

CAPITOLHEALTH LIMITED

ABN 84 117 391 812

NOTICE OF ANNUAL GENERAL MEETING

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

Date: Wednesday, 22 November 2017

Time: 10.00 a.m. (EDST)

The Annual Report is now available on the Company's website at www.capitolhealth.com.au.

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 the Annual General Meeting of Capitol Health Limited (**Company**) will be held at:

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

Date: Wednesday, 22 November 2017

Time: 10.00 a.m. (EDST)

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

Agenda

Financial and Other Reports – Year Ended 30 June 2017 (no resolution required)

To receive and consider the financial report and the reports of the Directors and of the Auditor for the financial year ended 30 June 2017.

Resolution 1 – Adoption of Remuneration Report

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

“That the Remuneration Report of the Company (as contained in the Directors’ Report) for the year ended 30 June 2017 be adopted.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 1 by or on behalf of the Company’s key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report (“KMP”) or their closely related parties, whether as a securityholder or as a proxy. However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:

- the vote is cast as a proxy;
- the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the Resolution; or
- the voter is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the Resolution; and
 - expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Resolution 2 – Re-election of Ms Nicole Sheffield as Director

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

“That Ms Nicole Sheffield, who retires by rotation in accordance with clause 13.2 of the Company’s Constitution, and who offers herself for re-election, is re-elected as a Director.”

Resolution 3 – Election of Mr Richard Loveridge as Director

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

“That pursuant to Clause 13.4 of the Company’s Constitution, Mr Richard Loveridge who was appointed by the Board as a Director since the last annual general meeting of the Company and who retires and offers himself for election, is re-elected as a Director.”

Resolution 4 – Approval to issue 1,695,062 Performance Rights to Mr Andrew Harrison (or his nominee)

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

“That for the purposes of Listing Rule 10.14 and for all other purposes, approval be given to grant up to 1,695,062 Performance Rights (being a right to acquire up to 1,695,062 fully paid ordinary shares in the Company subject to satisfaction of relevant performance conditions) for no consideration to Mr Andrew Harrison (a Director of the Company), or his nominee, as described in the Explanatory Statement accompanying this Notice of Meeting.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 4 by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those Directors and any votes cast on Resolution 4 by Mr Andrew Harrison or by his associates.

In addition, the Corporations Act provides that a member of the Company’s KMP as disclosed in the Remuneration Report (which includes the Directors and the Chairman) or a closely related party of that KMP, cannot cast a vote on Resolution 4 (in any capacity). However, such restrictions do not apply if the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form specifying how the proxy is to vote; or
- by the Chairman of the meeting as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

If you appoint the Chairman as your proxy and you do not direct the Chairman how to vote, you will be expressly authorising the Chairman to exercise the proxy even if the relevant resolution is connected directly or indirectly with the remuneration of a KMP for the Company.

Resolution 5 – Non-Executive Directors’ Remuneration

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

“That, for the purposes of Listing Rule 10.17 and clause 13.7 of the Company’s constitution and for all other purposes, the aggregate maximum amount of remuneration of the Non-Executive Directors be increased from \$500,000 per annum to an aggregate maximum sum of \$600,000 per annum.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 5 by the Non-Executive Directors or any of their associates. 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.

Resolution 6 – Approval of 10% Placement Facility

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

“That, for the purpose of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of issue) to be calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 6 by any person (and any associates of such a person) who may participate in the 10% Placement Facility 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. 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.

Resolution 7 – Holding a Spill Meeting

Condition for Resolution 7: Resolution 7 will be considered at the AGM only if at least 25% of the votes cast on Resolution 1 are against the adoption of the Remuneration Report. The Explanatory Notes further explain the circumstances in which Resolution 7 will be put to the meeting.

If the condition (described above) is satisfied, to consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, as required by the Corporations Act:

- a meeting of the Company’s members be held within 90 days of the date of the 2017 Annual General Meeting (the **spill meeting**);*
- each of Andrew Demetriou and Nicole Sheffield cease to hold office immediately before the end of the spill meeting; and*
- resolutions to appoint persons to offices that will be vacated immediately before the end of the spill meeting be put to the vote at the spill meeting.”*

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 7 by a member of the Company’s KMP, details of whose remuneration are included in the Remuneration Report, or a closely related party of such member. However, such restrictions do not apply if the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form specifying how the proxy is to vote; or
- by the Chairman of the meeting as proxy for a person who is entitled to vote and who does not specify the way the proxy is to vote.

If you appoint the Chairman as your proxy and you do not direct the Chairman how to vote, you will be expressly authorising the Chairman to exercise the proxy even if the relevant resolution is connected directly or indirectly with the remuneration of a KMP for the Company.

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 meeting 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 10:00 a.m. (EDST) on Monday, 20 November 2017 will be entitled to attend and vote at the Annual 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



Melanie Leydin
Company Secretary

13 October 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 Annual 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.

ORDINARY BUSINESS

Financial Statements and Report

Under the Corporations Act, the Directors of the Company must table the Financial Report, the Directors' Report and the Auditor's Report for Capitol Health for the year ended 30 June 2017 at the meeting.

These reports are set out in the 2017 Annual Report. Shareholders who elected to receive a printed copy of annual reports should have received the 2017 Annual Report with this Notice of Annual General Meeting. In accordance with section 314 (1AA)(c) of the Corporations Act, the Company advises the 2017 Annual Report is available from the Company's website (www.capitolhealth.com.au).

Shareholders will be given reasonable opportunity at the meeting to ask questions and make comments on the Financial Report, the Directors' Report and the Auditor's Report.

Resolution 1 – Adoption of Remuneration Report

General

The Directors' Report for the period ended 30 June 2017 contains a Remuneration Report which sets out the policy for the remuneration of Directors and executives of the Company. In accordance with Section 250R(2) of the Corporations Act the Company is required to present to its Shareholders the Remuneration Report as disclosed in the Company's 2017 Annual Report.

Voting consequences

The vote on Resolution 1 is advisory only and does not bind the Directors or the Company. However, under the Corporations Act, if at least 25% of the votes cast on the resolution at the 2017 annual general meeting are against adoption of the Remuneration Report, then:

- the Company's remuneration report for the financial year ending 30 June 2018 will be required to include an explanation of the Board's proposed action in response or, if no action is proposed, the Board's reasons for this; and
- at that same 2017 annual general meeting the Company will be required to put to Shareholders a resolution proposing that a general meeting ("Spill Meeting") be called (within the following 90 days) to consider the election of Directors of the Company ("Spill Resolution"). For any Spill Resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it. If a Spill Meeting is convened, current Directors Andrew Demetriou and Nicole Sheffield (other than Director Richard Loveridge and Managing Director Andrew Harrison) will cease to hold office immediately before the end of the Spill Meeting and the shareholders then vote at that meeting on the persons to be elected or re-elected as Directors.

At the Company's 2016 annual general meeting, the votes cast against the remuneration report considered at that annual general meeting was more than 25%.

Proxy voting restrictions

A vote must not be cast (in any capacity) on Resolution 1 by or on behalf of the Company's key management personnel (including the Directors), details of whose remuneration are included in the Remuneration Report ("KMP") or their closely related parties, whether as a Shareholder or as a proxy.

However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:

- the vote is cast as a proxy;
- the voter is appointed as a proxy in writing that specifies the way the proxy is to vote on the Resolution; or
- the voter is the chair of the meeting and the appointment of the chair as proxy:
 - does not specify the way the proxy is to vote on the Resolution; and
 - expressly authorises the chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Voting Intention

The Chairman of the meeting intends to vote all available proxies in favour of Resolution 1.

Resolution 2 – Re-election of Ms Nicole Sheffield as a Director

Clause 13.2 of the Constitution requires that at every annual general meeting, one third of the Directors must retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Ms Sheffield retires by rotation and seeks re-election.

Ms Sheffield is the Chief Digital Officer of News Corp Australia. She is responsible for the company's digital revenue growth and strategy; audience and subscription growth; content optimisation and marketing; and digital product innovation. News Corp Australia is the country's number one digital content publisher, with leading brands in news, real estate, sport, food, and fashion. Nicole is also driving the company's video strategy and execution which includes the Storyful business and Unruly in the Australian market.

Her previous experience includes General Manager of Foxtel's LifeStyle Channels Group, senior executive roles at Seven West Media's Pacific Magazines and management roles in the multimedia division of Telstra.

Ms Sheffield is a Director of Chief Executive Women (CEW) and is Chair of the Interactive Advertising Bureau (IAB) Australia Limited. She has a Masters of Business (UTS) and a Bachelor of Arts/Bachelor of Laws (Macquarie University).

Board Recommendation

The Board (other than Ms Sheffield) recommends Shareholders vote in favour of Resolution 2.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 2.

Resolution 3 – Election of Mr Richard Loveridge as a Director

Clause 13.4 of the Constitution states that the Directors may at any time appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Directors appointed under Clause 13.4 hold office until the next following general meeting of the Company and are eligible for re-election at that meeting.

Mr Loveridge was appointed as a Director of the Company on 5 September 2017 as an addition to the existing Directors. In accordance with Clause 13.4 of the Constitution, Mr Loveridge offers himself for re-election as a Director.

Mr Loveridge served as a Corporate Group Partner of Herbert Smith Freehills Lawyers for more than 20 years. Recently he had Managing Partner responsibility for the National Corporate Group. He is currently a consultant to Herbert Smith Freehills. Mr Loveridge's experience includes capital raisings, mergers and acquisitions (including public company takeover and merger

transactions) joint ventures, shareholder agreements, company reorganisations, and corporate head office and advisory matters.

Mr Loveridge has advised a number of Australia's leading companies on matters of corporate governance, remuneration and incentives, and constitutional and Corporations Act matters. He has experience in large transactions including mergers and acquisitions, IPO's and corporate finance deals across various industries.

Mr Loveridge holds Bachelor's degrees in Commerce and Law from the University of Melbourne, along with Graduate Diploma in Applied Finance from the Securities Institute of Australia. He was admitted as a Barrister and Solicitor to the Supreme Court of Victoria in 1988, and is also a council member of Scotch College in Melbourne.

Board Recommendation

The Board (other than Mr Loveridge) recommends Shareholders vote in favour of Resolution 3.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 3.

Resolution 4 – Approval to issue 1,695,062 Performance Rights to Mr Andrew Harrison (or his nominee)

Resolution 4 of this Notice seeks shareholder approval for 1,695,062 Performance Rights (Award) to be granted to Mr Harrison (or his nominee) as a component of his revised overall remuneration package as Managing Director as announced by the Company on 25 August 2017.

Performance Rights are proposed to be granted to Mr Harrison (or his nominee) to align his interests with the interests of shareholders. The grant of the Performance Rights (and the subsequent issue of Shares) to Mr Harrison (or his nominee) is a long-term incentive if pre-agreed performance hurdles are achieved over a three-year vesting period.

The intention is to structure executive compensation such that, depending on seniority, a significant proportion of total remuneration is 'at risk'. It should be recognised that the achievement of these pre-agreed performance hurdles will be to the benefit of all shareholders, and the conversion of the performance rights can only occur if these benefits are realised.

Terms of Performance Rights

These Explanatory Notes have been prepared to comply with Listing Rule 10.15A. No director of the Company, other than Mr Harrison, is eligible for participation in the Employee Incentive Plan.

The 1,695,062 Performance Rights proposed to be issued to Mr Harrison are worth approximately \$487,500 in line with the announcement made by the Company on 25 August 2017. The terms reflect a level of remuneration which is considered by the Board to be appropriate for Mr Harrison's role given the current stage of the Company's development while providing an incentive to retain and adequately motivate Mr Harrison.

The full terms of the Performance Rights are subject to the terms of the Employee Incentive Plan (Plan) as adopted by Shareholders at the Company's 2015 annual general meeting.

If the Performance Hurdles are not satisfied by the Vesting Date the entitlement to Shares will lapse unless:

- (a) the Board decide exceptional circumstances justify the reduction or waiver in whole or in part of the Performance Hurdles; or
- (b) an Accelerated Event occurs.

There is no ability to re-test whether or not the Performance Hurdles have been satisfied after the Performance Period has ended.

The number of Performance Rights which vest will be determined by assessing the performance of the Company based on the following two components:

- 50% weighting to Total Shareholder Return (TSR); and
- 50% weighting to Earnings per Share (EPS).

The key components of the Award to Mr Harrison are as follows:

- Subject to the passing of Resolution 4, it is expected that the 1,695,062 Performance Rights to Mr Harrison will be granted and issued no later than one month after the meeting.
- The Award covers a three-year measurement period commencing 1 July 2017.
- The dollar value of the Award has been determined based on 75% of the Managing Director's fixed annual remuneration. The dollar value of this Award is therefore \$487,500.
- The dollar value of the Award is then divided by the volume weighted average price (VWAP) of CAJ Shares traded on the ASX during the 1 month preceding the change in Managing Director's remuneration package. The VWAP for this Award is \$0.2876.
- No dividends or voting rights are attached to the Award. Shares resulting from the exercise of Performance Rights, following their vesting will have full voting and dividend rights.
- The maximum number of Shares subject of this Award is 1,695,062.
- CAJ Shares are only issued if TSR and/or EPS criteria (as described below) have been met at the completion of the three-year vesting period.
- There is no price paid or payable if the shares are issued.
- The Company may also operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan.
- The Managing Director is responsible for his personal taxation obligations in relation to ownership, sale or dividends received.
- Resignation during the three-year vesting period terminates the Award and the value to the Managing Director is nil.
- Details of the shares issued under the Plan are recorded in the Annual Report in respect of the period during which the shares are issued.

At the date of this Notice of Meeting, 28,000,000 employee options have been issued under the Plan.

50% of the Award will be subject to a TSR condition. The achievement of the TSR target is determined by reference to the increase in CAJ share price plus dividends reinvested over the three-year measurement period compared to a suitable Comparator Group, and linked to the following vesting scale:

- If the CAJ TSR is less than the 50th percentile, then nil share allocation
- If the CAJ TSR is equal to the 50th percentile, then 50% share allocation
- If the CAJ TSR is equal to or greater than the 75th percentile, then 100% share allocation
- If the CAJ TSR is between the 50th and 75th percentile, then pro-rata share allocation

50% of the Award will be subject to an EPS condition. The achievement of the EPS target is determined by reference to the average growth in EPS over the three-year measurement period. EPS is calculated by taking the reported net profit after tax and divided by the reported weighted average shares on issue during each year. The vesting scale is as follows:

- If growth in CAJ EPS is less than 10%, then nil share allocation
- If growth in CAJ EPS is 10%, then 25% share allocation
- If growth in CAJ EPS is 30% or higher, then 100% share allocation
- If growth in CAJ EPS is between 10% and 30%, then pro-rata share allocation

In addition to the Vesting Period and Performance Hurdles, the vesting of Performance Rights is subject to the continuing

employment of Mr Harrison.

It is noted that:

- (a) Mr Harrison's security interests in the Company are:
 - (i) 3,575,773 fully paid ordinary shares; and
 - (ii) 10,000,000 unlisted options exercisable at \$0.1785 (17.85 cents) per option, expiring 17 November 2017.
- (b) the dilution effect of the Performance Rights is in aggregate in the order of 0.21% of the total Shares on issue.

Listing Rule 10.14 requires shareholder approval for the issue of shares to directors under an employee incentive scheme. If the resolution is passed, it will also mean that the grant of the Award to the Managing Director will not utilise any of the Company's placement capacity under Listing Rule 7.1. No further shareholder approval under Listing Rule 7.1 is required for that purpose. Any additional persons referred to in Listing Rule 10.14 who become entitled to participate in the Plan after the resolution was approved and who were not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14.

Board Recommendation

The Board (other than Mr Harrison) recommends Shareholders vote in favour of Resolution 4.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 4.

Resolution 5 – Non-Executive Directors' Remuneration

The Company's Constitution provides that Non-Executive Directors may be collectively paid as remuneration for their services a fixed sum not exceeding an aggregate maximum as determined by the Company at a general meeting. Listing Rule 10.17 prohibits a company increasing the amount of fees it pays to its non-executive directors unless the increase is approved by shareholders.

The Company's Constitution allows the Directors to divide the total aggregate amount between themselves in such manner and proportion as they may from time to time agree. For the purposes of Listing Rule 10.17, the "total amount of directors' fees payable" includes superannuation contributions made for the benefit of Non-Executive Directors and any fees which a Non-Executive Director agrees to sacrifice on a pre-tax basis.

The current total remuneration for all Non-Executive Directors of \$500,000 per annum was approved by shareholders at the 2015 annual general meeting. Approval is sought pursuant to Clause 13.7 of the Company's Constitution and Listing Rule 10.17, to increase the maximum aggregate amount of fees payable to Non-Executive Directors by \$100,000 per annum to \$600,000 per annum.

In determining the proposed increase in aggregate fees to Non-Executive Directors, the following matters were considered:

- (a) The continued growth of the Company and resulting increased required commitment from non-executive directors on the Board and its Committees may require adjustments to remuneration that reflect the growth and are comparative with peer companies;
- (b) to have flexibility to make additional appointments to the Board, having regard to the increased size of the Company;
- (c) to ensure the Company maintains the ability to remunerate, attract and retain non-executive directors of high-calibre; and
- (d) to allow for growth in non-executive directors' remuneration in the future to reflect market competitiveness for non-executive directors with the expertise and experience appropriate for the Company's business.

The Board considers that the total maximum amount of fees payable to the non-executive directors' of the Company in remuneration is reasonable and on par with the role of directors of publicly listed companies of similar size and complexity, having regard to the duties and responsibilities of the position.

It should be noted that the proposed aggregate amount will not be utilised immediately. However, it allows some scope for additions to the Board, should the Board wish to appoint additional Non-Executive Director(s) in the future.

Remuneration for each Non-Executive Director for the 12 months ended 30 June 2017 is detailed in the 2017 Annual Report.

Board Recommendation

The Non-Executive Directors (Mr Demetriou, Mr Loveridge and Ms Sheffield) have an interest in this Resolution and accordingly do not make a recommendation to Shareholders as to how to vote. Mr Harrison has no interest in this Resolution and recommends Shareholders vote in favour of the Resolution.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies in favour of Resolution 5.

SPECIAL BUSINESS

Resolution 6 – Approval of 10% Placement Facility

Resolution 6 seeks shareholder approval in accordance with Listing Rule 7.1A, which enables eligible entities to issue Equity Securities of up to 10% of their issued share capital (**10% Placement Facility**) through placements over a 12 month period upon approval at an annual general meeting. The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that:

- (a) is not included in the S&P/ ASX 300 Index; and
- (b) has a market capitalisation of \$300 million or less (excluding restricted securities and securities quoted on deferred settlement basis).

The Company is an eligible entity.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has two (2) classes of Equity Securities on issue, being Shares (ASX Code: CAJ) and Unlisted Options.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2. Further information on the formula is set out below.

The effect of Resolution 6 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period (defined below) without using the Company's 15% placement capacity under Listing Rule 7.1. Shareholder approval of the 10% Placement Facility is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (a) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; and
- (b) the date of the approval by shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking),
or such longer period if allowed by ASX (**10% Placement Period**).

Resolution 6 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative).

Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that an eligible entity which has obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 10% Placement Period, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

- A is the number of fully paid shares on issue 12 months before the date of issue or agreement:
- plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - plus the number of partly paid shares that became fully paid in the 12 months;
 - plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4.
 - less the number of fully paid shares cancelled in the 12 months.
- D is 10%.
- E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

Minimum Issue Price

The issue price of Equity Securities under Listing Rule 7.1A must be no lower than 75% of the volume weighted average price (VWAP) of Equity Securities in the same class calculated over the 15 Trading Days immediately before:

- the date on which the price at which the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (a) above, the date on which the Equity Securities are issued.

Specific Information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility:

- if the Equity Securities are issued, they will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days immediately before:
 - the date on which the price at which the Equity Securities are to be issued is agreed; or
 - if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- if Resolution 6 is approved by shareholders and the Company issued Equity Securities under the 10% Placement Facility, the existing shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
 - the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the meeting; and
 - the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below is included for illustrative purposes and shows the potential dilution of existing shareholders on the

basis of the market price of Shares as at 13 October 2017 and the current number of Equity Securities for variable 'A' (above) calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice. The table also shows:

- two examples where 'A' has increased, by 50% and 100%. Variable 'A' is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require shareholder approval (e.g. a pro rata entitlement issue) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		Issue Price of \$0.145 (half the current market price)	Issue Price of \$0.290 (current market price)	Issue Price of \$0.580 (double the current market price)
Current Variable A		80,245,661 shares issued (10% dilution)		
802,456,607 Shares	<i>Funds raised</i>	\$11,635,621	\$23,271,242	\$46,542,483
50% increase in current Variable A		120,368,491 shares issued (10% dilution)		
1,203,684,911 Shares*	<i>Funds raised</i>	\$17,453,431	\$34,906,862	\$69,813,725
100% increase in current Variable A		162,219,693 shares issued (10% dilution)		
1,604,913,214 Shares*	<i>Funds raised</i>	\$23,271,242	\$46,542,483	\$93,084,966

* The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1

The table has been prepared on the following assumptions:

- There are currently 802,456,607 Shares on issue as at the date of this Notice of Meeting.
- The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- This table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that shareholder's holding at the date of the meeting.
- The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
- The issue price is 29 cents, being the closing price of Shares on ASX on 13 October 2017.

Shareholders should note that there is a risk that:

- the market price for the Company's Shares may be significantly lower on the issue date than on the date of the meeting; and

- ii. the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 6 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- non-cash consideration for the acquisition of new assets or investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such an acquisition).

The Company will comply with the disclosure obligations under Listing Rule 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

- (e) The Company's allocation policy will be dependent on the purpose of the proposed issue and the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility.

The identity of the allottees of Equity Securities, where the issue is made for cash consideration, will be determined on a case-by-case basis having regard to, but not limited to, the following factors:

- the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
- the effect of the issue of the Equity Securities on the control of the Company;
- the financial situation and solvency of the Company; and
- advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

- (f) A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or identifiable class of existing security holder to participate in the issue of the Equity Securities. Accordingly, no existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

Information under Listing Rule 7.3A.6:

The table below shows the total number of equity securities issued in the past 12 months preceding the date of the AGM and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period with all numbers noted on a post-consolidation basis.

Equity securities issued in the prior 12 month period	533,070,161
Equity securities issued in the prior 12 month period	291,028,304

Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	54.59%
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See below details of all equity securities made in the previous 12 months:

Date of issue: 29 November 2016
Number issued: 3,000,000
Type of equity security: Unlisted Options
Terms of securities: Unlisted Options exercisable at \$0.1979 (19.79 cents) per option in accordance with the terms of the Company's Employee Incentive Plan.
Recipient of securities: Various Employees
Price: Nil
Consideration received: Nil
Use of consideration: Proceeds raised upon exercise of the unlisted options will be used to fund on-going working capital requirements

Date of issue: 11 April 2017
Number issued: 287,028,304
Type of equity security: Fully Paid Ordinary Shares
Terms of securities: Fully Paid Ordinary Shares in the capital of the Company (ASX: CAJ) (terms are set out in the Constitution)
Recipient of securities: Professional and Sophisticated Investors (Placement) and Eligible Shareholders (SPP)
Price: \$0.14 (14 cents) per share
Consideration received: \$40,183,963
Use of consideration: Proceeds raised to reduce net debt

Date of issue: 10 August 2017
Number issued: 500,000
Type of equity security: Fully Paid Ordinary Shares
Terms of securities: Fully Paid Ordinary Shares in the capital of the Company (ASX: CAJ) (terms are set out in the Constitution)
Recipient of securities: Employee
Price: \$0.1752 (17.52 cents) per share
Consideration received: \$87,600
Use of consideration: Proceeds raised to fund on-going working capital requirements

Date of issue: 28 August 2017
Number issued: 500,000
Type of equity security: Fully Paid Ordinary Shares
Terms of securities: Fully Paid Ordinary Shares in the capital of the Company (ASX: CAJ) (terms are set out in the Constitution)
Recipient of securities: Employee
Price: \$0.1752 (17.52 cents) per share
Consideration received: \$87,600
Use of consideration: Proceeds raised to fund on-going working capital requirements

Board recommendation

The Board recommends Shareholders vote in favour of Resolution 6.

Voting Intention

The Chairman of the meeting intends to vote all undirected proxies in favour of Resolution 6.

CONTINGENT BUSINESS

Resolution 7 – Holding a Spill Meeting

The Corporations Act was amended in June 2011 to introduce the "two-strikes" rule. The two-strikes rule provides that if at least 25% of the votes cast on the adoption of the remuneration report at two consecutive AGMs are against adopting the remuneration report,

members will have the opportunity to vote on a “spill resolution” (as described below).

At last year’s AGM, at least 25% of the votes cast on the resolution to adopt the remuneration report were against adopting the report. This constitutes a “first strike”.

If at least 25% of the votes cast on Resolution 1 are against adopting the remuneration report at the 2017 AGM this will constitute a second strike and Resolution 7 will be put to the meeting and voted on as required by section 250V of the Corporations Act (the **spill resolution**).

If less than 25% of the votes cast on Resolution 1 are against adopting the remuneration report at the 2017 AGM, then there will be no second strike and Resolution 7 will not be put to the meeting.

If put, the spill resolution will be considered as an ordinary resolution.

If the spill resolution is passed, a further meeting of members must be held within 90 days (the **spill meeting**). Immediately before the end of the spill meeting, each of Andrew Demetriou and Nicole Sheffield, being the directors (other than Director Richard Loveridge and the Managing Director Andrew Harrison) who approved the last director’s report cease to hold office (the **Relevant Directors**).

Each Relevant Director is eligible to seek re-election as a director of the Company at the spill meeting.

If the spill resolution is passed, members should note that each of the Relevant Directors intends to stand for re-election at the spill meeting.

The spill resolution has the potential that the entire board (other than Director Richard Loveridge and the Managing Director Andrew Harrison) is removed from office.

Board Recommendation

The Board recommends Shareholders vote against Resolution 7.

Voting Intention

The Chairman of the meeting intends to vote undirected proxies against Resolution 7.

Glossary

AGM, Annual General Meeting or Meeting means the 2017 Annual General Meeting convened by the Notice.

ASX means ASX Limited (ACN 008 624 691).

ASIC means the Australian Securities & Investments Commission.

Board means the board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member’s spouse;
- (c) a dependent of the member or the member’s spouse;
- (d) anyone else who is one of the member’s family and may be expected to influence the member, or be influenced by the member, in the member’s dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations.

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.

EDST means Eastern Daylight Savings Time.

Equity Securities has the same meaning as in the Listing Rules.

Explanatory Statement means the explanatory statement accompanying 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 Annual General Meeting

Remuneration Report means the remuneration report set out in the Director’s report section of the Company’s annual financial report for the year ended 30 June 2017.

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.

CAPITOL HEALTH LIMITED

ABN 84 117 391 812

Lodge your vote:



Online:

www.investorvote.com.au



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 653 342
(outside Australia) +61 3 9946 4404

CAJ

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 9999999

SRN/HIN: I9999999999

PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10.00am (EDST) Monday, 20 November 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

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

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Capitol Health Limited hereby appoint

☐ the Chairman of the Meeting

OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Capitol Health Limited to be held at Rialto Towers, Level 25, South Tower, 525 Collins Street, Melbourne, Victoria on Wednesday, 22 November 2017 at 10.00am (EDST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4, 5 and 7 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4, 5 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Resolution 7 where the Chairman of the Meeting intends to vote against.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4, 5 and 7 by marking the appropriate box in step 2 below.

STEP 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Ms Nicole Sheffield as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr Richard Loveridge as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue 1,695,062 Performance Rights to Mr Andrew Harrison (or his nominee)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Non-Executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Holding a Spill Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 7 where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/

/