

*I'm just a normal Kid
with a bit of extra hardware.*

Jack McLeod

Sydney, Australia Age 11



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of Cochlear Limited (the Company) will be held at The Menzies Sydney Hotel, 14 Carrington Street, Sydney, New South Wales on Tuesday, 23 October 2007 at 2.00 pm (AEST).

Business of the Meeting

Ordinary Business

1. Financial and other reports

To receive and consider the Company's Financial Report, Directors' Report and Auditor's Report in respect of the financial year ended 30 June 2007.

2. Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution:

2.1 "THAT the Remuneration Report be adopted."

Note: An explanation of the proposed resolution is set out in the Explanatory Notes attached to this Notice of Annual General Meeting.

3. Re-election and election of directors

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

3.1 "THAT Prof Edward Byrne, AO, being a director who is retiring by rotation in accordance with the Company's Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company."

3.2 "THAT Mr Donal O'Dwyer, being a director who is retiring by rotation in accordance with the Company's Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company."

3.3 "THAT Mr Andrew Denver, being a director who is retiring in accordance with the Company's Constitution (this being the first Annual General Meeting of the Company since his appointment by the directors) and who, being eligible, offers himself for election as a director of the Company, be elected as a director of the Company."

Note: An explanation of the proposed resolutions is set out in the Explanatory Notes attached to this Notice of Annual General Meeting.

Special Business

4. Approval of securities issue to the CEO/President under the Cochlear Executive Long Term Incentive Plan (CELTIP)

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

4.1 "THAT approval be given for:
a) The grant to Dr Christopher Graham Roberts, the CEO/President of the Company, of options calculated in

accordance with the formula, and on the terms, summarised in the Explanatory Notes attached to this Notice of Annual General Meeting (appearing at the end of the Explanatory Notes for Item 4); and

b) The issue to Dr Roberts of any shares upon the exercise of any of those options."

Note: An explanation of the proposed resolution is set out in the Explanatory Notes attached to this Notice of Annual General Meeting. The additional disclosures for this resolution required by ASX Listing Rule 10.15 are set out in the Explanatory Notes to this Notice of Annual General Meeting.

Voting Exclusion Statement: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by Dr Roberts and his associates.

5. To increase the maximum aggregate remuneration of non-executive directors

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

5.1 "THAT with effect from the financial year commencing on 1 July 2007, the aggregate maximum sum available for remuneration of non-executive directors is increased by A\$500,000 per year to A\$1,500,000 per year."

Note: An explanation of the proposed resolution is set out in the Explanatory Notes attached to this Notice of Annual General Meeting.

Voting Exclusion Statement: In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by a director of the Company and by any associate of a director of the Company.

6. Adoption of a new Article 12.8A of the Company's Constitution

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

6.1 "THAT the proposed version of new Article 12.8A of the Company's Constitution tabled at the meeting, regarding Direct Voting, be adopted."

Note: An explanation of the proposed resolution (including the text of the proposed new Article 12.8A) is set out in the Explanatory Notes attached to this Notice of Annual General Meeting.

By Order of the Board



NJ Mitchell

Company Secretary

Dated: 30 August 2007

Item 1. Reports and accounts

As required by section 317 of the Corporations Act 2001, The Financial Report, Directors' Report and Auditor's Report of the Company for the financial year ended 30 June 2007 will be laid before the meeting. There is no requirement for a formal resolution on this item.

Item 2. Remuneration Report

As required by section 250R of the Corporations Act 2001, the Remuneration Report of the Company for the financial year ended 30 June 2007 will be laid before the meeting and a resolution that it be adopted will be put to the vote.

The Remuneration Report is set out on pages 47 to 55 (and Note 28 of the financial statements) of Cochlear Limited's 2007 Annual Report. It is also available on the Company's website at www.cochlear.com.

The report explains the structure of, and policy behind, Cochlear's remuneration practices and the link between the remuneration of employees and Cochlear's performance. The report also sets out remuneration details for each director and for the specified executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting. Although there is a requirement for a formal resolution on this item, by operation of section 250R(3) of the Corporations Act 2001 the resolution is advisory only and does not bind the Company.

Resolution 2.1 - directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Item 3. Re-election and election of directors

Pursuant to Article 16.1 of the Company's Constitution, one-third of the directors for the time being (excluding the Company's CEO/President) must retire from office and are then eligible for re-election or, if their number is not a multiple of 3, then the lowest whole number of relevant directors must retire. The directors retiring at this Annual General Meeting in accordance with Article 16.1 are Prof Edward Byrne, AO and Mr Donal O'Dwyer. Both Prof Byrne and Mr O'Dwyer are offering themselves for re-election.



Prof Edward Byrne, AO

Executive Dean of the Faculty of Biomedical Sciences University College, London and Head of the Royal Free and University College Medical School. Member of the Advisory Board and former Dean of Faculty of Medicine, Nursing and Health Sciences at Monash University, Melbourne (2003 – 2007), Deputy Chair of Neurosciences Victoria Limited. Former director of Neurosciences Australia Limited, the Baker Medical Research Institute, Burnet Medical Research Institute, Prince Henry's Medical Research Institute, Southern Health and Mental Health Research Institute.

Chairman of the Medical Science Committee. Member of the Nominations Committee and Technology and Innovation Committee.

Resolution 3.1 - directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.



Mr Donal O'Dwyer

Chairman of Atcor Medical since 2004 and a director of Sunshine Heart Inc since 2004, Mesoblast Limited since 2004 and Angioblast Systems Inc since 2005. President of Cordis Cardiology (Johnson & Johnson medical device business unit with annual turnover of over USD 2 billion) between 2000 and 2004.

Member of the Audit Committee, Medical Science Committee, Nominations Committee and Technology and Innovation Committee.

Resolution 3.2 - directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Pursuant to Article 15.5(a) of the Company's Constitution, the directors have the power to appoint any person as a director, either to fill a casual vacancy or as an addition to the directors. Article 15.5(b) requires that any person appointed as a director pursuant to Article 15.5(a) will retire at the next following annual general meeting of the Company and will then be eligible for election as a director. Mr Andrew Denver was appointed by the Board as a director of the Company with effect from 1 February 2007. Accordingly Mr Denver is retiring at this Annual General Meeting and is offering himself for election.



Mr Andrew Denver

Chairman of Universal Biosensor Pty Limited, director of CathRx Limited, Anzon Australia Limited and Principals Funds Management Pty Limited. Former Managing Director of Memtec Limited and President Asia for Pall Corporation.

Member of the Audit Committee, Nominations Committee and Technology and Innovation Committee.

Resolution 3.3 - directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Item 4. Approval of securities issue to the CEO/President under the CELTIP

In accordance with Australian Securities Exchange Listing Rule 10.14, this resolution is being put to shareholders to seek approval for:

- a) The grant to Dr Christopher Graham Roberts, the CEO/President of the Company, of options calculated in accordance with the formula, and on the terms, summarised in these Explanatory Notes (appearing at the end of the Explanatory Notes for this Item 4);
- b) The issue to Dr Roberts of any shares upon the exercise of any of those options,

in accordance with the CELTIP and where the "Total Value of the Offer" is \$481,565 (being 50% of Dr Roberts' fixed remuneration).

Each option entitles Dr Roberts to subscribe for one ordinary share in the capital of the Company, subject to certain vesting restrictions.

If the shareholders approve the grant of options to Dr Roberts in accordance with the proposed resolution, the options will be taken to be granted as at 20 August 2007, being the date on which options are granted to other Company executives under the CELTIP. The options will be granted for nil consideration with an exercise price of \$63.18, being the weighted average price of ordinary shares in the Company traded on the ASX during the five-day period immediately after the release of the full year results on 14 August 2007, payable on exercise of the options.

Example of calculation of the number of securities relating to Dr Roberts under the CELTIP

Assumptions:

- Based on Dr Roberts' remuneration, his role and the Company's remuneration strategy, the value of the offer is \$481,565.
- The value of an option is defined below and is estimated to be \$8.15.
- Subject to the vesting restrictions (hurdles) described in the Explanatory Notes for this Item 4. – Terms of the CELTIP.

Total Value of Offer ("TVO")	\$481,565
Component	Share Options
Portion	100%
Option Value	\$8.15
Number of Options	$= \frac{TVO}{V}$ $= \frac{\$481,565}{\$8.15}$ $= 59,088 \text{ options}$

Where:

"TVO" = the "Total Value of the Offer" made to the participant under the CELTIP (expressed in dollars), which is a percentage of fixed remuneration of the participant; and

"V" = the value of an option, based on the approximate expense to Cochlear under the Australian Equivalent of International Financial Reporting Standards (AIFRS).

Resolution 4.1 - directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Terms of the CELTIP

Purpose: The CELTIP was approved at the Company's Annual General Meeting for 2003. The CELTIP is designed to reward participants for the long-term growth of the Company.

Structure: Participants are offered a mixture of options (being options to acquire ordinary shares in the Company) and performance shares. The performance shares are actually units of fully paid ordinary shares in the Company, which are held by the Plan Trustee for the benefit of the participant.

Eligibility: Persons who are full-time or part-time employees of Cochlear or an associated body corporate of Cochlear are "Eligible Employees".

Allocation: The CELTIP is administered by the Board. Each year the Board may decide to offer designated Eligible Employees the opportunity to participate in the CELTIP. The number of options and performance shares to be offered to a participant depends upon the participant's salary and the Company's target remuneration package for the participant's position. The mixture of options, performance shares, or both, is determined by the Board, at its discretion.

Vesting restrictions: Both the options and performance shares are subject to vesting restrictions, which will ultimately determine the final number of options which will be exercisable and the number of performance shares received by a participant. The relevant vesting restrictions are:

- A three year vesting period - during which time the participant will be unable to exercise the options or trade the performance shares; and
- The performance of the Company over the vesting period, measured using growth in earnings per share (EPS), and total shareholder return (TSR), according to the table set out below. Half of the offer will be assessed against EPS growth, and the other half using TSR growth.

Compound Annual Growth Rate of EPS over three years		TSR Growth Rate Against S&P/ASX 100 over three years	
Performance	% of Units Vesting	Performance	% of Units Vesting
< 10%	0%	< 50th percentile	0%
10% to 20%	50% - 100% (pro-rata)	50th to 75th percentile	50% - 100% (pro-rata)
> 20%	100%	> 75th percentile	100%

The Board has determined that any options that do not vest will lapse automatically. Similarly, any performance shares that do not vest will be retained by the Plan Trustee (i.e. the Plan Trustee will not transfer those shares to the participant).

Rights: Option holders will not be entitled to any dividend payments until the options are exercised.

Holders of performance shares are entitled to any dividend, a return of capital or other distribution made in respect of any shares held on the participant's behalf by the Plan Trustee. However, any dividends paid on performance shares that are subsequently forfeited will not be passed on to the participant.

Additional conditions: All participants will be bound by the applicable Plan rules. Separate rules apply in respect of options and in respect of performance shares.

A participant must exercise their options within two years after the date of vesting, otherwise the options will lapse.

Whilst participants are employees of the Company, they must abide by Cochlear's Dealing in Securities Policy (available at www.cochlear.com).

If the participant ceases to be an employee of the Company (or Company group), the Board may exercise certain discretions, including to restrict or permit the transfer of performance shares to a participant or prevent an un-vested option from lapsing.

Plan limit: An overall limit applies on the number of options and performance shares that are offered, consistent with the ASX Listing Rules and also the requirement that the number cannot exceed 5% of the total number of issued shares at the time of the offer.

Overriding restrictions: No options or performance shares may be offered under the CELTIP if to do so would contravene the Corporations Act 2001, the ASX Listing Rules, or instruments of relief issued by ASIC from time to time relating to the CELTIP or employee incentive schemes generally.

Administration: The Board may amend, terminate or suspend the operation of the CELTIP and/or any relevant rules of the plan at any time.

Item 5. To increase the maximum aggregate remuneration of non-executive directors

The increase is being sought because:

- a) The Board wishes to allow for increases in fees, if found appropriate, as the current fees maximum aggregate level has not been increased since 2004;
- b) The Board wishes to provide future flexibility to increase the size of the Board, if and when considered appropriate, including for succession planning purposes; and
- c) The Board wishes to allow for future increases in fees to maintain market competitiveness and to reflect increasing demands on non-executive directors.

The Board has closed the Company's non-executive directors' retirement scheme. Non-executive directors' remuneration now reflects the position that it does not include retirement allowances.

Resolution 5.1 – directors' recommendation

As each non-executive director has an interest in this matter, the Board does not believe it is appropriate to make a recommendation to shareholders in relation to voting on Resolution 5.1.

Item 6. Adoption of a new Article 12.8A of the Company's Constitution

The text of the proposed new Article 12.8A is as follows:

"The Directors may determine that at any general meeting or class meeting, an Eligible Member is entitled to a direct vote. A "Direct vote" includes a vote delivered to the Company by post, fax or other electronic means approved by the Directors. The Directors may specify the form, method and timing of giving a direct vote at a meeting in order for the vote to be valid."

The proposed new article would permit the Company to introduce "Direct Voting". If implemented, direct voting would allow shareholders not present at a meeting to vote directly at that meeting by submitting their vote in advance of the meeting. This would enable shareholders' votes to be counted when they cannot attend a meeting, without the appointment of a proxy. Direct voting would avoid the need for shareholders to temporarily transfer their right to attend meetings and vote (or not to vote) to a third party. The Board has not yet made a final decision on whether to introduce direct voting at future meetings. The ability for shareholders to appoint a proxy will remain, even if the Company decides to introduce direct voting for future meetings.

Resolution 6.1 – directors' recommendation

The Board recommends that shareholders vote in favour of the resolution.

Quorum, right to vote and voting exclusion statement

Quorum

The Constitution of the Company provides that two registered shareholders of the Company present personally or by representative, attorney or proxy shall be a quorum for a general meeting of the Company.

Right to vote

Who may vote:

Fully paid shareholders

Persons whose names are set out in the register of shareholders as at 2.00 pm (AEST) on Sunday, 21 October 2007 are entitled to attend and vote at the Annual General Meeting (and at any adjournment of the meeting which is less than 28 days).

Proxies

If you wish to appoint a proxy, you should complete the attached "Proxy Form" and comply with the details set out in that form for lodgement. A proxy need not be a shareholder of the Company.

The Proxy Form must be received not less than 48 hours before the time for holding the 2007 Annual General Meeting (being 2.00 pm (AEST) on Tuesday, 23 October 2007).

Documents may be lodged using the reply paid envelope or by posting, delivery or facsimile to:

Cochlear Limited Share Registry
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne Victoria 3001
Australia
Facsimile +61 (0)3 9473 2118

Number of proxies:

A shareholder of the Company who is entitled to attend and cast a vote at a meeting has a right to appoint a single proxy. A shareholder of the Company who is entitled to attend and cast two or more votes at a meeting has a right to appoint up to two proxies. If you wish to appoint two proxies, contact the Company's Share Registry for another Proxy Form or copy the Proxy Form and follow the directions as to how to complete the two Proxy Forms.

Proportion of votes per proxy:

Where the appointment is for more than one proxy, it may specify the proportion of votes that the proxy may exercise. If the appointment does not specify the proportion of votes that each proxy may exercise, then each proxy may exercise half of the votes of the relevant member.

Voting:

Unless the member specifically directs the proxy how to vote, the proxy may vote as he or she thinks fit or abstain from voting.

Signing of proxies:

The Proxy Form must be signed as follows:

Individual: Where the holding is in one name, the shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the shareholders must sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to the Proxy Form when you return it.

Companies: Where a company has a sole director who is also the sole company secretary, the Proxy Form must be signed by that person. If a company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise, the Proxy Form must be signed by a director jointly with either another director or a company secretary. Please indicate the office by signing in the appropriate place.

Voting exclusion statement

In accordance with the ASX Listing Rules, the Company will not disregard a vote on resolutions 4.1 or 5.1 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 person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

ASX disclosures

ASX Listing Rule 10.15 requires the following additional disclosures for the purposes of Item 5 of these Explanatory Notes:

- (a) The name of the person referred to in ASX Listing Rule 10.14 entitled to participate in the CELTIP is Dr Roberts; and
- (b) Since the last approval under ASX Listing Rule 10.14 at the Company's 2006 Annual General Meeting, Dr Roberts was granted 70,422 options at an exercise price of A\$49.43 per option.

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Cover image

Jack McLeod, bilateral recipient (boy in centre)

Born profoundly deaf

First implant

Year 1997
 Age at implantation 1
 Implant Nucleus® 24
 Processor SPrint™



Processor upgrade

Year 2002
 Age at upgrade 5
 Processor ESPrit™ 3G



Second implant and processor upgrade

Year 2007
 Age at implantation 10
 Implant Nucleus® Freedom™
 Processor Nucleus® Freedom™ x 2

