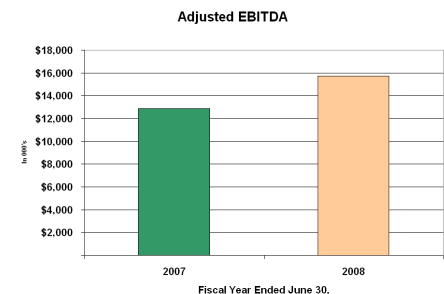
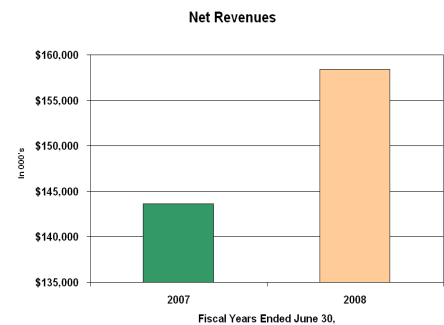
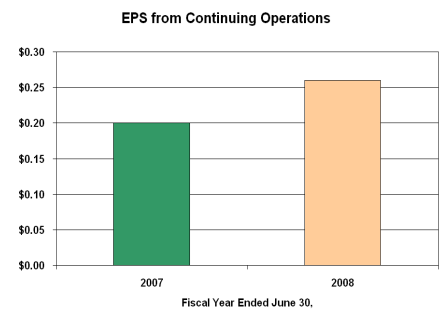


October 1, 2008

Dear Fellow Shareholder,

Fiscal 2008 was a solid year of progress at SunLink Health Systems, Inc. and we achieved a number of significant milestones despite challenges in our industry and the economy in general.

- Earnings per share from continuing operations increased 30% to \$0.26 per share from \$0.20 last year and \$0.53 in 2006. Earnings from continuing operations increased by 27.4 % over fiscal 2007 on a net revenue increase of 10.3 %. We achieved this positive result despite weak patient volume and additional costs relating the Carmichael's acquisition, debt refinancing and review of strategic alternatives.
- Our balance sheet improved during 2008 with an increase in working capital of approximately \$8.9 million and an increase in equity of approximately \$4.2 million.
- We entered into a new \$47.0 million credit facility and used a portion of the proceeds to repay SunLink's existing debt, complete the Carmichael's acquisition, and to pay transaction costs and expenses relating to the refinancing and Carmichael's acquisition. We plan to use the balance for working capital purposes. We believe the terms of the refinancing were favorable in light of the current credit markets, and that this refinancing represents a strong endorsement of our business plan and the value of our assets.
- In April, we purchased Carmichael's Cashway Pharmacy, a specialty pharmacy and infusion business in rural southwest Louisiana, for \$24.0 million (consisting of \$19.0 million cash, \$3.0 million of seller subordinated debt and \$2.0 million of SunLink shares). We believe Carmichael's broadens our rural and exurban healthcare business model and complements our hospital portfolio, including offering the opportunity for operating synergies and some cross-selling to our hospital, nursing home and home health agency patients. At the same time, we believe Carmichael's offers the potential for higher margins, lower capital requirements and faster growth.



(Adjusted EBITDA is a non-GAAP measure of liquidity – See item 7 in Form 10K for further definition of this measure.)

- Because we believe that organic hospital growth has been a safer and more prudent strategy-- given current market conditions-- than hospital acquisitions, we invested over \$8.2 million in our hospitals during fiscal 2008. Our investments included the completion of the renovation project at our Dahlonga, Georgia hospital, the purchase of upgraded imaging equipment and replacement medical equipment, and upgrades of our information technology system. We believe these investments will help us attract patients and increase our roster of physicians, which grew by nine net new physicians in fiscal 2008. We are also confident that these investments position us well for future organic growth and operational improvements.

SunLink has not been immune to negative influences such as Medicaid reimbursement cuts and a suffering economy. These factors affect individuals' healthcare coverage, increase bad debts and dissuade potential patients from seeking the care they need, when they need it. In response to these and other factors, we have modified and upgraded our clinical and business systems to reflect this new reality. The success of our efforts is evident in our moderating level of bad debts and lower cost of labor as a percentage of net revenues. However, these challenges are likely to be with us a while, and we continue to seek cost savings and operating efficiencies to improve our everyday operations.

Our achievements and the opportunities for the future of SunLink have not gone unrecognized. As you know, SunLink has been the target of three unsolicited takeover proposals in the last five years, the latest from a small two-hospital company here in Atlanta, Resurgence Healthcare LLC. In an effort to be prepared to consider proposals that may be made for SunLink from time-to-time, we have established a standing committee of the Board of Directors comprised solely of outside directors. The Strategic Alternatives Committee is charged to evaluate strategic alternatives as they arise and on a continuing basis. The Strategic Alternatives Committee has made no final decision about the Resurgence proposal, and it has not ruled out any strategic option, including a sale of the company or a transaction providing liquidity to shareholders. The Committee has, however, established three criteria for any takeover proposal it considers: (1) adequate price both in light of current market conditions and also consistent with its longer view of the intrinsic value of SunLink, (2) certainty of financing, and (3) minimum execution risk. Your management team, as well as the Board, has worked diligently this year to minimize the disruption from the unsolicited acquisition proposal, and we believe it is essential to maintain a long-term focus on our business to protect and grow the value of the business.

Our efforts to achieve clinical and operational excellence have recently received notice on the national level as two of our hospitals have won clinical quality awards. Trace Regional Hospital in Houston, MS, was named as one of Thomson Reuters' 2007 Top Performance Improvement Leaders and Memorial Hospital of Adel (Georgia) recently received HealthStream® Research's 2007 Excellence Through Insight Award for Overall Emergency Department Satisfaction. Trace and Memorial are the third and fourth of SunLink's seven hospitals to receive national recognition in the last three years for operational excellence or improvement. These awards reflect our continuous commitment to quality operations, which we believe provide a sound basis for our organic growth.

Recognition is appreciated and gives us a better sense of worth, but we are not resting on accolades. As we enter fiscal 2009, we look to the continued efforts of our management team, hospital and specialty pharmacy leaders, physicians and entire SunLink staff to meet increased growth and profit objectives while, at the same time, maintaining and gaining additional support from all of our investors. We appreciate your continued confidence in SunLink.

Sincerely,

Robert M. Thornton, Jr.
Chairman & Chief Executive Officer