therefore receive \$1,350,000 from the Related Parties should all the Options the subject of Resolutions 5 - 7 be issued;

- (l) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	7.4 cents	19 October 2010
Lowest	2.1 cents	16 June 2011
Last	2.4 cents	30 June 2011

- For personal use only
- (m) the grant of the Director Options is designed to encourage the Directors to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership. Under the Company's current circumstances, the Directors consider that the incentives to the Directors represented by the grant of these Director Options are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Director Options to be granted to the Directors has been determined based upon a consideration of:

- (i) the remuneration of the Directors - the Directors wish to ensure that the remuneration offered is appropriate;
 - (ii) the calibre and reputation of the Directors;
 - (iii) continued service to the Company; and
 - (iv) incentives to ensure continuity of service of the Directors who have extensive knowledge of the Company and its assets;
- (n) the Board acknowledges the grant of Director Options to Messrs Jooste QC and Stewart is contrary to guidelines contained in Box 8.2 of the ASX Corporate Governance Principles and Recommendations which states that non-executive directors should not receive options. However, the Board considers the grant of Director Options to Messrs Jooste QC and Stewart reasonable in the circumstances, given the necessity to attract the highest caliber of professionals to the Company, whilst maintaining the company's cash reserves;
- (o) Mr Peter Jooste QC declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. Messrs Stewart and Carter, who do not have a material interest in the outcome of Resolution 5 recommend that Shareholders vote in favour of Resolution 5 for the reasons set out in paragraphs (m) and (n) above. Messrs Stewart and Carter are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (p) Mr Stewart declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. Messrs Jooste QC and Carter, who do not have a material interest in the outcome of Resolution 6 recommend that Shareholders vote in favour of Resolution 6 for the reasons set out in paragraphs (m) and (n) above. Messrs Jooste QC and Carter are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (q) Mr Carter declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution.

Messrs Stewart and Jooste QC, who do not have a material interest in the outcome of Resolution 7 recommend that Shareholders vote in favour of Resolution 7 for the reasons set out in paragraph (m) above. Messrs Stewart and Jooste QC are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

5. ENQUIRIES

Shareholders are requested to contact Stephen Carter on (+ 61 8) 6142 5555 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company or **EMS** means Eastland Medical Systems Ltd (ACN 090 987 250).

Constitution means the Company's constitution.

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

Director Option means an Option issued pursuant to Resolutions 5 to 7 with the terms and conditions set out in 2.

Directors means the current directors of the Company.

EMS means Eastland Medical Systems Ltd.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Expired Options means: listed Options trading under ASX Code "EMSO" and "EMSOB" that had an exercise price of \$0.20 and \$0.10 each respectively and an expiry date of 31 May 2011 and 30 June 2011 respectively.

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

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option or Director Options as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Qualifying Optionholders means any person or entity that held Expired Options EMSO at 5pm 31 May 2011 and Expired Options EMSOB at 5pm 30 June 2011.

Record Date means 5pm on 31 May 2011 (EMSO) and 30 June 2011 (EMSOB).

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

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

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00 pm (WST) on 31 December 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised (**Exercise Notice**);
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Company will apply to the ASX for quotation of these options upon completion of the Priority Offer. Optionholders acknowledge that there is no guarantee that ASX will grant quotation of these options and/or quote the options on ASX, as ASX has discretion to grant quotation for an entity's securities and there are minimum requirements that must be met before quotation may be granted (including, without limitation, minimum spread requirements).
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00 pm (WST) on 30 June 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.06 (**Exercise Price**).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (iii) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (iv) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised; (**Exercise Notice**)
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (i) The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (l) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

Form of Proxy

General Meeting - 2 August 2011



**Eastland Medical
Systems LTD**

ABN 35 090 987 250

I/Weof.....

being a member/s of Eastland Medical Systems Ltd, and entitled to attend and vote hereby appoint:

..... of or in their absence,

☐ The Chairman of the Meeting (mark with an 'X')

as my/our proxy to vote on my/our behalf at the General Meeting of the Company to be held at 10:00 am (WST) on Tuesday, 2nd August 2011 or at any adjournment of that meeting.

Individual /Security holder 1
Director

Security holder 2
Director/Secretary

this day of 2011

Please sign here

If the Chairman 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.

☐ **Please mark with an 'X'**

By marking this box, you acknowledge the Chair of the Meeting may exercise your proxy notwithstanding an interest in the outcome of the resolution/s and that votes cast by the Chair of the meeting for those resolutions, 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 the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

Unless otherwise instructed the proxy will vote as he or she thinks fit, or abstain from voting.

Should the member wish to direct the proxy how to vote, the resolutions should be completed.

		For	Against	Abstain
Resolution 1	Approval to Issue Options under Priority Offer	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 2	Participation by Peter Jooste QC in Priority Offer	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 3	Participation by Michael Stewart in Priority Offer	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 4	Ratification of Allotments of Prior Offer 28,033,297 Ordinary Shares	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 5	Issue of Unlisted Director Option to Peter Jooste QC	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 6	Issue of Unlisted Director Options to Michael Stewart	<input type="text"/>	<input type="text"/>	<input type="text"/>
Resolution 7	Issue of Unlisted Director Options to Stephen Carter	<input type="text"/>	<input type="text"/>	<input type="text"/>

Appointing a second Proxy

I/We wish to appoint a second proxy

☐ Mark with an 'X' if you wish to appoint a second proxy

AND

%

OR

State the percentage of your voting rights or the number of securities for this Proxy Form

Instructions to complete this Proxy Form

1	Your Name and Address	<p>This is your name and address as it appears on the share register of Eastland Medical Systems Ltd. If this information is incorrect, please obtain a form from the Share Registry and mark the box and make the correction on that form. Security holders sponsored by a broker should advise their broker of any changes. Please note, you cannot change ownership of your shares using this form.</p>						
2	Appointment of a Proxy	<p>If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chair of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy and vote on your behalf. A proxy may be an individual or a corporation, but need not be a security holder of Eastland Medical Systems Ltd.</p>						
3	Votes on Items of Business	<p>You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy will vote as they choose. If you mark more than one box on an item your vote on that item will be invalid.</p>						
4	Appointment of a Second Proxy	<p>If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the share registry of Eastland Medical Systems Ltd or you may copy this form.</p> <p>When more than one proxy is appointed, neither proxy is entitled to vote on a show of hands.</p> <p>To appoint a second proxy you must:</p> <p>(a) indicate that you wish to appoint a second proxy by marking the form.</p> <p>(b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointment does not specify the percentage or number of the shareholder's voting rights, each proxy may exercise half the votes</p> <p>(c) return both forms together in the same envelope.</p>						
5	Signing Instructions and Authorised Signature(s)	<p>You must sign this form as follows in the spaces provided:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Joint Holding :</td> <td>where the holding is in more than one name all of the holders must sign.</td> </tr> <tr> <td>Power of Attorney:</td> <td>if signed under a Power of Attorney, this document must have already been lodged with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.</td> </tr> <tr> <td>Companies:</td> <td>a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s127 of the Corporations Act 2001. Please indicate the office held by signing in the appropriate space.</td> </tr> </table>	Joint Holding :	where the holding is in more than one name all of the holders must sign.	Power of Attorney:	if signed under a Power of Attorney, this document must have already been lodged with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.	Companies:	a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s127 of the Corporations Act 2001. Please indicate the office held by signing in the appropriate space.
Joint Holding :	where the holding is in more than one name all of the holders must sign.							
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Companies:	a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. A sole Director of a corporation without a Company Secretary can sign, pursuant to s127 of the Corporations Act 2001. Please indicate the office held by signing in the appropriate space.							

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the share registry or Eastland Medical Systems Ltd administration.

Lodgement of Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 10.00am WST on 31 July 2011.

Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged **by posting** to Eastland Medical Systems Ltd share registry at the address opposite, **or**

Advanced Share Registry Ltd
PO Box 1156, Nedlands. W.A. 6909 Australia

By facsimile to Eastland Medical Systems Ltd share registry:
OR by facsimile to Eastland Medical Systems Ltd, **or**

Facsimile 61 8 9389 7871
Facsimile 61 8 9446 4895

In Person at the address opposite:

Advanced Share Registry Ltd, 150 Stirling Highway, Nedlands WA