



CAPITOL HEALTH CONTINUES NETWORK EXPANSION

The Directors of Capitol Health Limited (Capitol) are pleased to announce that the company has signed a Heads of Agreement with IM Medical Limited (ASX:IMI) in relation to the acquisition by Capitol of the Radiology operations of IMI in exchange for the issue of 45.56 million CAJ ordinary shares to IMI and up to \$600,000 in cash, payable in 3 tranches within 2 years based on performance benchmarks for the IMI Radiology operations.

Completion of the transaction is subject to formal documents being executed and IMI obtaining shareholder approval for the transaction. IMI intends to enter into an agreement with Capitol to manage the IMI Radiology operations in the intervening period.

The acquisition will add three major and two minor clinics in the Melbourne metropolitan region to the Capitol network, in addition to a portfolio of tele-radiology clients. On current forecasts, the newly acquired sites are expected to add an estimated 15% of current operating revenue to FY 2011/12 without requiring any expansion of the supporting administrative infrastructure, and therefore will be a net contributor to profit from the first full year of operations.

As a result of the transaction, IMI will become the largest shareholder in Capitol with a 13% shareholding in the expanded Capitol business.

The combination of the two businesses will significantly expand Capitol's position as the third largest medical diagnostic imaging provider in Victoria, by providing a further extension to Capitol's Melbourne suburban radiology network. Following IMI shareholder approval, the IMI clinics will be full integrated with the Capitol network utilising the extensive technology platform developed by Capitol in recent years.

Capitol was formed in 2005 and currently has 28 radiology clinics in Victoria. Capitol has a proven management team and Board, along with a strong clinical group that contributes to the identification, acquisition, integration and smooth operation of its facilities.

Capitol continues to review acquisition and organic growth opportunities to drive aggressive expansion. Capitol's objective is to build a leading healthcare business generating sustainable growth and profitability for its shareholders and delivering superior patient experiences at its centres.

Authorised by:

John Conidi
Managing Director
25 March 2011

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