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ImpediMed Limited

ABN 65 089 705 144



Notice of Annual General Meeting

Friday 31 October 2008

11:00am

Tattersalls Club

215 Queen Street (Corner Edward Street), Brisbane, Australia

Part 1: Notice of Annual General Meeting

The Annual General Meeting of Members of ImpediMed Limited will be held at Tattersalls Club 215 Queen Street (corner of Edward Street), Brisbane, Queensland, Australia on Friday 31 October 2008 commencing at 11:00am (Brisbane time).

The annual report is available on our website for viewing if you have elected not to receive a hard copy. Our website address is www.impedimed.com.au

Ordinary business

Item 1 – Annual financial report, directors’ report and auditor’s report

To receive and consider the annual financial report of the Company, together with the Directors’ report and auditor’s report, for the year ended 30 June 2008.

Item 2 – Election of Directors

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

- 1 *That Melvyn Bridges, a Director retiring by rotation in accordance with rule 16.1 of the Company’s constitution and being eligible, be re-elected as a director of the Company.*
- 2 *That Cherrell Hirst, a Director retiring by rotation in accordance with rule 16.1 of the Company’s constitution and being eligible, be re-elected as a director of the Company.*

Item 3 – Remuneration Report

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

That the Remuneration Report for the year ending 30 June 2008 be adopted.

Special business

Item 4 – Approval of previous share placements

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

That, for all purposes, Members approve the issue of 5,600,001 Shares to the parties, for the purposes and on the terms set out in the Explanatory Statement.

The above resolution has been proposed to satisfy the requirements of Listing Rules 7.4 and 7.5. The Explanatory Statement sets out the information required under those Listing Rules.

Voting exclusion statement

The Company will disregard any votes cast on item 4 by any person who participated in the issues of the Placement Shares and any of their associates, unless 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
- 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).

Item 5 – Approval of acquisitions of Relevant Interests by ImpediMed

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

That, for all purposes, Members approve the acquisition by the Company of Relevant Interests in the maximum number of Shares described in the Explanatory Statement and issued under any of the Company's employee incentive plans or under the Xitron Acquisition Agreement, which Relevant Interests arise solely from the application of transfer restrictions to those Shares.

Voting exclusion statement

The Company will disregard any votes cast on item 5 by any person who may acquire Shares under (or on the exercise of options issued under) the Performance Share Plan, the Option Plan, the US Plan or the Xitron Acquisition Agreement and any associate of any such person or of the Company.

Item 6 – Reinstatement of proportional takeover approval provisions in Constitution

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

That the Constitution be amended by inserting rule 27, in the form set out in the schedule to the Explanatory Statement for a period of three years.

Other information

Explanatory Statement

The accompanying Explanatory Statement forms part of this Notice and should be read in conjunction with it.

Proxies

Please note that:

- (a) a Member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a Member of the Company;
- (c) a Member may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Member's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Member's proxy; and
- (e) Members entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms. If a Member appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, a certificate of the appointment of corporate representative should be completed and lodged in the manner specified below.

Corporate representatives

Any:

- corporate Member; or
- corporate proxy appointed by a Member,

which has appointed an individual to act as its corporate representative at the Annual General Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company or its share registry, Link Market Services, in advance of the Annual General Meeting or handed in at the Annual General Meeting when registering as a corporate representative. An Appointment of Corporate Representative form is available by contacting the Company's share registry, Link Market Services, on +61 2 8280 7454 during business hours.

If you have any queries on how to cast your votes, please call the Company's share registry, Link Market Services, on +61 2 8280 7454 during business hours.

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Voting entitlements

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, the Board has determined that a person's entitlement to vote at the Annual General Meeting will be the entitlement of that person set out in the register of Members as at 6.00 pm (Brisbane time) on Wednesday, 29 October 2008. Accordingly, transactions registered after that time will be disregarded in determining Members' entitlements to attend and vote at the Annual General Meeting.

By order of the Board of Directors



Phil Auckland
Company Secretary

Part 2: Explanatory Statement

1 Introduction

This Explanatory Statement has been prepared for the information of Members in connection with the resolutions to be considered by them at the Annual General Meeting to be held at Tattersalls Club 215 Queen Street (corner of Edward Street), Brisbane, Queensland, Australia on Friday 31 October 2008 commencing at 11:00am (Brisbane time).

The purpose of this Explanatory Statement is to provide the Members with the information known to the Company that the Board considers material to their decision on whether to approve the resolutions in the accompanying Notice. This document is important and should be read in conjunction with all of the information contained in this booklet, including the Notice.

Capitalised terms in this Explanatory Statement are defined in the glossary in section 4.

2 Ordinary business

Item 1 - Annual financial report and Directors' and auditor's reports

The first item of business of the Annual General Meeting is to receive and consider the financial report, together with the Directors' and auditor's reports, for the year ended 30 June 2008.

No resolution is required for this item of business. However, as a Member, you may submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the auditor's report; or
- the conduct of the audit in relation to the financial report.

All written questions must be received by the Company no later than five business days prior to the meeting.

All questions must be sent to the Company and may not be sent direct to the auditor. The Company will then forward all questions to the auditor.

The auditor will be attending the Annual General Meeting and will answer written questions submitted prior to the meeting.

The auditor will also be available to answer questions from Members relevant to:

- the conduct of the audit;
- the preparation and content of the auditor's report;

- the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- the independence of the auditor in relation to the conduct of the audit.

Item 2 - Election of Directors

The second item of business of the Annual General Meeting relates to the election of Directors.

Rule 16.1 of the Constitution provides that at every Annual General Meeting of the Company one third of the Directors, other than the managing Director, must retire from office. If the number of Directors is not a multiple of three, rule 16.1 requires that that number of Directors nearest to, but not less than, one third of the Directors (other than the managing Director) must retire from office.

The election of each candidate must be considered and voted on as a separate resolution. Set out below are details of each resolution and of each candidate, together with the recommendation of the Board.

Resolution 1 - Re-election of Mel Bridges – non-executive Director

In accordance with rule 16.1, Mel Bridges, a non-executive Director, will retire at the Annual General Meeting and being eligible, has offered himself for re-election.

Biography of Mel Bridges BSc FAICD

Details of Mr Bridge's experience and qualifications can be found on page 2 of the annual report.

The Directors, with Mel Bridges abstaining, recommend that Mr Bridges be re-elected as a Director.

Resolution 2 - Re-election of Cherrell Hirst – non-executive Director

In accordance with rule 16.1 of the Constitution, Cherrell Hirst, a non-executive Director, will retire at the Annual General Meeting and being eligible, has offered herself for re-election.

Biography of Cherrell Hirst AO MBBS BedSt D.Univ FAICD – non executive Director

Details of Dr Hirst's experience and qualifications can be found on page 2 of the annual report.

The Directors, with Cherrell Hirst abstaining, recommend that Dr Hirst be re-elected as a Director.

Item 3 - Approval of Remuneration Report

Shareholders are entitled to vote on the question whether the Remuneration Report as contained in the Annual Report for 2008 is adopted.

Shareholders should note that item 3 is an "advisory only" resolution which does not bind the Directors or the Company.

Following consideration of the Remuneration Report, the Chair will give Shareholders a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report.

3 Special business

Item 4 – Approval of previous share placements

On 11 July 2008, ImpediMed announced that it had issued 1,600,001 Shares at 75 cents each to raise \$1.2 million. On 30 July 2008, it announced that it had issued a further 4 million Shares at 75 cents each to raise \$3 million.

Listing Rule 7.1 imposes a limit on the number of equity securities (eg shares or options to subscribe for shares) which a company can issue without shareholder approval. In general terms, the limit is that a company may not, without shareholder approval issue, in any 12 month period, equity securities which are more than 15% of:

- the number of fully paid ordinary shares on issue 12 months before the issue; plus
- the number of fully paid ordinary shares issued in that 12 month period under an exception contained in Listing Rule 7.2 or with shareholder approval.

Listing Rule 7.4 states that an issue by a company of equity securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 when made and the company's members subsequently approve it.

The Company was not required to obtain Member approval under the Listing Rules (or otherwise) for the issue of the Placement Shares. However, if the Company does not subsequently obtain Member approval of the issues under Listing Rule 7.4 it will reduce the number of additional equity securities the Company can issue in the 12 month periods following the issues. This restriction would reduce the Company's ability to raise additional capital by issuing equity securities during those periods.

Under item 4, the Company seeks approval from Members for, and ratification of, the issues of the Placement Shares.

Details of the Placement Shares are set out in the table below.

Listing Rule 7.5 requires the information set out below to be given to Members:

Date of Issue	Allottee	Issue Price	Number of Fully Paid Ordinary Shares
11 July 2008	<ul style="list-style-type: none"> • National Nominees Limited • ANZ Nominees Limited 	\$0.75 per share	<ul style="list-style-type: none"> • 1,526,667 • 73,334

Date of Issue	Allottee	Issue Price	Number of Fully Paid Ordinary Shares
30 July 2008	<ul style="list-style-type: none"> • National Nominees Limited • HSBC Custody Nominees Limited • JP Morgan Nominees Limited • ANZ Nominees Limited 	\$0.75 per share	<ul style="list-style-type: none"> • 2,666,700 • 1,000,000 • 133,300 • 200,000
Total			5,600,001

The Placement Shares are fully paid ordinary shares which rank equally in all respects with the Shares.

The Company intends to use the funds raised as working capital to support market development in the United States for the breast cancer lymphoedema market.

The Board believes that the ratification of the issue of the Placement Shares is beneficial for the Company. The Board recommends Members vote in favour of item 4 as it allows the Company to ratify the issue of the Placement Shares and retain the flexibility to issue the maximum number of equity securities permitted under Listing Rule 7.1 without Member approval.

Item 5 – Approval of acquisitions of Relevant Interests by ImpediMed

The Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares in a listed company if as a result of the acquisition, that person's or someone else's Voting Power in the company increases:

- (a) from 20% or below to more than 20%; or
- (b) from a starting point that is above 20% and below 90%.

A person has a Relevant Interest in a share if the person holds the share, has the power to exercise or control the exercise of the right to vote attached to the share or has the power to dispose of or control the exercise of the power to dispose of the share.

ImpediMed can have a Relevant Interest in its own shares.

A person (including a body corporate) has the same Relevant Interests in shares as any body corporate that the person controls or in which the person has Voting Power that exceeds 20%.

ImpediMed currently has 87,318,858 Shares on issue.

Starfish holds 24,285,465 Shares. The shareholding represents approximately 28% of the Shares. Starfish also has the same Relevant Interests as

ImpediMed has in an additional 2.7% of the Shares. Starfish has advised ImpediMed that it has Voting Power in an additional 368,000 Shares (0.42%), giving it total Voting Power in ImpediMed of 31.1%.

Due to its shareholding, Starfish may be in a position to cast a majority of the votes that are likely to be cast at a general meeting of Members. As a result, Starfish may be an 'associate' of ImpediMed within the meaning in the Corporations Act. If so, Starfish's Relevant Interests in Shares must be aggregated with ImpediMed's own Relevant Interests in Shares to determine ImpediMed's Voting Power in itself. If these interests are aggregated, ImpediMed's Voting Power in itself is approximately 30.7%. It cannot acquire a Relevant Interest in any more Shares other than in limited circumstances set out in the Corporations Act.¹

Acquisitions of Relevant Interests which are approved in advance by shareholders are one of the limited circumstances under the Corporations Act where a person can increase their Relevant Interest when they hold Voting Power in excess of 20%.

ASIC has granted ImpediMed a modification of the relevant exception (section 611 item 7 of the Corporations Act) so that it may obtain Member approval to proposed acquisitions of Relevant Interests in the maximum number of Shares described in this Explanatory Statement.

ImpediMed proposes to issue further Shares which are subject to transfer restrictions for limited periods, as described below. Because ImpediMed will have the power to control the exercise of the power to dispose of these Shares, ImpediMed will acquire a Relevant Interest in the Shares.

ImpediMed seeks Member approval for the acquisition by ImpediMed and its associates of any Relevant Interests in the maximum number of Shares described below, which arise from the application of transfer restrictions in the circumstances described below, in order to obtain the benefit of the exception in section 611 item 7 of the Corporations Act (as modified by ASIC).

The Shares in which Relevant Interests may be acquired are Shares issued subject to transfer restrictions under the Performance Share Plan, the Option Plan, the US Plan and the Xitron Acquisition Agreement.

Performance Share Plan

The Performance Share Plan, the terms of which were summarised in the Prospectus, contemplates that Shares issued under the plan will be issued subject to restrictions on transfer for a minimum of 12 months and up to 10 years in order to provide available taxation relief to holders of the Shares.

The Board resolved to issue a maximum of 469,500 Employee Shares as an incentive for performance during the 2007 calendar year. On 30 June 2008, ImpediMed issued 130,749 Employee Shares, subject to transfer restrictions.

¹ Section 611 of the Corporations Act contains the exemptions.

The Board intends to allocate a maximum number of Employee Shares for issue in respect of each calendar year, subject to the satisfaction of performance criteria.

Under the Performance Share Plan, ImpediMed must not issue any Shares under the plan if the aggregate number of Shares issued during the preceding five years under the plan or any other Company employee incentive scheme (disregarding excluded Shares) and the number of Shares which would be issued if each outstanding option issued under an employee incentive scheme were exercised would exceed 5% of the total number of Shares on issue at the time of the proposed offer. Excluded Shares include Shares issued to people outside Australia and Shares issued under offers which do not require disclosure under the Corporations Act.

Therefore the number of Shares which may be issued under the Performance Share Plan is limited.

As the Employee Shares will be issued with transfer restrictions, ImpediMed will acquire a Relevant Interest in them. It seeks Member approval for the acquisition by the Company and its associates of Relevant Interests in the maximum number of Employee Shares and Shares issued on the exercise of Employee Options described below, which arise from the application of transfer restrictions to the Employee Shares.

The acquisition of the Relevant Interests will not result in the Company or its associates being able to exercise any votes in relation to the Employee Shares.

Option Plan

At the date of the Prospectus, ImpediMed had on issue 2,337,673 options to subscribe for Shares issued to employees under the Option Plan.

A further 805,000 Employee Options were issued on 30 June 2008.

The terms of the Option Plan were summarised in the Prospectus, including that ImpediMed:

- must not issue any Shares under the Option Plan if the aggregate number of Shares issued during the preceding five years under the Option Plan or any other Company employee incentive scheme (including the Performance Share Plan) (disregarding excluded Shares) and the number of Shares which would be issued if each outstanding option issued under an employee incentive scheme were exercised would exceed 5% of the total number of Shares on issue at the time of the proposed offer. Excluded Shares include Shares issued to people outside Australia and Shares issued under offers which do not require disclosure under the Corporations Act; and
- may apply trading restrictions to Shares issued upon the exercise of Employee Options.

Shares issued on the exercise of Employee Options may be issued with transfer restrictions of up to 12 months in order to ensure that when ImpediMed

applies to ASX for quotation of the Shares after the transfer restrictions cease to apply, it can give the required warranty that offers to sell the Shares within 12 months will not require disclosure under the Corporations Act. On-sale of the Shares without disclosure may breach the Secondary Trading Restrictions.

If the Shares are issued subject to transfer restrictions, ImpediMed will acquire a Relevant Interest in the Shares. It seeks shareholder approval for the acquisition by ImpediMed and its associates of Relevant Interests in the maximum number of Shares issued under the Performance Share Plan or on the exercise of Employee Options which is described below, which arise solely from transfer restrictions applied to those Shares.

The acquisition of the Relevant Interests will not result in ImpediMed or its associates being able to exercise any voting rights in respect of the Shares.

US equity incentive plan

The terms of the US Plan were approved at a general meeting of Members held in April 2008.

Under the terms of the US Plan, a maximum of 4 million Shares may be issued as incentives to United States employees of the ImpediMed group.

On 30 June 2008, 1,305,000 options to subscribe for Shares were issued under the US Plan.

Shares issued under the US Plan may be issued subject to transfer restrictions in order to ensure that when ImpediMed applies to ASX for quotation of the Shares after the transfer restrictions cease to apply, it can give the required warranty that offers to sell the Shares within 12 months will not require disclosure under the Corporations Act. On-sale of the Shares without disclosure may breach the Secondary Trading Restrictions.

If the Shares are issued subject to transfer restrictions, ImpediMed will acquire a Relevant Interest in the Shares. It seeks Member approval for the acquisition by ImpediMed and its associates of Relevant Interests which arise from the application of trading restrictions to a maximum number of 4 million Shares issued under the US Plan.

The acquisition of the Relevant Interests will not result in ImpediMed or its associates being able to exercise any voting rights in respect of the Shares.

Xitron Acquisition Agreement

Prior to listing on ASX, ImpediMed completed the acquisition of Xitron, a Californian corporation, issuing Shares to the vendors as part of the consideration.

The agreement under which Xitron was acquired was summarised in the Prospectus. The Xitron Acquisition Agreement provides for the issue of further Shares to the vendors, subject to the satisfaction of certain milestones.

As a result of the satisfaction of the first milestone relating to the 12 month period which ended on 31 December 2007, ImpediMed issued 757,118 Shares on 30 April 2008. The remaining milestones are:

Milestone 2: for the 12 month period ending 30 June 2008, if Xitron had achieved sales of US\$3,500,000 or more, ImpediMed would have been required to issue 538,462 Shares. This milestone was not achieved;

Milestone 3: for the 12 month period ending 30 June 2009, if Xitron achieves sales of US\$5,000,000 or more, ImpediMed must issue 769,231 Shares;

Milestone 4: for the 12 month period ending 30 June 2010, if Xitron achieves sales of US\$6,500,000 or more, ImpediMed must issue 1,000,000 Shares.

The Xitron Acquisition Agreement provides that the Xitron vendors may be required to enter into agreements in relation to any Milestone Shares issued to them under which they will agree not to sell the Milestone Shares for up to 12 months. These restrictions have been imposed in order to ensure that when ImpediMed applies to ASX for quotation of the Shares after the transfer restrictions cease to apply, it can give the warranty which is required under the Listing Rules that offers to sell the Shares within 12 months will not require disclosure under the Corporations Act. On-sale of the Shares without disclosure may breach the Secondary Trading Restrictions.

Because the issue of further restricted Milestone Shares will result in an increase in ImpediMed's Voting Power in its own Shares, it seeks Member approval for the acquisition by ImpediMed and its associates of Relevant Interests which arise from trading restrictions being applied to the maximum number of 1,769,231 Milestone Shares which may be issued.

The acquisition of the Relevant Interests in Milestone Shares will not result in ImpediMed or its associates being able to exercise any voting rights in respect of the Milestone Shares.

The Board recommends that Members vote in favour of item 5.

Although it is not possible to state with certainty the number of Shares in which ImpediMed and its associates may acquire a Relevant Interest if item 5 is approved, the maximum number of Shares is limited as described in this Explanatory Statement.

If item 5 is not passed, the Company will need to rely on another exception in the takeover provisions of the Corporations Act in order to issue Shares with transfer restrictions. One exception allows very limited acquisitions of relevant interests in any six month period. However, the availability of this exception at any time is not assured.

If no exception from the takeover restrictions was available, ImpediMed would either need to delay issues of the Shares described above or would need to issue them without transfer restrictions which would necessitate the issue by the Company of a "cleansing notice" under the Corporations Act.

Maximum increase in Voting Power

The maximum number of Shares which may be issued under the Performance Share Plan and the Option Plan is 5% of ImpediMed's issued capital, less the number of Shares which have been issued under both plans during the last five years and the number of Employee Options which are outstanding. The

number of Shares which currently represents 5% of ImpediMed's share capital is 4,365,942. As described above, Shares and Employee Options representing a part of that percentage have been issued, so the maximum number which may currently be issued is reduced accordingly. ImpediMed seeks approval in relation to Relevant Interests arising from the maximum number of 4,365,942 Shares, to provide it with the flexibility to issue the maximum number of Shares permitted under the plans in the future.

The maximum number of Shares which may be issued under the US Plan is 4 million Shares. This represents 4.6% of ImpediMed's current issued capital.

The maximum number of Shares which may be issued under the Xitron Acquisition Agreement is 1,769,231 Shares. This represents 2% of ImpediMed's current issued capital.

ImpediMed seeks approval for the issue of the aggregate maximum of 10,135,173 Shares described above which may be issued under the employee plans or under the Xitron Acquisition Agreement, subject to transfer restrictions which will give rise to Relevant Interests in ImpediMed.

The aggregate maximum number of the Shares described above represents 11.6% of ImpediMed's current capital. If all of the Shares were issued now, ImpediMed's Voting Power would increase by a maximum of 11.6% to 42.3% and Starfish's Voting Power would increase by a maximum of 11.6% to 42.7%. **Item 6 – Reinstatement of proportional takeover approval provisions**

The Corporations Act allows companies to include provisions in their constitution which prohibit the registration of a transfer of shares resulting from an offer made under a proportional takeover bid (a bid for a proportion of each shareholder's shares), unless shareholders approve the bid.

Former rule 27 of the Constitution enabled the Company to refuse to register shares acquired under a proportional takeover offer unless a resolution approving the offer was passed by shareholders.

Rule 27 was not renewed for a period of more than three years and in accordance with its terms and the Corporations Act, lapsed after three years.

It is now appropriate to consider reinserting proportional takeover approval provisions in the Constitution. The proposed new rule 27 is substantially the same as the previous rule 27, except that it allows for Member approval to be given by postal ballot.

Proposed rule 27 is in accordance with sections 648D to 648H of the Corporations Act.

The provision enables Members to decide by a majority vote, either at a general meeting or by means of a postal ballot, whether they approve or reject a proportional takeover offer for the Company. The Directors may determine whether the vote is to be taken at a meeting or by postal ballot.

The resolution must be considered at least 14 days before the offer closes.

On a vote, each Member who holds shares in the class of shares which is the subject of the takeover offer is entitled to one vote for each share of the relevant class held. The party making the offer and its associates will be excluded from voting on the resolution. Unless the approval of at least 50% of the votes of the members is obtained, the Company will be prevented from registering the transfer of any shares acquired under the offer. If the resolution is rejected, the offer will be deemed to be withdrawn. If no resolution to approve the bid has been voted on within the required time, a resolution approving the bid will be deemed to have been passed.

As the shares in listed companies are often held by a large number of people, a person may be able to gain effective control of a company when holding less than 50% of the company's issued shares. This can be facilitated by a proportional takeover offer which allows the offeror to specify the percentage shareholding it wishes to achieve. As a result, shareholders may not have the opportunity to dispose of all of their shares to the offeror even if there is a risk that the takeover may cause a decrease in the market price of the shares.

Members may feel pressured into accepting an offer even if they did not want control of the Company to pass to the offeror because they may not wish to take the risk, in the event that the offer is successful and effective control of the Company passes to the offeror, of:

- 1 being left as part of a minority interest in the Company;
- 2 the value of the shares decreasing;
- 3 the shares becoming less attractive and accordingly difficult to sell.

The rule enables the Directors to formally ascertain the views of the Members in the event of a proportional takeover offer.

Members will have an opportunity to study the offer and then attend or be represented by a proxy at a meeting of members called specifically to vote on the offer or alternatively to exercise their vote pursuant to a postal ballot. This will permit a majority of Members to prevent a proportional takeover if they believe control of the Company should not pass to the offeror and may avoid the problems set out in the paragraphs numbered 2 and 3 above. If an offer is rejected by the resolution, it will encourage any future proportional takeover offers to be in terms attractive to the majority of Members.

A potential disadvantage of the rule is that it may discourage proportional takeovers by making them more difficult to proceed and accordingly may reduce an element of takeover speculation in the Company share price on ASX.

A further possible disadvantage is that members who would otherwise accept the offer to sell a portion of their shares will be denied that opportunity where a majority reject the offer.

Finally, the proposed procedure introduces an additional formal mechanism to the existing statutory takeover requirements.

None of the Directors is aware of a proposal by a person to acquire or to increase the extent of a substantial interest in the Company. While rule 27 was previously in effect, there were no takeover bids made for the Company, either proportional or full. Therefore, there are no actual examples against which to review the advantages and disadvantages of rule 27, for the Directors and the Members, of the Company during this period.

The Directors consider that Members should have the benefit of such a provision in the Constitution and recommend that they vote in favour of item 6.

The proposed rule 27 is set out in the schedule to this Explanatory Statement.

4 Glossary

In this Explanatory Statement, and in the Notice, the following terms have the following meaning unless the context otherwise requires:

Annual General Meeting means the annual general meeting of the Members convened pursuant to the Notice for the purposes of considering the resolutions set out in the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

Board means board of directors of the Company.

Company or **ImpediMed** means ImpediMed Limited.

Constitution means the constitution of the Company.

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

Director means a director of the Company.

Employee Options means options issued under the Option Plan.

Employee Shares means Shares issued under the Performance Share Plan.

Listing Rules means the listing rules of ASX.

Member means holder of Shares.

Notice means the notice in **Part 1** pursuant to which the Annual General Meeting is convened.

Option Plan means the Company's staff option plan, described in the Prospectus.

Performance Share Plan means the Company's performance share plan, described in the Prospectus.

Placement Shares means the 5,600,001 Shares issued by the Company and referred to in item 4 of the Notice.

Prospectus means the Company's prospectus dated 11 September 2007 and lodged with ASIC on that date.

Relevant Interest has the meaning given to that term in the Corporations Act.

Remuneration Report means the section of the Directors' report contained in the annual financial report of the Company for the year ended 30 June 2008 entitled "Remuneration Report".

Secondary Trading Restrictions means the restrictions on sales on securities without disclosure under section 707 of the Corporations Act.

Shares means fully paid ordinary shares in the Company.

Starfish means Starfish Ventures Pty Ltd, the manager and general partner of Starfish Technology Fund 1, L.P. ARBN 112 405 044.

US Plan means the 2008 US Equity Incentive Plan considered by Members at the general meeting held on 21 April 2008.

Voting Power has the meaning given to that term in the Corporations Act.

Xitron means Xitron Technologies, Inc.

Xitron Acquisition Agreement means the agreement for the acquisition of Xitron, described in the Prospectus.

Schedule

27. PARTIAL TAKEOVERS

27.1 Interpretation

For the purposes of this rule:

'Proportional Takeover Bid' has the same meaning as given to that term by section 9 of the Law;

'Relevant Day' in relation to a Proportional Takeover Bid, means the day that is 14 days before the end of the period during which the offers under the Proportional Takeover Bid remain open;

a reference to a **'person associated with'** another person has the meaning given to that expression by Division 2 of Part 1.2 of the Law.

27.2 Approval of partial takeovers bids

- (a) Subject to the Listing Rules, where offers have been made under a Proportional Takeover Bid in respect of shares in a class of shares in the Company, the registration of a transfer giving effect to a takeover contract for the bid is prohibited unless and until a resolution (in this rule referred to as an 'Approving Resolution') to approve the Proportional Takeover Bid is passed in accordance with the provisions of this rule.
- (b) A person (other than the bidder or an associate of the bidder) who, as at the end of the day of which the first offer under the Proportional Takeover Bid was made, held shares in the class to which the bid relates is entitled to vote on an Approving Resolution and, for the purpose of so voting, is entitled to one vote for each of the shares held in that class.
- (c) An Approving Resolution is to be voted on either at a meeting, convened and conducted by the Company, of the persons entitled to vote on the Approving Resolution, or by means of a postal ballot conducted in accordance with the provisions of this rule, as determined by the Board.
- (d) The provisions of these rules that apply in relation to a general meeting of the Company, with such modifications as the circumstances require, apply in relation to a meeting that is convened to vote on an Approving Resolution as if such a meeting was a general meeting of the Company.
- (e) If the Board determines that the Approving Resolution is to be voted on by postal ballot:
 - (i) the Board must procure the dispatch to the persons entitled to vote on the Approving Resolution of:

- (A) a notice proposing the Approving Resolution;
 - (B) a ballot paper for the purpose of voting on the Approving Resolution;
 - (C) a statement setting out details of the Proportional Takeover Bid; and
 - (D) a memorandum explaining the postal ballot procedure that is to govern voting in respect of the Approving Resolution;
- (ii) a vote recorded on a ballot paper will not be counted, for the purposes of determining whether or not the Approving Resolution is passed, unless the ballot paper is:
- (A) completed and signed by the person entitled to vote on the Approving Resolution or the attorney of that person, duly authorised in writing, or if the person entitled to vote on the Approving Resolution is a body corporate in a manner permitted by the Law, or under the hand of its attorney so authorised; and
 - (B) received at the registered office of the Company on or before the time and the date specified for its return in the notice proposing the Approving Resolution, such date to be not less than 18 days before the end of the period during which offers under the Proportional Takeover Bid remain open; and
- (iii) on the date specified for the return of ballot papers in the notice proposing the Approving Resolution or the Business Day following that date, the Directors will arrange for the ballot papers returned to be counted to determine whether the Approving Resolution has been passed or not. On completion of counting, the Board will declare the results of the ballot and the Approving Resolution will accordingly be treated as having been voted on upon the date of the declaration.
- (f) An Approving Resolution that has been voted on in accordance with this rule, is taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one half, and otherwise is taken to have been rejected.

- (g) Where offers have been made under a Proportional Takeover Bid then the Board must ensure that a resolution to approve the Proportional Takeover Bid is voted on in accordance with this rule before the Relevant Day.
- (h) Where a resolution to approve a Proportional Takeover Bid is voted on, in accordance with this rule, before the Relevant Day, the Company must, on or before the Relevant Day:
 - (i) give to the bidder; and
 - (ii) serve on each notifiable securities exchange in relation to the Company,

a notice in writing stating that a resolution to approve the Proportional Takeover Bid has been voted on and whether the resolution has been passed, or has been rejected, as the case requires.
- (i) Where, at the end of the day before the Relevant Day no resolution to approve the Proportional Takeover Bid has been voted on in accordance with this rule, a resolution to approve the Proportional Takeover Bid is to be, for the purpose of this rule, deemed to have been passed in accordance with this rule.
- (j) Where a resolution under this rule is rejected, then:
 - (i) notwithstanding section 652A of the Law, all offers under the Proportional Takeover Bid that have not, as at the end of the Relevant Day, been accepted, and all offers (in this paragraph referred to as the 'accepted offers') under the Proportional Takeover Bid that have been accepted and from whose acceptance binding contracts have not resulted, at the end of the Relevant Day, are deemed to be withdrawn at the end of the Relevant Day;
 - (ii) the bidder is, forthwith after the end of the Relevant Day, to return to each person who has accepted any of the accepted offers any documents that were sent by the person to the bidder with the acceptance of the offer;
 - (iii) the bidder is entitled to rescind, and is required, forthwith after the end of the Relevant Day, to rescind, each binding contract resulting from the acceptance of an offer made under the Proportional Takeover Bid; and
 - (iv) a person who has accepted an offer made under the Proportional Takeover Bid is entitled to rescind the contract (if any) resulting from that acceptance.

- (k) This rule ceases to have effect on the third anniversary of the later of the date of adoption or last renewal of this rule.”