

Notice of Annual General Meeting and Explanatory Memorandum to Shareholders

Date of Meeting

Wednesday, 28 October 2015

Time of Meeting

1:00pm (Sydney time)

Place of Meeting

Level 8

15 Talavera Rd, North Ryde, NSW 2113

A PROXY FORM IS ENCLOSED

This Notice of Annual General Meeting, Explanatory Memorandum and Proxy Form should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your professional advisers.

If you are unable to attend the Annual General Meeting please complete and return the enclosed Proxy Form in accordance with the directions.

LifeHealthcare



ABN 72 166 525 186

➤ Important Notes

ENTITLEMENT TO VOTE

In accordance with Regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that persons who are registered holders of Shares at 1.00pm (Sydney time) on Monday, 26 October 2015 will be entitled to attend and vote at the Meeting as a Shareholder. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

HOW TO VOTE

Shareholders may vote by either:

- a. attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- b. appointing a proxy to attend and vote on their behalf using the Proxy Form accompanying this Notice of Meeting and by submitting their proxy appointment and voting instructions electronically, in person, by post or by facsimile.

VOTING IN PERSON (OR BY ATTORNEY)

Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and their attendance recorded. In the case of persons attending the Meeting as an attorney of a Shareholder, the original power of attorney appointing the person as the Shareholder's attorney (or a certified copy of the power of attorney) must be received by the Company in the same manner and by the same time outlined for proxy forms below.

If your Shares are held jointly, please note that if you and another joint holder both wish to vote at the Meeting, only the vote of the holder named first in the register will be accepted, to the exclusion of the other holder(s).

VOTING BY A CORPORATION

A Shareholder that is a corporation may appoint a body corporate representative to attend and vote for the Shareholder at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has been previously provided to the Company's Share Registry.

VOTING BY PROXY

A Shareholder entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote instead of the Shareholder. A proxy form is included with this Notice of Meeting and an additional proxy form (if two proxies are to be appointed) can be obtained from the Company's Share Registry. A proxy need not be a Shareholder of the Company.

Where two proxies are appointed, each proxy may be appointed to represent a specific proportion of the Shareholder's voting rights on a poll. If the appointment does not specify the proportion or number of votes, each proxy may exercise half of the votes (any fraction of votes will be disregarded). Neither proxy is entitled to vote on a show of hands if more than one proxy attends.

If you appoint a proxy, the Company encourages you to consider directing them how to vote by marking the appropriate box on the Proxy Form for each of the proposed resolutions. If your proxy chooses to vote, he/she must vote in accordance with your directions. If you have directed your proxy to vote, and they fail to attend the Meeting or they choose to not vote, then, on a poll, the Chairman of the Meeting will vote your proxies as directed by you.

If you appoint the Chairman of the Meeting as your proxy (or the Chairman becomes your proxy by default) and you do not direct your proxy how to vote on a resolution, you will be expressly authorising the Chairman to vote as he decides on the relevant resolution. This includes Resolutions 1 and 3 even though these resolutions are connected with the remuneration of members of the Company's Key Management Personnel. The Chairman of the Meeting intends to vote, as your proxy, in favour of each of the proposed resolutions (where permissible).

If you do not want the Chairman of the Meeting to vote, as your proxy, in favour of any resolution, you need to direct your proxy to vote against, or to abstain from voting on, the relevant resolution by marking the appropriate box on the Proxy Form.

If you appoint a Director (other than the Chairman of the Meeting) or another member of the Key Management Personnel (or a Closely Related Party of any such Director or member) as your proxy, you should direct them how to vote on Resolutions 1 and 3 by marking the appropriate box. If you do not do so, your proxy will not be able to vote on your behalf on Resolutions 1 and 3.

The Proxy Form (and the power of attorney or other authority, if any, under which a Proxy Form is signed, or a certified copy of the power or other authority) must be completed and returned no later than 1.00pm (Sydney time) on Monday, 26 October 2015.

Proxies (and, if applicable, powers of attorney or other authorities) may be returned:

Online at www.investorvote.com.au

By mail

Computershare Investor Services
G.P.O. Box 242
Melbourne Victoria 3001
Australia

By facsimile

(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

Any proxy form received after that time will not be valid for the scheduled Meeting.

The Proxy Form must be signed by the Shareholder or the Shareholder's attorney or, if the Shareholder is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation. Where two or more persons are registered as a Shareholder, each person must sign.

➤ Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of LifeHealthcare Group Limited ABN 72 166 525 186 (the Company) will be held at Level 8, 15 Talavera Rd, North Ryde NSW on 28 October 2015 at 1:00pm (Sydney time), for the purpose of transacting the following business referred to in this Notice of Annual General Meeting.

AGENDA

Financial Reports

To receive and consider the financial report of the Company for the year ended 30 June 2015, together with the Directors' Report and the Auditor's Report as set out in the Annual Report.

Resolution 1 – Non Binding Resolution to adopt Remuneration Report

To consider and, if thought fit, pass the following resolution as a **non-binding ordinary resolution** in accordance with section 250R(2) of the *Corporations Act 2001* (Cth) (**Corporations Act**):

“That the Remuneration Report for the year ended 30 June 2015 as set out in the 2015 Annual Report be adopted.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company. Shareholders are encouraged to read the Explanatory Memorandum for further details on the consequences of voting on this Resolution.

Voting exclusion statement: In accordance with section 250R of the *Corporations Act*, the Company will disregard any votes cast on Resolution 1 by or on behalf of a Restricted Voter. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- it is not cast on behalf of a Restricted Voter.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 1 unless:

- the appointment specifies the way the proxy is to vote on Resolution 1; or
- the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1.

Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the *Corporations Act*.

Resolution 2 – Re-election of John Hickey as a Director

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

“That John Hickey, who retires in accordance with rule 6.1(f) (i)(A) of the Constitution and, being eligible for re-election, in accordance with rule 6.1(i) of the Constitution be re-elected as a Director.”

Resolution 3 – Grant of Incentive Options to Matthew Muscio

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

“That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval be given for the Company to issue 312,706 Incentive Options to Matthew Muscio, under the Company's Long Term Incentive Plan, on the terms and conditions set out in the Explanatory Memorandum (including Annexure “A” to the Explanatory Memorandum).”

Voting exclusion statement: The Company will disregard any votes cast on Resolution 3 by Matthew Muscio and any Associate of Matthew Muscio. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the proposed Resolution; and
- it is not cast on behalf of Matthew Muscio or an Associate of Matthew Muscio.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 3 unless:

- the appointment specifies the way the proxy is to vote on Resolution 3; or
- the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 3.

Shareholders may also choose to direct the Chair to vote against Resolution 3 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the *Corporations Act*.

➤ Explanatory Memorandum

Resolution 4 – Financial Assistance: M4 Healthcare Pty Limited

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

“That, in accordance with section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the provision of financial assistance proposed to be given by M4 Healthcare Pty Ltd (ACN 154 585 769) (M4) in connection with the acquisition by Lifehealthcare Distribution Pty Limited (ACN 117 449 911) (the Purchaser), a subsidiary of the Company, of all the issued shares in M4, as described in the explanatory notes accompanying and forming part of this Notice of Annual General Meeting”.

Resolution 5 – Financial Assistance: Medical Vision Australia Cardiology & Thoracic Pty Limited

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

“That, in accordance with section 260B(2) of the Corporations Act 2001 (Cth), approval is given for the provision of financial assistance proposed to be given by Medical Vision Australia Cardiology & Thoracic Pty Ltd (ACN 154 921 829) (MVA) in connection with the proposed acquisition by the Purchaser, a subsidiary of the Company, of all the issued shares in MVA, as described in the explanatory notes accompanying and forming part of this Notice of Annual General Meeting”.

OTHER BUSINESS

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

Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Memorandum.

By order of the Board



David Wiggins
Company Secretary

Dated: 25 September 2015

THIS EXPLANATORY MEMORANDUM IS INTENDED TO PROVIDE SHAREHOLDERS WITH SUFFICIENT INFORMATION TO ASSESS THE MERITS OF THE RESOLUTIONS CONTAINED IN THE ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING OF THE COMPANY. THE DIRECTORS RECOMMEND THAT SHAREHOLDERS READ THIS EXPLANATORY MEMORANDUM IN FULL BEFORE MAKING ANY DECISION REGARDING THE MATTERS SET FORTH IN THE NOTICE.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary appearing at the end of this Explanatory Memorandum unless otherwise defined in the Explanatory Memorandum.

FINANCIAL REPORTS

The first item of the Notice deals with the presentation of the consolidated annual financial report of the Company for the financial year ended 30 June 2015, together with the Directors' declaration and report in relation to that financial year and the Auditor's Report on the financial report. Shareholders should consider these documents and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the accounts and on the management of the Company.

The Chair will also give Shareholders a reasonable opportunity to ask the Auditor or the Auditor's representative questions relevant to:

- a. the conduct of the audit;
- b. the preparation and content of the independent audit report;
- c. the accounting policies adopted by the Company in relation to the preparation of the financial statements; and
- d. the independence of the Auditor in relation to the conduct of the audit.

The Chair will also allow a reasonable opportunity for the Auditor or their representative to answer any written questions submitted to the Auditor under section 250PA of the Corporations Act.

➤ Explanatory Memorandum

RESOLUTION 1 – Adoption of Remuneration Report

Section 250R(2) of the Corporations Act requires the Company to put to its Shareholders a resolution that the Remuneration Report as disclosed in the Company's 2015 Annual Report be adopted. The Remuneration Report is set out in the Company's 2015 Annual Report and is also available on the Company's website (www.lifehealthcare.com.au).

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company.

However, if at least 25% of the votes cast are against adoption of the Remuneration Report at two consecutive Annual General Meetings, the Company will be required to put a resolution to the second Annual General Meeting (**Spill Resolution**), to approve calling a general meeting (**Spill Meeting**). If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must then convene a Spill Meeting within 90 days of the second Annual General Meeting. All of the Directors who were in office when the applicable Directors' Report was approved, other than the Managing Director, will need to stand for re-election at the Spill Meeting if they wish to continue as Directors.

If at least 25% of the votes cast on Resolution 1 are against adoption of the Remuneration Report for 2015, it will not result in the Company putting a Spill Resolution to Shareholders. However, a Spill Resolution will be required if the Remuneration Report at the 2016 Annual General Meeting also receives a vote of more than 25% against its adoption.

The Remuneration Report explains the Board policies in relation to the nature and level of remuneration paid to Directors, sets out remuneration details for each Director and any service agreements and sets out the details of any equity based compensation.

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

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting. In particular, the Directors and other Restricted Voters may not vote on this Resolution and may not cast a vote as proxy, unless the appointment gives a direction on how to vote or the proxy is given to the Chair and expressly authorises the Chair to exercise your proxy, even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. The Chair will use any such proxies to vote in favour of the Resolution. Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on this Resolution.

RESOLUTION 2 – Re-Election of John Hickey as a Director

Rule 6.1(f)(i)(A) of the Constitution provides that one third of Directors (excluding the Managing Director) and any Director appointed to fill a casual vacancy and who must retire from office at the next Annual General Meeting following his or her appointment, must retire at each Annual General Meeting.

Rule 6.1(i) of the Constitution provides that a Director retiring under clause 6.1(f)(i)(A) is eligible for re-election and that Director may by resolution of the Company be re-elected to that office.

Pursuant to rule 6.1(f)(i)(A) of the Company's Constitution, John Hickey retires as a Director and, being eligible, offers himself for re-election in accordance with rule 6.1(i) of the Constitution.

A summary of John Hickey's relevant experience is set out below:

Date appointed:	8 November 2013
Qualifications:	Bachelor of Business from Edith Cowan University
Experience:	Approximately 20 years' experience in the healthcare sector in Australia and Asia, having held a variety of financial, management, operational and group executive roles. Direct experience in the management of private hospitals, medical centres, pathology, radiology, nutraceuticals and pharmacy distribution businesses. Currently a board member of Bethesda Hospital, Perth and works as a consultant in the healthcare industry throughout Australia, Asia and Europe. Has held Chief Financial Officer roles at Healthscope, Symbion Health and Affinity Health. Extensive mergers and acquisitions due diligence experience across various organisations where he held leadership roles.

Directors' recommendation: Other than Mr Hickey, who has a material personal interest in the outcome of Resolution 2, the Directors unanimously recommend that the Shareholders vote in favour of Resolution 2.

RESOLUTION 3 – Grant of Incentive Options to Matthew Muscio

Subject to Shareholder approval under Resolution 3, the Company proposes to grant a total of 312,706 Incentive Options to Matthew Muscio under the terms of the Company's Long Term Incentive Plan (**Option Plan**).

The purpose of the Company's Option Plan is to provide eligible employees with equity based remuneration with a long term performance focus. The full terms and conditions of the Option Plan were released to the ASX on 5 December 2013 and may also be inspected during normal business hours at the registered office of the Company.

The grant of Incentive Options encourages Matthew Muscio 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 have determined (in the absence of Matthew Muscio) that the incentives intended for Matthew Muscio represented by the grant of these Incentive Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Incentive Options to be granted to Matthew Muscio has been determined based upon a consideration of:

- a. the remuneration of Matthew Muscio;
- b. the extensive experience and reputation of Matthew Muscio within the medical devices industry;
- c. the current price of the Company's Shares;
- d. the Directors' wish to ensure that the remuneration offered is competitive with market standards and / or practice. The Directors have considered the proposed number of Incentive Options to be granted and will ensure that Matthew Muscio's overall remuneration is reasonable given the circumstances of the Company and the responsibilities of Matthew Muscio's office; and
- e. incentives to attract and ensure continuity of service of the Company's employees who have appropriate knowledge and expertise, while maintaining the Company's cash reserves. The Company does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed.

Information Requirements – ASX Listing Rules 10.14 and 10.15

ASX Listing Rule 10.14 requires Shareholder approval by ordinary resolution prior to the acquisition of securities by a Director of the Company under an employee incentive scheme. Accordingly, under ASX Listing Rule 10.14, the Company is seeking Shareholder approval to grant 312,706 Incentive Options to Matthew Muscio.

The following information in relation to the Incentive Options to be granted to Matthew Muscio pursuant to Resolution 3 is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- a. 312,706 Incentive Options will be issued, and if all of those Incentive Options vest and are exercised, 312,706 fully paid ordinary shares will be issued to Matthew Muscio;
- b. the Incentive Options will be granted for no consideration. The Incentive Options will be exercisable at a price of \$3.23, calculated as the volume weighted average price for the five trading days on the ASX after the 26 August 2015 Board Meeting at which the Directors approved the granting of the Incentive Options;
- c. at the Annual General Meeting held on 28 October 2014, the Company sought and obtained shareholder approval under Listing Rule 10.14 to grant 158,200 options at an exercise price of \$2.28 to Mr Daren McKennay, who at that time, was a Director and the Chief Executive Officer of the Company;
- d. Matthew Muscio is the only Director, or associate of a Director, who is entitled to participate in the Option Plan;
- e. no loan will be provided by the Company in connection with the grant of the Incentive Options to Matthew Muscio;
- f. a voting exclusion statement has been included under Resolution 3 of the Agenda to this Notice of Annual General Meeting;
- g. the Incentive Options will be issued on a date which will be no later than 12 months after the date of this Meeting; and
- h. further terms and conditions of the Incentive Options to be granted to Matthew Muscio are set out in Annexure "A" to this Explanatory Memorandum.

If approval is given for the grant of the Incentive Options under Listing Rule 10.14, approval is not required under ASX Listing Rule 7.1.

➤ Explanatory Memorandum

Directors' recommendation

Messrs Best and Hickey, and Ms Staunton (who have no interest in the outcome of Resolution 3) recommend that Shareholders vote in favour of Resolution 3. Mr Muscio declined to make a recommendation about Resolution 3 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Incentive Options to him.

RESOLUTIONS 4 and 5 – Financial Assistance: M4 Healthcare Pty Limited and Medical Vision Australia Cardiology & Thoracic Pty Limited

Resolutions 4 and 5 seek the approval of Shareholders, pursuant to section 260B(2) of the Corporations Act, for financial assistance which is proposed to be provided by each of M4 and MVA to assist the acquisition by the Company of all of the issued shares in M4 and MVA (as applicable).

Approval is sought by special resolution, which requires at least 75% of the votes that are cast on the resolution to be in favour of the resolution.

1. Background

Under a share purchase agreement dated 25 May 2015 for shares in M4, the Purchaser acquired all of the issued shares in M4 (the M4 Acquisition). Completion of the M4 Acquisition occurred on 27 May 2015.

The Purchaser has also entered into a conditional share purchase agreement dated 26 August 2015 under which the Purchaser will, subject to the satisfaction of the conditions precedent to completion acquire all of the issued share capital of MVA (the MVA Acquisition). As the Company announced on 26 August 2015, the Company expects that completion of the MVA Acquisition will occur in September 2015.

In order to assist in funding, among other things, the purchase price for the M4 Acquisition, the Purchaser entered into an amendment and restatement deed (First Amendment and Restatement Deed) dated 27 May 2015 to amend and restate the Senior Facility Agreement originally dated 23 October 2013, between Lifehealthcare Pty Limited ACN 130 225 599 (the Borrower) a subsidiary of the Company, the Purchaser and Australia and New Zealand Banking Group Limited (ABN 11 005 357 522) (the Lender) among others. It is proposed that in order to fund the proposed MVA Acquisition, the Purchaser will enter into an amendment and restatement deed to amend and restate the First Amendment and Restatement Deed.

The Finance Documents (as that term is defined below) requires the Borrower to procure that both M4 and MVA:

- a. accede to the Finance Documents as a guarantor by executing an accession letter (Accession Letter), thereby making the same representations and warranties and giving the same undertakings and covenants as set out in the First Amendment and Restatement Deed, in favour of the Lender; and
- b. grants security over all their respective assets and undertakings to the Lender as security for the obligations of all borrowers and guarantors under the 'Finance Documents' (as defined in the First Amendment and Restatement Deed) (the Securities).

In addition to executing the Accession letter and the Security, M4 and/or MVA may, or may be required to:

- a. execute, or accede or consent to, any instrument referred to in, or incidental or related to, the 'Finance Documents' (as defined in the First Amendment and Restatement Deed, and including any document to be entered into at any time for the purpose of amending, varying, replacing, restating, novating or supplementing such instruments) (the Finance Documents);
- b. subordinate their respective intercompany claims;
- c. transfer assets to, or assume other liabilities of the Borrower or other subsidiaries of the Borrower (the Borrower and their respective subsidiaries together the Group);
- d. make available directly or indirectly their respective cash flows or other resources in order to enable other members of the Group to comply with their respective obligations under the Finance Documents; and
- e. provide additional support (which may include incurring additional obligations, giving new guarantees or new security interests) in connection with the Finance Documents, including in connection with any refinancing of amounts owing under or in respect of the Finance Documents.

The execution by each of M4 and MVA of an Accession Letter and the Security, and their subsequent entry into any of the transactions listed or contemplated above (together, the Financial Assistance) will have the effect of M4 and MVA financially assisting in the M4 Acquisition and the MVA Acquisition (as applicable) for the purposes of the Corporations Act.

2. Why Shareholder approval is required

Under section 260A(1) of the Corporations Act, a company may financially assist a person to acquire shares in it or its holding company only in certain limited circumstances, including where the assistance is approved by shareholders under section 260B of the Corporations Act.

Under section 260B(1) of the Corporations Act, shareholder approval must be given by the shareholders of each of M4 and MVA at a general meeting by either:

- a. a special resolution, with no votes being cast in favour of the resolution by the person acquiring the shares (or units of shares) or by their associates; or
- b. a resolution agreed to, at a general meeting, by all ordinary shareholders.

In addition, because:

- a. M4 became a subsidiary of a listed holding corporation (the Company) immediately after the M4 Acquisition; and
- b. MVA will, if completion of the MVA acquisition occurs, become a subsidiary of a listed holding corporation (the Company) immediately after completion of the MVA Acquisition,

the financial assistance must also be approved by a special resolution passed at a general meeting of the Company under section 260B(2) of the Corporations Act.

The giving of the Financial Assistance has been, or will be, approved by a unanimous resolution of the shareholders of both M4 and MVA. Accordingly, it is proposed that the Financial Assistance now be approved by special resolution of the shareholders of the Company.

3. Effect of the Financial Assistance

The operations of each of M4 and MVA will be restricted by the representations and undertakings given by them under the Finance Documents.

The substantial effect of the Financial Assistance on each of M4 and MVA will be that it will have guaranteed the amounts payable under the Finance Documents, and granted one or more security interests over all of their respective assets and undertakings to secure all obligations under the Finance Documents.

The principal advantage to the Company (and, indirectly, to each of M4 and MVA) is to ensure that their respective subsidiaries continue to have the benefit of the facilities provided under the Finance Documents (Facilities) and comply with their respective obligations under the Finance Documents.

Other advantages to M4 and MVA include that they:

- a. may benefit from the working capital facilities provided under the Finance Documents;
- b. may benefit from repayment of their existing indebtedness from funds drawn under the Facilities; and
- c. will be able to draw on the capital resources and management expertise of the Group, while retaining existing expertise and knowledge in the industry in which they operate.

On the other hand, the disadvantages of the Financial Assistance for M4 and MVA include that:

- a. they will become liable for all amounts outstanding under the Finance Documents;
- b. if an event of a default was to occur under the Finance Documents, the Lender may require immediate repayment of all amounts outstanding under the Finance Documents and the Lender may enforce the Securities granted by each of M4 and MVA. This may result in their winding up or the appointment of a receiver and a sale of their respective assets by the Lender or a receiver, which could result in a lower return than could have been achieved had those assets been sold in the ordinary course of business; and
- c. their assets will be subject to the Securities, and their operations and ability to independently obtain finance from other sources may be restricted by the Securities and the undertakings, representations and warranties given under the Finance Documents.

The Directors do not currently believe that any Group member is likely to default on their obligations under the Finance Documents, and believe the Financial Assistance is in the best interests and for the commercial benefit of the Company.

4. Directors recommendation

The Directors unanimously recommend that the Shareholders vote in favour of Resolutions 4 and 5.

5. Notice to ASIC

A copy of this Notice of Annual General Meeting was lodged with the ASIC before being sent to the shareholders of the Company, as required by section 260B(5) of the Corporations Act.

6. Disclosure

The Directors consider that these Explanatory Notes contain all information known to the Company that would be material to the decision of the Company's shareholders on how to vote on the financial assistance resolutions, other than information which would be unreasonable to include because it had previously been disclosed to Shareholders.

➤ Glossary

Term	Meaning
\$	means Australian dollars.
Accounting Standards	has the meaning given to that term in the Corporations Act.
Annual General Meeting	means an annual general meeting of the Company's Shareholders
Annual Report	means the annual report of the Company for the year ended 30 June 2015.
AEDT	means Australian eastern daylight savings time.
Associate	has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the "designated body" for the purposes of that section. A related party of a director or officer of the Company or of a Child Entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.
ASX	means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.
Auditor	means the Company's auditor from time to time.
Auditor's Report	means the report of the Auditor contained in the Annual Report for the year ended 30 June 2015.
Board	means the Directors.
Chair	means the individual elected to chair any meeting of the Company from time to time.
Child Entity	has the meaning given to that term in the Listing Rules.
Closely Related Party	has the meaning given to that term in the Corporations Act.
Company	means LifeHealthcare Group Limited ABN 72 166 525 186.
Constitution	means the Company's constitution, as amended from time to time.
Corporations Act	means Corporations Act 2001 (Cth).
Directors	means the directors of the Company.
Explanatory Memorandum	means the explanatory memorandum accompanying this Notice.
Key Management Personnel	has the meaning given to that term in the Accounting Standards.
Incentive Option	means an option to acquire a Share under the terms of the Company's Long Term Incentive Plan, and on the further terms set out in Annexure "A".
Listing Rules	means the ASX Listing Rules.
M4	means M4 Healthcare Pty Ltd (ACN 154 585 769).
Meeting	means the Annual General Meeting convened by the Notice.
MVA	means Medical Vision Australia Cardiology & Thoracic Pty Ltd (ACN 154 921 829).
Notice	means this Notice of Annual General Meeting.
Notice of Meeting	means this Notice of Annual General Meeting.
Option	means an option to acquire a Share.
Proxy Form	means the proxy form accompanying the Notice.
Purchaser	means Lifehealthcare Distribution Pty Limited (ACN 117 449 911), a subsidiary of the Company.
Remuneration Report	means the remuneration report set out in the Annual Report for the year ended 30 June 2015.
Resolution	means a resolution contained in the Notice.
Restricted Voter	means Key Management Personnel and their Closely Related Parties.
Share Registry	means Computershare Investor Services Pty Limited (ABN 48 078 279 277).
Shareholder	means a member of the Company from time to time.
Shares	means fully paid ordinary shares in the capital of the Company.
Trading Day	means a day determined by ASX to be a trading day in accordance with the Listing Rules.

➤ Annexure “A” to Explanatory Memorandum

The terms and conditions attached to the Incentive Options upon which Shareholders are asked to vote in Resolution 3 are:

1. The first vesting date (Vesting Date) for all Incentive Options is three years after the date they are issued to Matthew Muscio (Issue Date), subject to the satisfaction of the Performance Conditions set out in clause 4 below.
2. The Incentive Options will be cancelled if they have not vested by the first anniversary after the Vesting Date in accordance with clause 5 below or have not been exercised within 5 years after the Issue Date.
3. The Incentive Options will be cancelled if Matthew Muscio ceases to be employed by the Company before the Vesting Date due to:
 - i. resignation;
 - i. dismissal for cause or poor performance; or
 - ii. any other circumstances determined by the Board to constitute a “Bad Leaver” for the purposes of the Option Plan.
4. An Incentive Option will vest and become exercisable to the extent that the following performance conditions (**Performance Conditions**) are satisfied:
 - a. Earnings Per Share Performance Condition:
5. The Incentive Options are tested against the Performance Conditions at the Vesting Date and if the Incentive Options do not vest on the Vesting Date, then the Incentive Options will be tested against the Performance Conditions on the first anniversary after the Vesting Date (Second Vesting Date). If the Performance Conditions are not met on the Second Vesting Date, the Incentive Options lapse and will be cancelled.
6. The Incentive Options are subject to the provisions of the LifeHealthcare Group Limited Long Term Incentive Plan Rules.

Earnings Per Share Performance	% of Incentive Options that vest
Below 7.0% Compound Annual Growth Rate (CAGR)	Nil
7.0% CAGR	50%
Above 7.0% to 11.0% CAGR	Pro-rated vesting on a straight line basis between 50% and 100%
At or above 11.0% CAGR	100%

- b. Share Price Performance Condition:

If at the Vesting Date (or the **Second Vesting Date**, as the case may be), the price of ordinary shares in LifeHealthcare Group Limited exceeds the exercise price of the Incentive Option.

The share price will be determined as the volume weighted average price for the five trading days on the Australian Securities Exchange prior to the Vesting Date.

