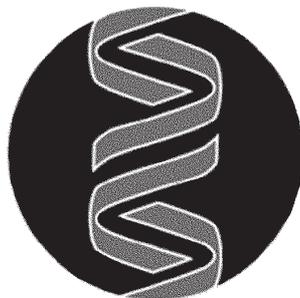


THIS DOCUMENT IS IMPORTANT

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.



SONIC HEALTHCARE LIMITED

ACN 004 196 909

**NOTICE OF ANNUAL GENERAL MEETING 2004 AND
EXPLANATORY MEMORANDUM**

The meeting of shareholders will be held in Ballroom 1, Four Seasons Hotel, 199 George Street, Sydney NSW on 25 November 2004 at 10.00am.

If you are unable to attend the meeting, you are requested to complete the form of proxy enclosed with this booklet and return it to the share registry, Computershare Investor Services Pty Limited, as soon as possible, and in any event, no later than 10.00am on 23 November 2004.



Notice of Annual General Meeting 2004

Notice is given that the 2004 Annual General Meeting of Sonic Healthcare Limited ("Sonic" or "the Company") will be held in Ballroom 1, Four Seasons Hotel, 199 George Street, Sydney NSW on Thursday 25 November 2004 at 10.00am.

AGENDA

ORDINARY BUSINESS

Reports and Accounts

Receipt of the Statement of Financial Position of the Company (and the Group) as at 30 June 2004 and the Statement of Financial Performance for the financial year ended on that date, together with the statements and reports of the directors and the auditor, and notes attached to and intended to be read with the financial statements.

Re-election of Directors

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

1. **THAT** Dr Philip Dubois, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.
2. **THAT** Dr Hugh Scotton, who retires in accordance with Article 71 of the Company's Constitution and, being eligible, offers himself for re-election, be re-elected as a director of the Company.

VOTING NOTE:

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

SPECIAL BUSINESS

Executive Director Remuneration

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

3. **THAT** the participation by Dr Colin Goldschmidt (Managing Director), until 25 November 2007, in the Executive Incentive Plan in the manner set out in the Explanatory Memorandum to this Notice of Meeting be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.

VOTING NOTE:

Sonic shall disregard any votes cast in respect of Resolution 3 by:

- Dr Colin Goldschmidt;
 - all other Directors (on the basis that they are eligible to participate in the Option Plan of the Company);
- and any of their associates.



However, Sonic will not disregard votes cast by any such person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form, or by the Chairman of the meeting as proxy for a member who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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

4. **THAT** the participation by Mr Chris Wilks (Finance Director), until 25 November 2007, in the Executive Incentive Plan in the manner set out in the Explanatory Memorandum to this Notice of Meeting be approved for all purposes, including for the purpose of ASX Listing Rule 10.14.

VOTING NOTE:

Sonic shall disregard any votes cast in respect of Resolution 4 by:

- Mr Chris Wilks;
- all other Directors (on the basis that they are eligible to participate in the Option Plan of the Company);

and any of their associates.

However, Sonic will not disregard votes cast by any such person as proxy for a member who is entitled to vote, in accordance with the directions on the proxy form, or by the Chairman of the meeting as proxy for a member who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

By ORDER of the Board of Directors

Paul Alexander

Company Secretary

Dated, 25 October 2004



NOTES:

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

Voting Entitlement

1. For the purposes of the 2004 Annual General Meeting, shares will be taken to be held by the persons who are registered as members at 7.00pm on 23 November 2004. Accordingly, 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.
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.
5. The form of proxy must be signed by the member or the member's attorney. Proxies given by corporations must be signed in accordance with the member's constitution and the *Corporations Act 2001* (Cth) or under the hand of a duly authorised officer or attorney. In the case of joint holders, the form of proxy must be signed by all holders.
6. 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: 61 8 8236 2305
By Mail: Sonic Healthcare Limited
C/o Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia
7. Your proxy form must be received no later than 48 hours before commencement of the Annual General Meeting (ie by 10.00am on 23 November 2004). A form of proxy accompanies this Notice.
8. Alternatively, you may appoint a proxy by the electronic medium available at the website www.computershare.com/proxy/au/Sonic. At the website, members will be able to view an electronic version of the proxy form, which will accept votes and register them accordingly. A member who wishes to use this medium must register their votes by no later than 10.00am on 23 November 2004.
9. Unless a member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.



EXPLANATORY MEMORANDUM

ORDINARY BUSINESS

Resolutions 1 and 2 - Re-election of Directors

Under Article 71 of the Constitution of the Company and in accordance with the listing rules of Australian Stock Exchange Limited, no 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. Dr Philip Dubois and Dr Hugh Scotton are required to retire as directors at the end of the 2004 Annual General Meeting but, being eligible, offer themselves for re-election. Brief biographical details of Dr Dubois and Dr Scotton are set out below:

- **Dr Philip Dubois** (M.B., B.S., F.R.C.R., F.R.A.N.Z.C.R., F.A.I.C.D.)

Dr Dubois is chairman of the Sonic Imaging Executive Committee and is chairman and CEO of Queensland X-Ray. A neuroradiologist and nuclear imaging specialist, he is currently an Associate Professor of Radiology at University of Queensland Medical School. He has served on numerous government and craft group committees including the Diagnostic Economic Committee and the Council of the Royal Australian and New Zealand College of Radiologists (RANZCR) and the Diagnostic Imaging Management Committee. He is currently Treasurer of the Australian Diagnostic Imaging Association (ADIA), a Councillor and the Radiology Craft Group Representative of the Australian Medical Association (AMA), and member of the Nuclear Imaging Consultative Committee. Dr Dubois is also a member of Sonic Healthcare's Risk Management Committee.

- **Dr Hugh Scotton** (M.B., B.S., F.R.A.N.Z.C.R., D.D.U., F.A.I.C.D.)

Dr Scotton trained in radiology in Adelaide and Brisbane prior to entering private practice in the Hunter Valley in 1972. He was Chairman of Pacific Medical Imaging, incorporating radiology groups in the Hunter Valley, Sydney and Illawarra from 1999 until the acquisition of the group in 2001 by Sonic. Prior to the formation of Pacific Medical Imaging, Dr Scotton was Chairman of the Hunter Imaging Group, the largest imaging practice in the Hunter Valley. He currently retains that position.

SPECIAL BUSINESS

Resolutions 3 and 4 - Executive Director Remuneration

During the 2003/4 financial year, Sonic Healthcare's Remuneration Committee undertook a detailed review of the remuneration arrangements for Dr Colin Goldschmidt (Managing Director) and Mr Chris Wilks (Finance Director) (together the Executives) to ensure their remuneration was in line with current best practice and appropriate to retain their services and provide incentives linked to the Company's performance. The review process included seeking advice from external consultants (both remuneration specialists and the Company's auditors) as well as discussions with a sample of Sonic's institutional shareholders. After much consideration, the Remuneration Committee and the Board determined the following new arrangements which have been agreed with the Executives, pending shareholder approval of the equity components of the package:



1. Base Package

- Dr Goldschmidt - \$750,000 per annum;
- Mr Wilks - \$460,000 per annum;

The base package is inclusive of superannuation and other "packaged" benefits. Director's fees will no longer be paid to the Executives.

2. Short Term Incentives

Bonus

A cash bonus is to be paid half yearly at the time of release of Sonic's half yearly and full year results, as relevant. The cash bonus will be calculated by multiplying the core (pre intangibles amortisation) earnings per share (**Core EPS**) for the relevant 6 month period by:

- in the case of Dr Goldschmidt, 1,000,000; and
- in the case of Mr Wilks, 540,000.

Equity Incentive

The new remuneration arrangements include an incentive plan under which shares and options may be issued to the Executives subject to the satisfaction of performance conditions (the **Executive Incentive Plan**). The terms of the Executive Incentive Plan are described below and in item 3.

Shares may be issued under the Executive Incentive Plan as follows. In the event that the Core EPS is at least 10% greater for the 2003/4 financial year than it was for the 2002/3 financial year, the Executives will be issued with fully paid shares as follows:

- Dr Goldschmidt - 20,000 shares;
- Mr Wilks - 10,750 shares.

If Core EPS growth is less than 10% for that period, no shares will be issued.

However, if Core EPS growth for the 2004/5 financial year is sufficient such that the Core EPS achieved for 2004/5 is greater than or equal to the Core EPS for the 2002/3 year compounded at 10% for the two years, the number of shares listed above will be issued to the Executives immediately following the announcement of the Company's financial results for the 2004/5 financial year.

This short term incentive arrangement will apply each subsequent year, subject to shareholder approval being obtained as described below.

3. Long Term Incentive

Options may be issued under the Executive Incentive Plan as follows. If a Core EPS of at least \$0.42 is achieved for the 2003/4 financial year, the Executives will be granted options over shares in the company as follows:

- Dr Goldschmidt will be granted 1,000,000 options, exercisable at \$7.50; and
- Mr Wilks will be granted 540,000 options, exercisable at \$7.50.

Of the options granted, 50% will vest after 2 years from the date of grant and the remaining 50% will vest after 3 years from the date of grant. The options will lapse if not exercised within 5 years after the date of grant, or if the Executive resigns voluntarily or



the Executive's employment is terminated for cause before the options have vested.

The same number of options will be issued in each subsequent year (subject to shareholder approval being obtained as described below) at the same exercise price of \$7.50 provided that Core EPS growth is at least 10% above the \$0.42 base set for the 2003/4 financial year, and compounded at 10% for each subsequent annual period. As with the short term incentive, if Core EPS growth of at least 10% is not achieved in a particular year but made up in a subsequent year, then options not issued in the previous year will be issued in the subsequent year.

Other terms of the Executive Incentive Plan in respect of the options

Subject to reconstruction in accordance with the ASX Listing Rules on a reorganisation of capital by Sonic, one option confers on the holder the right, on exercise, to be issued with one ordinary share. On their allotment, shares issued on the exercise of options will rank equally in all respects with any issued ordinary shares and Sonic must apply for such shares to be quoted on the ASX.

Options will not confer any right to participate in new issues of securities of Sonic without first exercising the option, nor a right to a change in the exercise price or a change to the number of Shares over which it can be exercised, other than as permitted under the ASX Listing Rules.

ASX Listing Rules 10.14

Under ASX Listing Rule 10.14, an issue of securities under the Executive Incentive Plan to Directors is required to be approved by shareholders. That approval can be given for issues of securities in the 3 years after the date of the meeting at which shareholder approval is obtained. Approval is therefore being sought for the issue of shares and options to the Executives under the Executive Incentive Plan in the manner described above for the period ending on the third anniversary of the date of this year's annual general meeting, namely, 25 November 2007. ASX Listing Rule 10.15A requires this Notice of Meeting to include the following specified information in relation to the shares and options to be granted to the Executives under the Executive Incentive Plan:

- (i) The maximum number of securities that may be acquired by the Executives including the formula (if one is used) for calculating the number of securities to be issued.

	Maximum Number of Shares*	Maximum Number of Options*
Dr Colin Goldschmidt	60,000	3,000,000
Mr Chris Wilks	32,250	1,620,000

*To be issued in 3 equal portions over 3 years, subject to the satisfaction of the performance conditions.

- (ii) The price (including a statement whether the price will be, or be based on, the market price) or the formula for calculating the price for each security to be acquired under the Executive Incentive Plan - the Executives are not required to pay anything for the grant of shares and options under the Executive Incentive Plan. All options granted under the Executive Incentive Plan will have an exercise price of \$7.50.
- (iii) The names of all Directors and their associates who received securities under the Executive Incentive Plan since the last approval, the number of the securities received



and acquisition price for each security. This is not applicable as the Executive Incentive Plan is a new plan. No shares or options have yet been issued under the Executive Incentive Plan.

- (iv) The names of all Directors and their associates entitled to participate in the Executive Incentive Plan - Dr Goldschmidt and Mr Wilks are the only Directors currently entitled to participate in the Executive Incentive Plan.
- (v) A voting exclusion statement - see each "Voting Note" under Resolutions 3 and 4 in the Notice of Meeting.
- (vi) The terms of any loan in relation to the acquisition - not applicable.

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

Any Directors or their associates, other than Dr Goldschmidt and Mr Wilks, who become entitled to participate in the Executive Incentive Plan after the approval of Resolutions 3 and 4 may not participate until shareholder approval of their participation is obtained under ASX Listing Rule 10.14.

Shares and options may be issued to Dr Goldschmidt and Mr Wilks as described above until 25 November 2007, at which time shareholder approval must be obtained for further issues under the Executive Incentive Plan.

Approval of remuneration arrangements

The base package and cash bonus components of the remuneration arrangements do not require shareholder approval.

If shareholder approval is not obtained under Resolutions 3 and 4 for the issue of shares and options under the short and long term incentives, Sonic will need to provide an equivalent form of remuneration to the Executives.