

ASX ANNOUNCEMENT

15 June 2018

MARKET UPDATE

- **Capitol introduces equity incentive scheme for Doctors**
- **Capitol reaffirms FY18 earnings guidance**
- **Acquisition of new clinic and employment of Dr Ivor Berman**

Capitol Health Limited (**Capitol** or the **Company**) (ASX: CAJ) is pleased to provide the market with a business update.

Doctor Equity Incentive Scheme

As part of Capitol's strategy of improved clinical focus and Doctor engagement the Company has introduced a Doctor equity incentive scheme.

The scheme involves the issue of unlisted options over ordinary Capitol shares at a 10% premium to the 30 trading day volume weighted average price prior to the offer date.

The scheme is intended to be offered to Doctors on an ongoing basis and has a number of qualifying and vesting conditions;

- Doctors must be employed for at least 6 months to qualify
- The options vest over a three year period (end of year 1 -10%, year 2-20%, and year 3-70%)
- The options have a 3.5 year life
- Several operational and professional qualifying conditions also exist

The first grant of options was offered to Doctors on 11 May 2018 and has now been completed (Appendix 3B to follow this announcement) and involves the issue of 27.9 million options at a strike price of \$0.3006 (30.06 cents per option), to Doctors of the group. 90% of eligible Doctors elected to participate.

The grant of options to eligible Doctors assists in the motivation, retention and reward of Doctors of the Company and its subsidiaries. These options also form an important part of a comprehensive remuneration strategy for the Company's employees, aligning their interests with those of the Company. Further, it seeks to reward performance in support of achievement of business strategy and allows the participant the opportunity to share in the growth in value of the Company.

Reaffirms FY18 Earnings Guidance

The Board is also pleased to advise it reaffirms its EBITDA earnings guidance (before transaction and ISI costs) issued to the market on 27 February 2018 in the range of \$23m -\$25m.

Clinic Acquisition and Employment of Dr Ivor Berman

The Board is also pleased to advise that the Company has acquired a small (2 day / week) radiology clinic in metropolitan Melbourne and secured the full-time services of its owner Dr. Ivor Berman. Dr Berman is a leading

Musculoskeletal Radiologist and Phlebologist (Vein Specialist). With over 20 years of experience, Dr Berman specializes in the diagnosis and treatment of a variety of musculoskeletal and sports injuries.

Dr Berman will be part of our Vermont clinic group in metropolitan Melbourne (including the new Vermont Private Hospital site). Notably, Dr Berman previously held the role of senior Radiologist at the nearby Knox Private Hospital.

Managing Director Andrew Harrison commented “We warmly welcome Dr Berman to the group and are pleased that such a highly regarded specialist has chosen to work with Capital. Dr Berman’s presence at the Vermont clinic group will provide a material boost to Capitol’s already strong presence in the area.”

The Company continues to make progress on a number of acquisitions that it hopes will be finalised over the coming months.

For further information, please contact:

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About Capitol Health

Capitol Health is a leading provider of diagnostic imaging and related services to the Australian healthcare market. Headquartered in Melbourne, Victoria, the Company owns and operates clinics throughout Victoria and Tasmania. The Company’s operational focus is on delivering a community-based infrastructure for radiologists and related medical practitioners to deliver optimal, efficient, accurate healthcare service outcomes for patients.

Capitol also has an investment in diagnostic imaging artificial intelligence through Enlitic Inc in the US and a collaboration agreement with Enlitic regarding revenue share from the sale of Enlitic’s Deep Learning Services in the radiology field in China.

Capitol also recently entered the Chinese diagnostic imaging market through a Joint Venture with CITIC Pharmaceutical (Shenzhen) Co., Ltd (“CITIC Pharmaceutical”) and Xiamen Zhouxin Medical Image Co., Ltd (Zhouxin) to provide consulting and clinic management services to a network of independent imaging clinics to be created by CITIC and Zhouxin across mainland China.