

Notice of Annual General Meeting and Explanatory Memorandum to Shareholders

Date of Meeting Tuesday, 28 October 2014

Time of Meeting 12:00pm (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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of LifeHealthcare Group Limited ABN 72 166 525 186 (Company) will be held at Level 8, 15 Talavera Rd, North Ryde NSW on 28 October 2014 at 12:00pm (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 2014, 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 2014 as set out in the 2014 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 Bill Best as a Director

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

"That Bill Best, who retires in accordance with rule 6.1(e) of the Constitution and, being eligible for re-election, be re-elected as a Director."

Resolution 3 – 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(e) of the Constitution and, being eligible for re-election, be re-elected as a Director."

Resolution 4 – Re-election of Donna Staunton as a Director

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

"That Donna Staunton, who retires in accordance with rule 6.1(e) of the Constitution and, being eligible for re-election, be re-elected as a Director."

Resolution 5 – Re-election of Michael Alscher as a Director

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

"That Michael Alscher, who retires in accordance with rule 6.1(e) of the Constitution and, being eligible for re-election, be re-elected as a Director."

Resolution 6 – Grant of Incentive Options to Daren McKennay

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 158,200 Incentive Options to Daren McKennay, 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 6 by Daren McKennay and any Associate of Daren McKennay. However, the Company need not disregard a vote if:

- a. 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
- b. it is not cast on behalf of Daren McKennay or an Associate of Daren McKennay.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 6 unless:

- a. the appointment specifies the way the proxy is to vote on Resolution 6; or
- b. 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 6.

Shareholders may also choose to direct the Chair to vote against Resolution 6 or to abstain from voting.

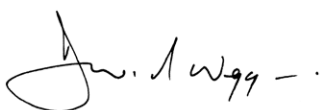
If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

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: 26 September 2014

EXPLANATORY MEMORANDUM

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 2014, 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.

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 2014 Annual Report be adopted. The Remuneration Report is set out in the Company's 2014 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 2014, it will not result in the Company putting a Spill Resolution to Shareholders, as 2014 is the first Annual General Meeting. However, a Spill Resolution will be required if the Remuneration Report at the 2015 Annual General Meeting 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 BILL BEST AS A DIRECTOR

Rule 6.1(d) of the Constitution provides that the Directors may appoint any natural person to be a director either as an addition to the existing directors or to fill a casual vacancy. Bill Best was appointed as a director on 8 November 2013.

Rule 6.1(e) of the Constitution provides that a Director appointed under rule 6.1(d) must retire from office at the next annual general meeting following his or her appointment. Rule 6.1(i) of the Constitution provides that a Director retiring under clause 6.1(e) 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(e) of the Company's Constitution, Bill Best 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 Bill Best's relevant experience is set out below:

Date appointed: 8 November 2013

Qualifications: Bachelor of Commerce and a Bachelor of Laws from The University of Melbourne
Master of Commerce in Finance from The University of New South Wales.

Experience: Involved in investment banking and stockbroking for over 30 years. Formerly an Executive Director at Macquarie Group Limited for 13 years, which included being the joint head of Macquarie Equity Capital Markets division.
A director of Literacy Planet, Chair of Inala (a Rudolph Steiner organisation supporting individuals with disabilities), and also a director of the Australian Chamber Orchestra and Chair of the Australian Chamber Orchestra Instrument Fund.

Directors' recommendation: Other than Mr Best, 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 – RE-ELECTION OF JOHN HICKEY AS A DIRECTOR

Rule 6.1(d) of the Constitution provides that the Directors may appoint any natural person to be a director either as an addition to the existing directors or to fill a casual vacancy. John Hickey was appointed as a director on 8 November 2013.

Rule 6.1(e) of the Constitution provides that a Director appointed under rule 6.1(d) must retire from office at the next annual general meeting following his or her appointment. Rule 6.1(i) of the Constitution provides that a Director retiring under clause 6.1(e) 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(e) 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: Over 17 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 3, the Directors unanimously recommend that the Shareholders vote in favour of Resolution 3.

RESOLUTION 4 – RE-ELECTION OF DONNA STAUNTON AS A DIRECTOR

Rule 6.1(d) of the Constitution provides that the Directors may appoint any natural person to be a director either as an addition to the existing directors or to fill a casual vacancy. Donna Staunton was appointed as a director on 8 November 2013.

Rule 6.1(e) of the Constitution provides that a Director appointed under rule 6.1(d) must retire from office at the next annual general meeting following his or her appointment. Rule 6.1(i) of the Constitution provides that a Director retiring under clause 6.1(e) 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(e) of the Company's Constitution, Donna Staunton retires as a Director and being eligible, offers herself for re-election in accordance with rule 6.1(i) of the Constitution.

A summary of Donna Staunton's relevant experience is set out below:

Date appointed: 8 November 2013

Qualifications: BA, LLB

Experience: Extensive corporate and government experience in both the public and private sectors, in listed and unlisted companies and in the Not-for-Profit area.

Originally trained as a lawyer and spent a number of years working at the associate level with one of the largest law firms in Australia. After leaving her law practice (and before establishing The Strategic Counsel), Ms Staunton moved into roles on the Senior Management Teams of a Fortune 500 company, an ASX Top 20 Company and the CSIRO, the largest non-government research organisation in Australia. First woman to sit on the Business Council of Australia. Also the Chief Executive Officer of the Hearing Care Industry Association.

Served on the boards of Workcover NSW, the National Breast Cancer Centre, the Global Foundation, CSIRO Publishing and the Institute of Public Affairs. Currently on the board of the Mental Health CRC and is a member of its audit committee. Also a member of the Australian Institute of Company Directors. In her current role as Managing Director of The Strategic Counsel, Ms Staunton has worked with both sides of politics for more than 20 years and has been appointed to senior government boards by both the Liberal and Labor governments.

Directors' recommendation: Other than Ms Staunton, who has a material personal interest in the outcome of Resolution 4, the Directors unanimously recommend that the Shareholders vote in favour of Resolution 4.

RESOLUTION 5 – RE-ELECTION OF MICHAEL ALSCHER AS A DIRECTOR

Rule 6.1(d) of the Constitution provides that the Directors may appoint any natural person to be a director either as an addition to the existing directors or to fill a casual vacancy. Michael Alscher was appointed as a director on 8 November 2013.

Rule 6.1(e) of the Constitution provides that a Director appointed under rule 6.1(d) must retire from office at the next annual general meeting following his or her appointment. Rule 6.1(i) of the Constitution provides that a Director retiring under clause 6.1(e) 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(e) of the Company's Constitution, Michael Alscher 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 Michael Alscher's relevant experience is set out below:

Date appointed: 8 November 2013

Qualifications: Bachelor of Commerce (Finance and Mathematics) from The University of New South Wales

Experience: Managing Partner and founder of Crescent Capital Partners, a leading Australian private equity investment firm with over \$1 billion under management.

Prior to founding Crescent Capital Partners, Michael was a consultant at Bain International and the LEK Partnership. Involved in the healthcare industry since 1991, and Chair of Lifehealthcare Pty Limited since its foundation until time of listing and Chair of National Hearing Care, the largest audiology provider in the Asia Pacific region. Currently the non-executive Chair of Cover-More Travel Insurance, Crumpler and National Dental Care; and a non-executive director of ClearView, and GroundProbe.

Directors' recommendation: Other than Mr Alscher, who has a material personal interest in the outcome of Resolution 5, the Directors unanimously recommend that the Shareholders vote in favour of Resolution 5.

Resolution 6 – Grant of Incentive Options to Daren McKennay

Subject to Shareholder approval under Resolution 6, the Company proposes to grant a total of 158,200 Incentive Options to Daren McKennay 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 Daren McKennay 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 Daren McKennay) that the incentives intended for Daren McKennay 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 Daren McKennay has been determined based upon a consideration of:

- a. the remuneration of Daren McKennay;
- b. the extensive experience and reputation of Daren McKennay 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 or/and practice. The Directors have considered the proposed number of Incentive Options to be granted and will ensure that Daren McKennay's overall remuneration is reasonable given the circumstances of the Company and the responsibilities of Daren McKennay'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 158,200 Incentive Options to Daren McKennay.

The following information in relation to the Incentive Options to be granted to Daren McKennay pursuant to Resolution 6 is provided to Shareholders for the purposes of ASX Listing Rule 10.15:

- a. 158,200 Incentive Options will be issued, and if all of those Incentive Options vest and are exercised, 158,200 fully paid ordinary shares will be issued to Daren McKennay;
- b. the Incentive Options will be granted for no consideration. The Incentive Options will be exercisable at an exercise price calculated as the volume weighted average price for the five trading days on the Australian Securities Exchange prior to the Annual General Meeting on 28 October 2014;
- c. the Company has not previously sought shareholder approval under Listing Rule 10.14 for the grant of Incentive Options;
- d. Daren McKennay 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 Daren McKennay;
- f. a voting exclusion statement has been included under Resolution 6 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 Daren McKennay 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.

Directors' recommendation

Messrs Best, Hickey, Alscher and Ms Staunton (who have no interest in the outcome of Resolution 6) recommend that Shareholders vote in favour of Resolution 6. Mr Daren McKennay declined to make a recommendation about Resolution 6 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.

GLOSSARY

Term	Meaning
\$	means Australian dollars.
Accounting Standards	has the meaning given to that term in the Corporations Act.
Annual Report	means the annual report of the Company for the year ended 30 June 2014.
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 (if any).
Auditor’s Report	means the report of the Auditor contained in the Annual Report for the year ended 30 June 2014.
Board	means the Directors.
Chair or 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 <i>Corporations Act 2001</i> (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.
Meeting	means the Annual General Meeting convened by the Notice.
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.
Remuneration Report	means the remuneration report set out in the Annual Report for the year ended 30 June 2014.
Resolution	means a resolution contained in the Notice.
Restricted Voter	means Key Management Personnel and their Closely Related Parties.
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 6** are:

1. The first vesting date (**Vesting Date**) for all Incentive Options is three years after the date they are issued to Daren McKennay (**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 Daren McKennay ceases to be employed by the Company before the Vesting Date due to:
 - i. resignation;
 - ii. dismissal for cause or poor performance; or
 - iii. 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:

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.

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.