

ASX Announcement

25 March 2011

For Immediate Release

IM Medical Limited (ASX: IMI) combines its Radiology operations with Capitol Health Limited (ASX: CAJ)

IM Medical Limited (IMI) is pleased to announce it has signed a Heads of Agreement with Capitol Health Limited 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 the performance of the IMI Radiology operations.

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

IMI Chairman, Mr Nigel Blazé said “this transaction gives IMI shareholders the opportunity to get an increased share of the growing health market, whilst allowing the IMI Board to consider new opportunities for the Company”.

As a result of the transaction, IMI will become the largest shareholder in Capitol Health with a 13% shareholding in the expanded Capitol Health 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 fully integrated with the Capitol network utilising the extensive technology platform developed by Capitol in recent years.

IMI incorporates the specialist radiology practice, Melbourne Specialist Imaging (MSI), which provides a comprehensive range of imaging services, including full dental, ultrasound and general radiology. MSI has been in operation for over 25 years providing a high quality and efficient service to referring specialists, general practitioners, dentists and allied health professionals. MSI provides imaging services at 4 major locations in Victoria - the Royal Victorian Eye and Ear Hospital in East Melbourne, and other centres at Camberwell, Box Hill and Moorabbin.

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Capitol was formed in 2005 and currently has 28 radiology clinics in Melbourne, Victoria, and is a major regional player in the diagnostic imaging business. 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.

The Directors of both IMI and Capitol are confident the combined radiology business will be a stronger and more effective provider of diagnostic imaging services in Victoria.

IMI has appointed Patersons Securities Limited to act as Lead Manager to a capital raising for IMI. The Board expects to announce further details on the proposed capital raising and restructuring shortly.

IMI is continuing to work towards the finalisation and release of its Financial Report for the Half Year ended 31 December 2010, which will result in shares in IMI being able to be traded.

Richard Wadley
Secretary

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