

CAPITOLHEALTH LIMITED

ABN 84 117 391 812

NOTICE OF EXTRAORDINARY GENERAL MEETING

Venue: Level 25, South Tower, 525 Collins Street,
Melbourne VIC 3000, Australia

Date: 5 April 2017

Time: 3.30pm (AEST)

This is an important document. If you are in any doubt as to how to act, you should consult your financial or legal adviser as soon as possible.

Notice is hereby given that an Extraordinary General Meeting of Capitol Health Limited (**Company**) will be held at:

Venue: Level 25, South Tower, 525 Collins Street, Melbourne VIC 3000, Australia

Date: 5 April 2017

Time: 3.30pm (AEST)

This Notice of Meeting (**Notice**) should be read in conjunction with the accompanying Explanatory Statement.

Agenda

Resolution 1 – Issue of Shares to Professional or Sophisticated Investors

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

“That pursuant to ASX Listing Rule 7.1 and for all other purposes, the shareholders approve the issue by the Company to Exempt Investors introduced by Bell Potter Securities Limited of up to 250,000,000 ordinary shares in the Company at an issue price of \$0.14 per share to raise \$35 million, as detailed in the Explanatory Notes which accompany this Notice of Meeting.”

Voting Prohibition Statement: The Company will disregard any votes cast on Resolution 1 by

- any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and
- an associate of that person (or those persons).

However, the Company need not disregard a vote 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 a 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.

Explanatory Statement

The Explanatory Statement is incorporated in and comprises part of this Notice. Shareholders are referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used both in this Notice and the Explanatory Statement.

Proxies

If you are unable or do not wish to attend the Meeting, you may appoint a proxy to attend and vote on your behalf. A proxy need not be a Shareholder.

If a Shareholder is entitled to two or more votes they may appoint two proxies and may specify the number or percentage of votes each proxy is appointed to exercise. If no such number or percentage is specified, each proxy may exercise half the Shareholder's votes.

If you appoint a body corporate as your proxy, the body corporate will need to appoint an individual as its corporate representative to exercise its powers at the meetings and provide satisfactory evidence of the appointment of its corporate representative prior to the commencement of the meeting.

Shareholders are able to lodge proxies by electronic means, by facsimile, or by mail.

If Shareholders wish to lodge their proxies by electronic means, they should do so through the Company's Registry website (www.investorvote.com.au). Alternatively, Shareholders may complete the enclosed proxy form and return it by facsimile or by mail.

To be valid, the appointment of a proxy must be received at least 48 hours prior to the Meeting. The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

Voting Entitlements

For the purposes of section 1074E(2) of the Corporations Act 2001 and regulation 7.11.37 of the Corporations Regulations 2001, the Company has determined that members holding ordinary shares as set out in the Company's share register at 5:00 p.m. (AEST) on 3 April 2017 will be entitled to attend and vote at this General Meeting.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

BY ORDER OF THE BOARD



Jennifer Currie
Company Secretary
2 March 2017

Explanatory Statement

This Explanatory Statement has been prepared to provide Shareholders with material information to enable them to make an informed decision on the business to be conducted at the Extraordinary General Meeting of Capitol Health Limited.

The Directors recommend Shareholders read this Explanatory Statement in full before making any decision in relation to the resolutions.

As announced on 2 March 2017, the Company is seeking prior shareholder approval to the issue of 250,000,000 fully paid ordinary shares in the capital of the Company (**Shares**) under a fully underwritten private placement to Exempt Investors at \$0.14 per Share to raise \$40 million (**Private Placement**). The Exempt Investors have been introduced to the Company by Bell Potter Securities Limited and have signed conditional commitment agreements with Bell Potter Securities Limited (**Commitment Agreements**) to subscribe the funds under the Private Placement.

To enable the Shareholders the opportunity of subscribing for more Shares at the same subscription price as the Exempt Investors under the Private Placement, as announced on 2 March 2017, the Company has also launched the 2017 Share Purchase Plan (**2017 SPP**), open to investors as at the record date of 27 February 2017. The offer under the SPP is conditional on Shareholders approving the proposed private placement which is the subject of Resolution 1 below. If Resolution 1 is not approved, then the Company will not proceed with the 2017 SPP and alternatively will need to review strategic alternatives.

Resolution 1 – Issue of Shares to Professional or Sophisticated Investors

Summary of the terms of the Private Placement

The key terms of the Commitment Agreements entered into by the Exempt Investors is subject to the following condition precedent (**Conditions Precedent**) being the Company obtaining the approval of its Shareholders for the purposes of ASX Listing Rule 7.1 (**Shareholder Approval**)

Regulatory requirements for the Private Placement

ASX Listing Rule 7.1 sets out the regulatory requirements that must be satisfied in relation to the issue of securities under the Private Placement. ASX Listing Rule 7.1 prohibits the Company issuing shares in excess of 15% of the existing share capital in a 12 consecutive month period without prior shareholder approval.

In order to comply with the Commitment Agreements, the Company intends to issue to 250,000,000 Shares credited as fully paid at an issue price of A\$0.14 per Share, which the Company will receive if shareholders approve Resolution 1 and all other conditions are satisfied.

ASX Listing Rule 7.3 requires that a notice of meeting pursuant to which Shareholders are requested to consider approving an issue of shares pursuant to ASX Listing Rule 7.1 must include certain specified information in relation to the securities to be issued, as follows.

This information is set out below:

- (a) maximum number of securities to be issued:
250,000,000 shares (credited as fully paid)
- (b) date which the securities are to be issued
Within 3 months after the date of shareholder approval.
- (c) issue price of the securities:
\$0.14 per Share
- (d) names of the allottee/s (if known):
Exempt Investors introduced by Bell Potter Securities Limited.

- (e) terms of the securities:

Fully paid ordinary shares in the capital of the Company

- (f) the intended use of the funds raised:

To reduce the Company's leverage.

Board Recommendation

The Company's board believes that the issue of these shares the Exempt Investors on the terms described in these Explanatory Notes is of significant benefit to the Company.

The price of \$0.14 represents a 15.15% discount to the last close price on 27 February 2017 (\$0.165), and a 1.89% discount to the 30-day VWAP (\$0.1427) prior to the announcement of the Private Placement.

The proceeds of the issue of Shares will be used to reduce the Company's net debt to bring the Company's leverage ratio in line with those of its peers. The improvement to the Company's balance sheet will provide a platform for growth in the near term.

The Board unanimously recommends that shareholders vote in favour of Resolution 1

Voting Intention

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

Glossary

AEST means Australian Eastern Standard Time.

ASX means ASX Limited (ACN 008 624 691).

ASIC means the Australian Securities & Investments Commission.

Board means the board of directors of the Company.

Company or **Capitol Health** means Capitol Health Limited (ACN 117 391 812).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a current director of the Company.

Exempt Investor means an exempt investor for the purposes of Chapter 6D of the Corporations Act, where the issue of the Shares to the investor, if undertaken, is one that does not require a disclosure document to be prepared by the Company pursuant to section 708 of the Corporations Act, and includes sophisticated and professional investors.

Explanatory Statement means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or **Meeting** means the general meeting convened by the Notice.

Key Management Personnel means those persons details of whose remuneration are included in the Remuneration Report having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (executive or otherwise), as defined in the Corporations Act.

Listing Rules means the official listing rules of ASX.

Notice means this notice of the 2017 Extraordinary General Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a member of the Company, as defined in the Constitution of the Company.