

ASX ANNOUNCEMENT

31 January 2018

**CAPITOL LODGES REPLACEMENT BIDDER'S STATEMENT FOR OFF-MARKET
TAKEOVER OF INTEGRAL DIAGNOSTICS**

Capitol Health Limited (ASX: CAJ) is pleased to announce that its wholly-owned subsidiary, Capitol Health Holdings Pty Limited, has submitted a Replacement Bidder's Statement in respect of the off-market takeover offer (the "Offer") for Integral Diagnostics ("Integral", ASX: IDX).

Since December 2017, Capitol and Integral's lawyers have corresponded on a number of occasions, predominantly in relation to disclosures made in Capitol's Bidder's Statement. Capitol has sought to constructively address all relevant matters raised by Integral which are reflected in the Replacement Bidder's Statement lodged with the ASX and ASIC today.

Managing Director, Andrew Harrison said, "During discussions last year with Integral, we both agreed on the strategic merit of a combination of Capitol and Integral but were unable to conclude a deal. We are disappointed with the tactics of Integral and its advisers which appear in part focused on delaying the consideration of Capitol's compelling offer by Integral's shareholders and doctors."

"It is now time to get on with bringing this business combination to an exciting reality. We look forward to our Offer opening and all Integral shareholders having the ability to accept and participate in the upside of the combined business."

"As we have consistently indicated, we are willing to discuss our Offer with Integral and its advisers. We encourage them to do the right thing by their shareholders and doctors and engage constructively with us to create one of Australia's leading providers of diagnostic imaging services."

Transaction Rationale

In addressing Integral's requests, Capitol is seeking to advance an attractive transaction which stands to deliver:

- Greater scale and financial strength to capitalise on growth opportunities in the healthcare market, as well as enhanced share liquidity and access to capital markets
- Diversified geographic and clinical profile across NSW, WA, QLD, VIC, and now including the recently announced \$24.17m acquisition by Capitol of Radiology Tasmania
- A larger referral network with greater options for continuing professional development, including through the promotion of centres of excellence such as Imaging @ Olympic Park in Melbourne
- Material operating savings and efficiencies across duplicated public company costs, head office and administrative functions

Pre-Bid Acceptance Agreements

Capitol today has lodged an updated substantial shareholder notice with the ASX showing relevant interests in Integral shares of 11.83%. The substantial holder notice reflects the pre-bid acceptance commitments of:

- Regal Funds Management (**Regal**), in relation to 5.58% of Integral shares currently on issue, together

- with an obligation to procure the acceptance of an additional 4.46% of Integral shares into the Offer;
- Microequities Asset Management (**Microequities**) in relation to 2.00% of the Integral shares currently on issue; and
 - Wilson Asset Management (**WAM**) in relation to 4.26% of the Integral shares currently on issue.

The substantial holder notice reflects that each of Regal, Microequities and WAM have reconfirmed their commitment to their pre-bid acceptance agreements on the basis that Capitol dispatches the Offer within 14 to 28 days after the lodgment of the Replacement Bidder's Statement with ASIC.

The delays referred to above led to the pre-bid acceptance commitments in the pre-bid acceptance agreement with Adam Smith Asset Management being terminated without extension. Integral shareholders have collectively agreed to accept or procure the acceptance of 16.30% of Integral shares, in aggregate, into the Offer in the absence of a superior proposal, representing a decrease of 3.25% from the pre-bid acceptance commitments set out in Capitol's announcement of 29 November 2017.

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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. 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.