



SONIC HEALTHCARE LIMITED

ACN 004 196 909

THIS DOCUMENT IS IMPORTANT

If you do not understand it or are in any doubt about how to act, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

NOTICE OF ANNUAL GENERAL MEETING 2008 AND EXPLANATORY MEMORANDUM

The annual general meeting of shareholders will be held in The Winten Teale Buchanan Room, Four Seasons Hotel at 199 George Street, Sydney NSW on 20 November 2008, commencing at 10.00am (Sydney time).

If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf. Proxies must be appointed in accordance with the instructions set out in the proxy form enclosed with this booklet. Proxy appointments must be received by no later than 10.00am (Sydney time) on 18 November 2008.

A copy of Sonic's concise report for the financial year ended 30 June 2008 is accessible on Sonic's website at the following address:

www.sonichealthcare.com/annualreports.aspx.

As permitted by the *Corporations Act 2001* (Cth), a physical copy of the concise report has been sent only to shareholders who have elected to receive a physical copy.

Notice of Annual General Meeting 2008

Notice is given that the 2008 Annual General Meeting of Sonic Healthcare Limited (“Sonic” or “the Company”) will be held in The Winten Teale Buchanan Room, Four Seasons Hotel, 199 George Street, Sydney NSW on Thursday, 20 November 2008, commencing at 10.00am (Sydney time).

Agenda

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider:

- (a) the financial report of the Company;
- (b) the directors’ report; and
- (c) the auditor’s report

for the financial year ended 30 June 2008.

Re-election of Directors

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

1. **THAT** *Mr Peter Campbell, who retires in accordance with Article 71 of the Company’s Constitution and, being eligible, offers himself for re-election, is re-elected as a director of the Company.*
2. **THAT** *Mr Lou Panaccio, who retires in accordance with Article 71 of the Company’s Constitution and, being eligible, offers himself for re-election, is re-elected as a director of the Company.*
3. **THAT** *Mr Chris Wilks, who retires in accordance with Article 71 of the Company’s Constitution and, being eligible, offers himself for re-election, is re-elected as a director of the Company.*

VOTING NOTE:

All members are entitled to vote on Resolutions 1, 2 and 3.

Remuneration Report

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

4. **THAT** the remuneration report for the financial year ended 30 June 2008 is adopted.

VOTING NOTE:

All members are entitled to vote on Resolution 4. The vote on this resolution is advisory only and does not bind the Company or its directors.

SPECIAL BUSINESS

Issue of shares to the underwriter of the DRP in relation to the 2008 final dividend

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

5. **THAT**, for the purposes of ASX Listing Rule 7.4, approval is given to the issue by the Company on 10 October of 4,939,366 ordinary shares to the underwriter of the Dividend Reinvestment Plan of the Company (**DRP**) in relation to the 2008 final dividend of the Company.

VOTING NOTE:

The Company will disregard any vote cast on Resolution 5 by Citigroup Global Markets Australia Pty Limited (**Citi**), and by any associate of Citi.

However, the Company will not disregard a vote cast on Resolution 5 if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Approval of the issue of securities under the Sonic Healthcare Limited Employee Option Plan as an exception to ASX Listing Rule 7.1

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

6. **THAT**, for the purposes of ASX Listing Rule 7.2 and all other purposes, the issue of options, and shares following the valid exercise of such options, under and in accordance with the terms of the Sonic Healthcare Limited Employee Option Plan be approved.

VOTING NOTE:

Sonic shall disregard any votes cast in respect of Resolution 6 by:

- an executive director of the Company (on the basis that they are eligible to participate in an employee incentive scheme of the Company); and
- any associate of an executive director of the Company.

However, the Company will not disregard a vote cast on Resolution 6 if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Issue of 1,750,000 options to Dr Colin Goldschmidt, the Company's Chief Executive Officer and Managing Director, under the Sonic Healthcare Limited Employee Option Plan as the long term incentive component of his remuneration for the 2009, 2010 and 2011 financial years, subject to the terms and conditions set out in the attached Explanatory Memorandum

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

7. **THAT**, for the purposes of ASX Listing Rule 10.14 and all other purposes, approval is given for the issue to, and the acquisition by, Dr Colin Goldschmidt of 1,750,000 options under the Sonic Healthcare Limited Employee Option Plan and subsequently up to 1,750,000 ordinary shares in the Company following the valid exercise of any such options subject to the terms and conditions referred to in the Explanatory Memorandum section of this Notice.

VOTING NOTE:

Sonic shall disregard any votes cast in respect of Resolution 7 by:

- Dr Colin Goldschmidt;
- all other executive directors of the Company (on the basis that they are eligible to participate in an employee incentive scheme of the Company); and
- any of their associates.

However, the Company will not disregard a vote cast on Resolution 7 if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

Issue of 875,000 options to Mr Chris Wilks, the Company's Finance Director and Chief Financial Officer, under the Sonic Healthcare Limited Employee Option Plan as the long term incentive component of his remuneration for the 2009, 2010 and 2011 financial years, subject to the terms and conditions set out in the attached Explanatory Memorandum

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

8. **THAT**, for the purposes of ASX Listing Rule 10.14 and all other purposes, approval is given for the issue to, and the acquisition by, Mr Chris Wilks of 875,000 options under the Sonic Healthcare Limited Employee Option Plan and subsequently up to 875,000 ordinary shares in the Company following the valid exercise of any such options subject to the terms and conditions referred to in the Explanatory Memorandum section of this Notice.

VOTING NOTE:

Sonic shall disregard any votes cast in respect of Resolution 8 by:

- Mr Chris Wilks;
- all other executive directors of the Company (on the basis that they are eligible to participate in an employee incentive scheme of the Company); and
- any of their associates.

However, the Company will not disregard a vote cast on Resolution 8 if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the Chairman of 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.

ADDITIONAL INFORMATION:

This Notice is accompanied by an Explanatory Memorandum which provides an explanation of the business of the meeting, including the proposed resolutions.

Voting Entitlements

1. For the purposes of the 2008 Annual General Meeting, the shares of the Company that are on issue as at 7.00pm on 18 November 2008 will be taken to be held by the persons who held them at that time. Accordingly, you will be entitled to vote at the meeting if, and only if, you are a registered member of the Company at 7.00pm on 18 November 2008. Transfers registered after that time will be disregarded in determining members entitled to attend and vote at the meeting.

Proxies

2. A member has a right to appoint a proxy, who need not be a member of the Company.
3. If a member is entitled to cast two or more votes, the member may appoint two proxies. If a member appoints two proxies, neither proxy is entitled to vote on a show of hands.
4. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the member's voting rights (disregarding fractions).
5. You may return your proxy form to Sonic's share registry by faxing, posting or delivering it to the relevant address below, or to the registered office of Sonic.

By fax: 1800 783 447
By Mail: Sonic Healthcare Limited
C/o Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
6. To be effective for the scheduled meeting, your proxy form must be received no later than 48 hours before commencement of the Annual General Meeting (i.e. by 10.00am (Sydney time) on 18 November 2008). A proxy form accompanies this Notice.
7. Alternatively, you may appoint a proxy using an electronic facility available at the website www.investorvote.com.au. At the website, members will be able to view an electronic version of the proxy form, which will accept proxy appointments and register them accordingly. A member who wishes to use this facility must register their proxy appointment by no later than 10.00am (Sydney time) on 18 November 2008.
8. A proxy may decide whether or not to vote on any motion, unless the proxy is required by law or the Company's constitution to vote. Unless a member specifically directs the proxy how to vote on a proposed resolution, the proxy may vote as he or she thinks fit on that resolution. If the member specifically directs the proxy how to vote on a proposed resolution, the proxy may only vote on that item in the way the member directed.

9. If a member appoints the Chairman of the meeting as proxy and does not direct the Chairman how to vote on any of the proposed resolutions set out in this Notice, then the Chairman intends to vote in favour of the resolution if a poll is called on the resolution.

By ORDER of the Board of directors

A handwritten signature in black ink, appearing to read 'Paul Alexander', with a long, sweeping horizontal stroke extending to the right.

Paul Alexander
Company Secretary

Dated: 20 October 2008

Explanatory Memorandum

ORDINARY BUSINESS

Financial Statements and Reports

The financial report of the Company and the reports of the directors and auditors for the financial year ended 30 June 2008 will be laid before the Annual General Meeting, as required by the *Corporations Act 2001 (Cth)* (**Corporations Act**). Shareholders can access a copy of the reports (which form part of Sonic's 2008 Annual Report) and a copy of the concise report on the Company's website at www.sonichealthcare.com. As permitted by the Corporations Act, a physical copy of the concise report has been sent only to shareholders who have elected to receive a physical copy.

During this item of business, shareholders will be provided with a reasonable opportunity to ask questions about, and make comments on, the reports and the management, business and performance of the Company.

Shareholders will also be given a reasonable opportunity to ask a representative of the Company's auditor, PricewaterhouseCoopers, questions 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 or the independence of the auditor in relation to the conduct of the audit. Shareholders may also submit a written question to PricewaterhouseCoopers if the question is relevant to the content of the auditor's report for the financial year ended 30 June 2008 or the conduct of the audit of the financial report for that year. Questions for the auditor must be received by the Company by no later than Tuesday, 13 November 2008. At the meeting, PricewaterhouseCoopers will be given the opportunity to answer, or table written answers to, relevant questions.

Resolutions 1, 2 and 3 – Re-election of Directors

Under Article 71 of the Constitution of the Company and in accordance with the Listing Rules of ASX Limited, no director, other than the Managing Director, may hold office for a continuous period in excess of 3 years or past the third Annual General Meeting following the director's appointment, whichever is the longer, without submitting for re-election. Mr Campbell, Mr Panaccio and Mr Wilks are required to retire as directors at the end of the 2008 Annual General Meeting but, being eligible, offer themselves for re-election.

Brief biographical details of Mr Campbell, Mr Panaccio and Mr Wilks are set out below:

MR PETER CAMPBELL

F.C.A., F.T.I.A., F.A.I.C.D.

Mr Campbell is a Chartered Accountant with his own practice based in Sydney. He is a Fellow of the Institute of Chartered Accountants in Australia, the Taxation Institute of Australia and the Australian Institute of Company Directors. He is a Registered Company Auditor. Mr Campbell is considered to be an independent director and is the Chairman of the Audit Committee and a member of both the Remuneration Committee and the Nominations Committee. Mr Campbell is currently a non-executive director of Silex Systems Limited (since 1996), Admerex Limited (since January 2007) and also of QRxPharma Limited (since April 2007).

Mr Campbell has been a director of the Company since 1993.

MR LOU PANACCIO

B.Ec, C.A., M.A.I.C.D.

Mr Panaccio is a chartered accountant with strong management experience in business and healthcare services. He is currently Managing Director of the Monash IVF Group, non-executive Chairman of Health Networks Australia, non-executive Chairman of CPW Group and a non-executive director of the Inner Eastern Community Health Service in Victoria. He was formerly a non-executive director of Primelife Corporation Limited from 2001 until November 2005. Mr Panaccio was the Chief Executive Officer and an executive director of Melbourne Pathology for ten years to 2001. Mr Panaccio is considered to be an independent director and is a member of the Audit Committee.

Mr Panaccio has been a director of the Company since 2005.

MR CHRIS WILKS

*Finance Director and Chief Financial Officer
B.Comm. (Univ Melb), A.S.A., F.C.I.S., F.A.I.C.D.*

Mr Wilks has a background in chartered accounting and investment banking. He was previously a partner in a private investment bank and has held directorships for a number of public companies. Mr Wilks is the Chairman of the Risk Management Committee. He is a non-executive director of Independent Practitioner Network Limited (since August 2005), an executive director of Silex Systems Limited (since 1988), and was formerly a non-executive director of SciGen Ltd from 1999 to October 2005.

Mr Wilks has been a director of the Company since 1989, and the Finance Director and Chief Financial Officer since 1992.

Resolution 4 – Remuneration Report

Sonic's 2008 Annual Report contains a remuneration report (which forms part of the directors' report), which sets out the board's remuneration policy and reports the remuneration arrangements in place for directors and specified executives for the financial year ended 30 June 2008.

A resolution for adoption of the remuneration report will be put to the vote at the Annual General Meeting, as required by the Corporations Act. In accordance with the Corporations Act, the vote on Resolution 4 will be advisory only and will not bind the directors or the Company.

Shareholders will be provided with a reasonable opportunity to ask questions about and make comments on the remuneration report at the Annual General Meeting.

SPECIAL BUSINESS

Resolution 5 - Issue of shares to the underwriter of the DRP in relation to the 2008 final dividend

BACKGROUND

On 21 August 2008, the Company announced that it had entered into an underwriting agreement with Citi in respect of its DRP for the 2008 final dividend of 32 cents per share, which was payable to participating shareholders on 9 October 2008. Shares issued to Citi were priced at a discount of 1% to the arithmetic average of the daily volume weighted average price of Sonic shares sold (excluding off-market trades) on the ASX during the pricing period from 16 September 2008 and concluding on 29 September 2008. Shares issued to existing shareholders under the DRP were issued on 9 October 2008 at a 2.5% discount. Approximately \$64 million was underwritten by Citi. On 10 October 2008, shares were issued to Citi as follows:

Persons to whom the issue was made	Date of Issue	No. of shares issued	Issue price	Terms of shares issued	Use of funds raised
Issued to Citi under an underwriting agreement	10 October 2008	4,939,366	\$12.92	Ordinary shares ranking equally with other all other ordinary shares in the Company	To fund the balance of the Company's 2008 final dividend not reinvested by shareholders in the DRP.

EFFECT OF APPROVAL

In general terms, Listing Rule 7.1 of the ASX Listing Rules imposes a 15% cap on the number of shares that can be issued by Sonic, without the approval of shareholders (or an ASX waiver), in any 12 month period (**15% limit**). However, Sonic is permitted to issue shares (or other securities) in excess of the 15% limit if those shares are issued in reliance on an exception to Listing Rule 7.1 or the issue is approved by shareholders (or an ASX waiver is obtained). Listing Rule 7.4 enables shareholders to subsequently approve the issue of such shares for the purposes of Listing Rule 7.1.

The effect of the approval by shareholders of Resolution 5 would be that the shares set out in the above table will not count towards the 15% limit and would effectively increase the number of shares from which the 15% limit is calculated for the 12 months following the date of issue.

The directors consider that it is appropriate and prudent, and in the best interests of the Company, for approval to be sought at the Annual General Meeting in respect of the issue of shares to Citi under the underwriting agreement, as this approval will enhance Sonic's flexibility to finance strategic transactions through raising equity capital should the directors consider that it is in the best interests of the Company to do so.

If this approval is not given at the meeting, the Company may need to incur the costs and delay of convening a special meeting of the Company in order to approve the issue of securities proposed by the directors during the period up to 9 October 2009 (i.e. 12 months from the date of issue).

Accordingly, the directors are seeking the approval of shareholders at the Annual General Meeting for the purposes of Listing Rule 7.4 so that the issue of shares to Citi under the underwriting agreement will not count towards the 15% limit.

Resolution 6 - Approval of the issue of securities under the Sonic Healthcare Limited Employee Option Plan as an exception to ASX Listing Rule 7.1

The Sonic Healthcare Limited Employee Option Plan (Plan) was last approved by shareholders for the purposes of ASX Listing Rule 7.2 at the 2003 Annual General Meeting held on 27 November 2003. Since the date of that approval, a total of 2,280,000 options and 6,695,650 shares have been issued under the Plan.

Shareholder approval is accordingly being sought under Resolution 6 for the purposes of ASX Exception 9 in ASX Listing Rule 7.2 as an exception to Listing Rule 7.1. Exception 9 provides that if shareholders approve the issue of securities under an employee incentive scheme (such as the Plan) as an exception to Listing Rule 7.1, then Listing Rule 7.1 will not apply to any issue under that scheme for the 3 years following the date of approval. Accordingly, if Resolution 6 is passed, the number of securities (shares or options) issued under the Plan by the Company for the 3 years following the date of this Annual General Meeting, including those options issued to Dr Goldschmidt and Mr Wilks under Resolutions 7 and 8, will not count towards the 15% limit. As the last approval of the Plan given by shareholders was more than 3 years ago, the Company believes it to be an appropriate corporate governance initiative to seek approval of the issue of securities under the Plan to re-start the application of Exception 9 to the Plan.

SUMMARY OF THE TERMS OF THE PLAN

In accordance with the requirements of Exception 9 to ASX Listing Rule 7.1, the terms of the Plan are summarised below. A complete copy of these terms is available to shareholders free of charge on request.

1. Participants

The Company may offer options under the Plan as the Board sees fit to the following persons:

- a full-time or part-time employee of the Company or any of its associated bodies corporate;
- an executive director of the Company or any of its associated bodies corporate who has been such a director for a continuous period of at least one year; and
- any other person that provides services to the Company or any associated body corporate who the Board deems to be covered by the Plan.

2. Exercise price

Unless determined otherwise by the Board, the exercise price of an option issued under the Plan will be determined by adding 5 cents to the weighted average sale price per share for Sonic shares sold on ASX in the five business days preceding the date of issue of the option.

3. Exercise of options

Unless determined otherwise by the Board, the options will vest and become exercisable as follows:

- up to 50% of the options held may be exercised after 30 months from the date of issue;
- up to 75% of the options held may be exercised after 42 months from the date of issue;
- up to 100% of the options held may be exercised after 54 months from the date of issue; and
- options may not be exercised at any time after 58 months from the date of issue of the options, or if the options have lapsed.

If an option holder ceases to be an employee or director by reason of dismissal, expiry of contract or resignation (other than as a result of the person reaching retirement age or suffering an illness or

incapacity), the options held by that person will lapse unless the Company determines otherwise. If an option holder ceases to be an employee or director by reason of retirement (as defined in the Plan), the options held by that person will remain capable of exercise in accordance with the time periods described above unless the Board determines otherwise.

Options may be exercised after the option holder gives the Company notice together with payment of the exercise price. Shares will be issued to that person within 21 days of the Company's receipt of such notice and in a multiple of 500 shares or otherwise the number of shares applicable to the remainder of the options to be exercised.

4. Consideration

Any monetary consideration payable for an issue of options must not exceed the lesser of 1 cent and 1% of the exercise price of the option.

5. Maximum number of shares

The number of shares that would be issued were each option under the Plan exercised must not at any time exceed 5% of the total number of shares in the Company on issue disregarding issues of options or issues of shares on the exercise of options following an offer or invitation to a person situated outside Australia or by an excluded offer or invitation.

Shares issued on the exercise of an option will rank equally in all respects with other issued ordinary shares in the Company and the Company must apply for the quotation of such shares.

6. Takeover bid

All unexercised options will become exercisable within 30 days (or such longer period as the Board determines) of a takeover bid being made in respect of shares in the Company. After such period, unexercised options will continue in force subject to the terms of the Plan.

7. Adjustment

In the event of a pro-rata, bonus or cash issue, the number of shares underlying the options on issue and the exercise price of the options may be adjusted in accordance with the ASX Listing Rules and the terms of the Plan. Adjustments will also be made in the event of a reorganisation of the capital structure of Sonic, including consolidations, sub-divisions and cancellations. In any case, the rights of an option holder must be changed under a reorganisation of the Company's issued capital to the extent necessary to comply with the Listing Rules applicable at the time of such reorganisation.

8. Rights to new issues

Options do not confer on the relevant holder any rights to participate in new issues of securities by the Company or any other body corporate, except any rights arising in respect of a reorganisation of the Company's issued capital.

9. Alteration of the Plan

Subject to the requirements of the ASX Listing Rules, the Board may at any time vary the terms of the Plan, provided that the interests of the participants are not, in the opinion of the Board, materially prejudiced.

Resolutions 7 and 8 – Issue of options to Dr Goldschmidt, Chief Executive Officer and Managing Director, and Mr Wilks, Finance Director and Chief Financial Officer, as the long term incentive components of their remuneration for the 2009, 2010 and 2011 financial years.

BACKGROUND

The previous long term incentive arrangements for Dr Goldschmidt and Mr Wilks applied for the 5 financial years up to and including 2008 (having been approved by shareholders at the 2004 and 2005 Annual General Meetings). Properly designed equity incentives are an important component of senior executive remuneration. The Board has therefore designed the proposed grant of options to these key executives as the long term incentive component of their remuneration for the 2009, 2010 and 2011 financial years, to ensure their remuneration is in line with market expectations and appropriate to retain their services, after taking into consideration their other remuneration components. Independent external advice has been considered by the Board in formulating this proposal. The Remuneration Committee has negotiated these arrangements with Dr Goldschmidt and Mr Wilks, subject to shareholder approval. Should shareholders not approve the issue of the options, the Board will need to negotiate non equity long term incentives of an equivalent value for Dr Goldschmidt and Mr Wilks.

Shareholder approval is therefore sought for the issue by the Company of 1,750,000 options to Dr Colin Goldschmidt and 875,000 options to Mr Chris Wilks under the Plan, and the subsequent issue of ordinary shares in the Company to these directors following the valid exercise of any such options. The specific terms and conditions of these options are set out in this Explanatory Memorandum.

Approval under ASX Listing Rule 10.14

Shareholder approval of the issue of the securities proposed under Resolutions 7 and 8 is required under ASX Listing Rule 10.14, which prohibits the Company from permitting any director of the Company to acquire newly issued securities under an employee incentive scheme, such as the Plan, without the approval of shareholders. ASX Listing Rule 10.15A requires this Notice to include the information provided below in relation to the options proposed to be granted to the above named directors.

If Resolutions 7 and 8 are passed, a maximum of 1,750,000 options and 875,000 options will be issued to Dr Colin Goldschmidt and Mr Chris Wilks respectively. Each option to be issued will entitle the option holder to one ordinary share in the Company following the exercise of the options (including payment of the exercise price), subject to certain conditions including the performance-based criteria described below. No consideration is payable in respect of the options issued to the directors. The proposed exercise price of the options is the Volume Weighted 5 day Average Market Price (5 day VWAP) of Sonic shares at the date of issue.

None of the directors of the Company or any of their associates have received any securities under the Plan since the last approval of the Plan by the shareholders (which was given at the 2003 Annual General Meeting on 27 November 2003). The executive directors of the Company, being Dr Colin Goldschmidt, Mr Chris Wilks, Dr Philip Dubois, Mr Colin Jackson, and Dr Hugh Scotton are currently the only persons referred to in Listing Rule 10.14 (that is, the directors of the Company and their associates) who are entitled to participate in the Plan.

There have been no loans made in respect of the directors' proposed acquisition of options under Resolutions 7 and 8.

Details of any securities issued under the Plan will be published in each annual report of the Company relating to the period in which securities have been issued, including that approval for the issue of securities was obtained under ASX Listing Rule 10.14.

Any other directors, or associates of such directors, of the Company who become entitled to participate in the Plan after Resolutions 7 and 8 are approved who are not named in this Notice will not participate until approval is obtained under Listing Rule 10.14.

If approved under Resolutions 7 and 8, the options will be issued to Dr Goldschmidt and Mr Wilks on or before 31 December 2008, being a date within 3 years after the Annual General Meeting as required by Listing Rule 10.15A.9.

The options become exercisable on the date 36 months after the date of grant subject to the fulfillment of the performance conditions set out below or alternatively, on an earlier date where a special circumstance arises.

All options will lapse automatically if not exercised by the date 60 months after the date of the grant of the options.

Performance conditions

Performance conditions are deemed to be an essential component of equity incentives for key executives. The proposed options for the Chief Executive Officer/Managing Director, and the Finance Director/Chief Financial Officer, are subject to challenging performance conditions and are designed to align the interests of the offerees with those of shareholders.

There are two separate performance conditions to be applied to the options with a 50% weighting for each (that is, 50% of the options are subject to the first performance condition, and the other 50% are subject to the second performance condition). The performance conditions are as follows:

Performance condition 1 ('PC1') – 50% weighting – Compound Average Growth Rate ('CAGR') in Earnings per Share ('EPS')

Performance Condition	Hurdle Rate for 100% vesting of PC1
CAGR EPS for the three years ending 30 June 2011	10.0% p.a.

EPS is defined as diluted earnings per share, adjusted for significant items (as agreed by the Board, and including the effects of changes in applicable accounting standards from those in effect for the 2009 financial year), intangible asset write offs/provisions for impairment which represent more than 5% of the group's pre-tax profit for the year, and material capital restructurings that have occurred over the relevant period, as determined by the Board.

Diluted earnings per share for the year ended 30 June 2008 was 73.5 cents. Therefore to meet PC1, diluted earnings per share (as defined above) for the year ending 30 June 2011 must be at least 97.83 cents. If PC1 is not met, the relevant 50% of the total number of options will be forfeited on 30 September 2011. There will be no retesting.

Performance condition 2 ('PC2') – 50% weighting – Sonic's Total Shareholder Return ('TSR') against the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies

TSR target	Percentage of Options that vest (PC2)
Below the 50th percentile	Nil options to which PC2 applies
50th percentile	50% of the options to which PC2 applies
50th to 75th percentile	Progressive scale of an additional 2% for each percentile increase
75th percentile	100% of the options to which PC2 applies

Under PC2, Sonic's performance is ranked by percentile according to its TSR against the TSRs of the component companies of the reference group (being the S&P ASX 100 Accumulation Index, excluding Banks and Resource companies) over the performance period from 1 July 2008 to 30 June 2011.

Options to which PC2 applies that do not vest (due to the appropriate percentile not being reached) in accordance with the PC2 table above will be forfeited on 30 September 2011. There will be no retesting.

Estimated Value of proposed options

For illustrative purposes only, the options have an estimated value of \$2.6857 per option based on the following assumptions, and excluding any discount for the performance conditions:

Input variable	
Notional valuation date	6 October 2008
Sonic share price as at 6 October 2008	\$13.65
Exercise price	\$13.65
Risk free rate (5 year bond rate)	4.88%
Estimated Dividend Yield (Based on 12 month historic)	3.17%
Stock Volatility (3 year historic closing weekly prices)	22.06%
Number of days (Contract Life)	1,826
Estimated value based on the assumptions used	\$2.6857
Annualised value of proposed grant of options to Dr Goldschmidt	\$1.57 million¹
Annualised value of proposed grant of options to Mr Wilks	\$0.78 million²

¹ Calculated by multiplying 1,750,000 options by \$2.6857 and dividing by 3 (vesting period)

² Calculated by multiplying 875,000 options by \$2.6857 and dividing by 3 (vesting period)

The estimated value per option equates to the gross contract value of the options, before allowing for performance probabilities, or other adjustments that may reduce the accounting cost. The 'fair value' of the options will be calculated independently at the time of grant and the value will be expensed over the service period in accordance with the Australian Accounting Standards (AASB 2).

Other Information

- Options issued under the Plan will not be listed on ASX;
- participants will be prohibited from entering into any arrangements to protect the value of any unvested options; and
- the Company will bear all costs associated with the administration of the Plan.

Recommendations

The directors of the Company (excluding Dr Goldschmidt and Mr Wilks) recommend that shareholders vote in favour of Resolutions 7 and 8. Dr Goldschmidt and Mr Wilks make no recommendation on these proposed resolutions in view of their personal interests in the proposed resolutions.



SONIC HEALTHCARE LIMITED