

CAPITOLHEALTH LIMITED

ABN 84 117 391 812

Notice of Annual General Meeting Explanatory Statement and Proxy Form

Date of Meeting:
Tuesday, 15 November 2022

Time of Meeting:
11.30AM (AEDT)

The Meeting will be held via live webcast at:
<https://meetnow.global/MJ4Z79M>

Following recent modifications brought to the Corporations Act 2001 (Cth) which provide for permanent relief for companies to use electronic communications to send meeting materials, no hard copy of the Notice of Meeting and Explanatory Statement (AGM Materials) will be circulated, unless shareholders have elected to receive the AGM Materials in paper form. The Notice of Meeting is also available on the Australian Securities Exchange Announcement platform and on the Company's website <https://www.capitolhealth.com.au/>.

This Notice of Meeting and Explanatory Statement should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor, or other professional advisor without delay.

CAPITOL HEALTH LIMITED

ABN 84 117 391 812

Registered office: Level 2, 288 Victoria Parade, East Melbourne, VIC 3002

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (**AGM** or **Meeting**) of shareholders of Capitol Health Limited (the **Company** or **CAJ**) will be held virtually via live webcast on Tuesday, 15 November 2022 at 11.30am (AEDT).

The technology used to hold the Meeting virtually will provide CAJ Shareholders with a reasonable opportunity to ask questions or make comments. Voting at the Meeting is occurring by way of a poll rather than a show of hands, each person entitled to vote is to be given the opportunity to vote in real time, and this Notice of Meeting includes information about how shareholders can participate in the Meeting. CAJ Shareholders attending virtually will be taken for all purposes to be in attendance as if they were physically there.

CAJ Shareholders can attend and participate in the virtual Meeting via the following link:

<https://meetnow.global/MJ4Z79M>

Further information on how to participate virtually is set out below.

CAJ Shareholders are strongly encouraged to submit their proxies as early as possible. To lodge your proxy, please follow the directions on your personalised proxy form which will be delivered to you by mail or email.

If it becomes necessary or appropriate to make alternative arrangements for the holding or conducting of the Meeting, CAJ will make further information available through the ASX website at asx.com.au (ASX: CAJ) and on its website. CAJ Shareholders should monitor CAJ's website and its ASX announcements for any updates.

ATTENDING AND PARTICIPATING IN THE MEETING VIRTUALLY

Registration:

Registration opens at 11.00am (AEDT) on Tuesday, 15 November 2022.

CAJ Shareholders must use the Computershare Meeting Platform to attend and participate in the Meeting. The online meeting guide on how to attend and participate at the Meeting is available at www.computershare.com.au/virtualmeetingguide.

To participate in the Meeting, you can log in by entering the following URL <https://meetnow.global/MJ4Z79M> on your computer, tablet, or smartphone. Online registration will open 30 minutes before the Meeting.

To make the registration process quicker, please have your SRN/HIN and registered postcode or country code ready. Proxyholders will need to contact Computershare prior to the meeting to obtain their login details.

To participate in the Meeting online follow the instructions below:

1. Click on 'Join Meeting Now'.
2. Enter your SRN/HIN. Proxyholders will need to contact Computershare on 1300 850 505 (within Australia) or +61 3 9415 4024 (outside of Australia) ahead of the Meeting to obtain their login details.
3. Enter your postcode registered to your holding if you are an Australian securityholder. If you are an overseas securityholder select the country of your registered holding from the drop-down list.
4. Accept the Terms and Conditions and 'Click Continue'.

You can view the Meeting live, ask questions verbally or via a live text facility and cast votes at the appropriate times while the Meeting is in progress.

If you are not able to attend the Meeting to vote, the Board encourages you to lodge your votes online at www.investorvote.com.au. You will require the control number (131540), your HIN/SRN and postcode/domicile code to access online voting.

CAJ is happy to accept and answer questions submitted prior to the Meeting by email to cosec@capitolhealth.com.au. CAJ will address relevant questions during the Meeting or by written response after the Meeting (subject to the discretion of CAJ not to respond to unreasonable and / or offensive questions).

COMMUNICATION WITH SHAREHOLDERS

We encourage shareholders to take advantage of electronic communications. By signing up to receive e-communications you will be helping to reduce print, paper and postage costs and the associated environmental impact. To sign up for e-communications visit www.computershare.com.au/easyupdate/CAJ.

Shareholders can still elect to receive some or all of their communications in physical or electronic form or elect not to receive certain documents such as annual reports. Unless you elect otherwise, we will provide our Annual Reports and AGM materials to you by making them available on our website, <https://www.capitolhealth.com.au/>.

Should you need assistance, please feel free to contact Computershare at <https://www.computershare.com/au/individuals/i-am-a-shareholder/contact-us>.

CAPITOL HEALTH LIMITED

ABN 84 117 391 812

AGENDA

The Explanatory Statement and Proxy Form which accompany and form part of this Notice, includes defined terms and describe in more detail the matters to be considered. Please consider this Notice, the Explanatory Statement, and the Proxy Form in their entirety.

ORDINARY BUSINESS

Financial and Other Reports – Year Ended 30 June 2022

To receive and consider the Financial Report of the Company, together with the Directors' Report (including the Remuneration Report) and the Auditors' Report for the year ended 30 June 2022.

Note: Except as set out in Resolution 1, there is no requirement for Shareholders to vote on a resolution or adopt these reports. Accordingly, no resolution will be put to Shareholders on this item of business.

Resolution 1: Adoption of Remuneration Report

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

“That for the purpose of section 250R(2) of the Corporations Act 2001 and for all other purposes, the Remuneration Report (included in the Directors' Report) for the financial year ended 30 June 2022 be adopted.”

Resolution 2: Re-election of Mr Richard Loveridge as a Director of the Company

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

“That Mr Richard Loveridge, who retires by rotation in accordance with clause 13.2 of the Constitution, and who offers himself for re-election, be re-elected as a Director of the Company.”

Resolution 3: Re-election of Dr Kevin Shaw as a Director of the Company

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

“That Dr Kevin Shaw, who retires by rotation in accordance with clause 13.2 of the Constitution, and who offers himself for re-election, be re-elected as a Director of the Company.”

Resolution 4: Approval to Issue 2,360,877 Performance Rights to Mr Justin Walter (or his nominee)

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

“That, under and for the purpose of Listing Rule 10.14, sections 200B and 200E of the Corporations Act and for all other purposes, shareholders approve the grant of up to 2,360,877 Performance Rights, to acquire shares in the Company, under the Employee Incentive Plan to Mr Justin Walter (or his nominee), Managing Director and Chief Executive Officer of the Company, on the terms and conditions as described in the Explanatory Statement.”

Resolution 5: Adoption of a new Dividend Reinvestment Plan

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

“That, for the purpose of clause 25 of the Constitution and for all other purposes, approval be given for the Company to:

- (a) repeal its current Dividend Reinvestment Plan;*
- (b) adopt a new Dividend Reinvestment Plan in the form submitted to this Meeting and signed by the Company Secretary for identification purposes with effect from the close of the Meeting; and*
- (c) to give authority to the Board to implement the new Dividend Reinvestment Plan referred to in paragraph (b) under its terms for any dividend which the Board may declare from time to time.”*

SPECIAL BUSINESS

Resolution 6: Approval of amendments to the Constitution

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

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given to modify the Constitution in the manner set out in the Explanatory Statement, with effect from the conclusion of the Meeting.”

By order of the Board



Melanie Leydin
Company Secretary
14 October 2022

Notes

1. **Entire Notice:** The details of the Resolutions contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Record Date:** The Company has determined that for the purposes of the Annual General Meeting, Shares will be taken to be held by the persons who are registered as holding the shares at 7.00pm (AEDT) on the date 48 hours before the date of the Annual General Meeting. Only those persons will be entitled to vote at the Annual General Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.
3. **Proxies**
 - a. Votes at the Annual General Meeting may be given personally or by proxy, attorney, or representative.
 - b. Each Shareholder has a right to appoint one or two proxies. A proxy need not be a shareholder of the Company.
 - c. If a Shareholder is a company, it must execute the appointment of proxy under its common seal or otherwise in accordance with its Constitution or the Corporations Act.
 - d. Where a Shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
 - e. If a Shareholder appoints two proxies, and the appointment does not specify the proportion or number of the Shareholder's votes, each proxy may exercise half of the votes. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands.
 - f. A proxy must be signed by the Shareholder or their attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
 - g. To be effective, proxy forms must be received by the Company's share registry (Computershare Investor Services Pty Limited) no later than 48 hours before the commencement of the Annual General Meeting, this is no later than 11.30am (AEDT) on Sunday, 13 November 2022. Any proxy received after that time will not be valid for the scheduled Meeting.
4. **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 them to act as that company's representative. The authority may be sent to the Company and/or share registry in advance of the Meeting.
5. **Voting Exclusion Statement:**

Resolution 1

In accordance with Sections 250R(4) and 250BD of the Corporations Act, a vote must not be cast, and the Company will disregard any votes cast, on this Resolution (in any capacity, including as proxy), and the Company will disregard any votes purported to be cast, by or on behalf of a member of the Key Management Personnel (**KMP**), details of whose remuneration are included in the remuneration report, or a closely related party of such a member (either being a **KMP voter**), unless the KMP voter is casting a vote on behalf of a person who is not a KMP voter (including as a proxy) and either:

- a. The KMP Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- b. The KMP Voter is the Chair of the Meeting, and the proxy form
 - (i) does not specify the way the proxy is to vote on the Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of KMP.

Any undirected proxies held by Directors or other KMP (excluding the Chair) or their closely related parties for the purposes of this Resolution will not be voted on this Resolution. Accordingly, if you appoint a member of KMP as your proxy, please ensure that you direct them on how to vote.

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

If the Chair of the Meeting is appointed as a proxy for a person who is permitted to vote on this Resolution, the Chair will vote any proxies which do not indicate on their Proxy Form the way the Chair must vote, in favour of this Resolution. In exceptional circumstances, the Chair may change their voting intention on the Resolution, in which case an ASX announcement will be made. Shareholders may also choose to direct the Chair to vote against the Resolution or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

Resolutions 2 and 3

There are no voting exclusions on any of these Resolutions.

Resolution 4

The Company will disregard any votes cast in favour of this Resolution by or on behalf of:

- a. Any Director of the Company, or their associate, who is eligible to participate in the Company's Employee Incentive Plan; or
- b. An associate of such a Director or associate.

However, this does not apply to a vote cast in favour of this Resolution by:

- a. a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- b. the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the resolution in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- c. a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Furthermore, in accordance with section 250BD of the Corporations Act, a vote must not be cast as proxy on this Resolution by a member of the KMP (as defined by the Corporations Act) or a closely related party of KMP.

However, a person described above (a **KMP Voter**) may cast a vote on this Resolution as a proxy if:

- a. The KMP Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution(s); or
- b. The Chair of the Meeting is the KMP Voter and the written appointment of the Chair as proxy does not specify the way the proxy is to vote on the Resolution and expressly authorises the Chair of the Meeting to exercise the proxy even though the Resolution is connected with the remuneration of a member of the KMP.

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

Furthermore, in accordance with section 200E of the Corporations Act, a vote must not be cast on this Resolution (in any capacity) by or on behalf of Mr Justin Walter or an associate thereof and any such votes attempted to be cast will be excluded.

However, a person described above (a **Restricted Voter**) may cast a vote on this Resolution if:

- a. it is cast by the Restricted Voter as a proxy appointed by writing that directs how to vote on the Resolution; and
- b. it is not cast on behalf of the Restricted Voter.

Resolution 5

There are no voting exclusions on this Resolution.

Resolution 6

There are no voting exclusions on this Resolution.

6. Enquiries

Shareholders are invited to contact the Company Secretary, Melanie Leydin on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

ORDINARY BUSINESS

Financial Statements and Report

A copy of the Annual Report for the financial year ending 30 June 2022 (which incorporates the Company's financial report, reports of the Directors (including the Remuneration Report) and the auditor's report) is not enclosed as there is no longer a requirement for the Company to incur the printing and distribution cost associated with doing so for all shareholders. You may obtain a copy free of charge by contacting the Company by phone at (03) 9692 7222, and you may request that this occurs on a standing basis for future years. Alternatively, you may access the Annual Report at the Company's website <https://www.capitolhealth.com.au/> or via the Company's announcement platform on ASX. There is no requirement for this item of business to be the subject of a Shareholder vote. Except as set out in Resolution 1, no resolution is required on these reports.

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

Background

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report must be put to the vote at the Annual General Meeting. The vote on this Resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report is set out in the Directors' Report in the Company's 2022 Annual Report. The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company.

In accordance with Section 250SA of the Corporations Act, Shareholders will be provided with a reasonable opportunity to ask questions concerning, or make comments on, the Remuneration Report at the Annual General Meeting.

The Corporations Act requires the Company to put a resolution to Shareholders that in accordance with Division 9 of Part 2G.2 of the Corporations Act, if twenty five (25%) per cent or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a **spill resolution**) that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director) must go up for re-election.

It is noted that at the Company's last Annual General Meeting, the votes cast against the Remuneration Report represented less than twenty-five (25%) per cent of the total votes cast and accordingly, a spill resolution will not under any circumstances be required for the Annual General Meeting.

Voting Exclusions

A voting exclusion statement is included in the Notice.

Board Recommendation

The Board encourages all eligible Shareholders to cast their votes in favour of this Resolution. The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Resolution 2: Re-election of Mr Richard Loveridge as a Director of the Company

Background

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. Mr Richard Loveridge is retiring at this Meeting under that clause.

Mr Loveridge was appointed as a Director of the Company on 5 September 2017. He served as a Corporate Group Partner of Herbert Smith Freehills Lawyers for more than 20 years, including having National Corporate Manager responsibility for five years. 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 a 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. He is a council member of Scotch College in Melbourne, chairman of Council of Ormond College, a residential college affiliated with The University of Melbourne. He is also the chairperson of Diabetes Victoria.

The Board considers Mr Loveridge to be an independent director.

Voting Exclusions

There are no voting exclusions on this Resolution.

Board Recommendation

The Board (with Mr Richard Loveridge abstaining) supports the re-election of Mr Loveridge as his experience, skills, and expertise are of benefit to the Board and the Company and recommends that Shareholders vote in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Resolution 3: Re-election of Dr Kevin Shaw as a Director of the Company

Background

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.

Dr Shaw was appointed as a Director of the Company on 10 September 2021. Dr Shaw is a highly qualified radiologist with subspecialty training in neuroradiology and musculoskeletal imaging. He is the current Director of Radiology at Barwon Health. He obtained his medical degree from Monash University in 2006 and completed his radiology training at Royal Melbourne Hospital.

Dr Shaw is a Clinical Associate Professor at Deakin Medical School. He is a past examiner for the Royal Australian and New Zealand College of Radiologists (RANZCR) and previously sat on the College's Anatomy Exam Review Panel. He has been an MRI Clinical Reviewer for the College since 2014. Dr Shaw currently sits on the Medical Advisory Committee, Technology / Clinical Practice Committee, and Mortality Committee at Barwon Health, as well as the Medical Imaging Advisory Board at Deakin University. He is a councillor for Australian Medical Association Victoria as the State Representative for RANZCR.

The Board considers Dr Shaw to be an independent director.

Voting Exclusions

There are no voting exclusions on this Resolution.

Board Recommendation

The Board (with Dr Kevin Shaw abstaining) supports the re-election of Dr Shaw as his experience, skills, and expertise are of benefit to the Board and the Company and recommends that Shareholders vote in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Resolution 4: Approval to Issue 2,360,877 Performance Rights to Mr Justin Walter (or his nominee)

Background

This Resolution seeks Shareholder approval for 2,360,877 Performance Rights (**Performance Rights**) to be granted to Mr Justin Walter (or his nominee) as part of his overall remuneration package as Managing Director and Chief Executive Officer.

Performance Rights are proposed to be granted to Mr Justin Walter to align his interests with the interests of Shareholders. The grant of the Performance Rights (and the subsequent issue of Shares) to Mr Justin Walter is a long-term incentive if pre-agreed performance and service conditions (**Vesting Conditions**) are achieved over a three-year performance 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 Vesting Conditions will be to the benefit of all Shareholders, and the conversion of the Performance Rights can only occur if these benefits are realised.

If this Resolution is passed, the Performance Rights will be issued to Mr Justin Walter (or his nominee) with the increase in his remuneration and potential increase in his shareholding if the Performance Rights are converted to Shares, as described below.

If this Resolution is not passed, the Performance Rights will not be issued to Mr Justin Walter (or his nominee). The Board will then consider replacing them with cash equivalent if the Company is unable to issue the Performance Rights for any reason.

Terms of Performance Rights

The 2,360,877 Performance Rights proposed to be issued to Mr Walter are worth approximately \$700,000. The terms reflect a level of remuneration which is considered by the Board to be appropriate for Mr Walter's role given the current stage of the Company's development while providing an incentive to retain and adequately motivate Mr Walter.

The full terms of the Award are subject to the terms of the Capitol Health Limited Employee Incentive Plan (**EIP**) and to the extent of any inconsistency between the terms of the EIP and the Employment Agreement of Mr Walter, the terms of the Employment Agreement will prevail. The Performance Rights proposed to be issued will have a three-year performance period from 1 July 2022 to 30 June 2025 (**Performance Period**).

The Vesting Date of Performance Rights to be granted to Mr Walter is the earlier of the release of the Company's audited Financial Report with the ASX or 1 October 2025.

There is no dividend or voting rights with respect to the Performance Rights.

Vesting Conditions

The Performance Rights will vest in accordance with the achievement of the following Vesting Conditions:

Vesting Condition 1	Vesting Condition 2
50% of the Performance Rights (Tranche 1)	50% of the Performance Rights (Tranche 2)
Total Shareholder Return (TSR) for the relevant Performance Period are met. If a minimum TSR increment of 10% is not achieved over the vesting period, no performance rights will be vested.	Earnings Per Share (EPS) growth objectives for the relevant Performance Period are met. If a minimum of 10% EPS growth is not achieved over the vesting period, no performance rights will be vested.

TSR incorporates capital returns as well as dividends notionally reinvested and is considered the most appropriate means of measuring the Company's performance.

EPS is calculated by taking the Company's reported net profit after tax and divided by the reported weighted average shares on issue during each year.

The TSR Hurdle and the EPS Hurdle have been chosen by the Board to focus management attention on three-year strategic and financial objectives, as well as Shareholder alignment.

Vesting Condition 1 – TSR Hurdle

The achievement of the TSR Hurdle is determined by reference to the increase in CAJ share price plus dividends reinvested over the three-year Performance Period compared to a suitable comparator group, and linked to the following vesting scale:

CAJ TSR performance vs Comparator Peer Group*	Percentage of Tranche 1 Performance Rights to vest
<50th percentile	No vesting
≥ 50th percentile to 74th percentile	Pro-rata straight line vesting between 50% and 74%
≥ 75th percentile	100% vesting

Vesting is also conditional on a minimum of TSR increment of 10% being achieved over the vesting period. If the minimum TSR increment is not achieved, the Performance Rights will not be vested.

*refer Comparator Peer Group table on page 12.

For the purposes of calculating the TSR Hurdle, the volume weighted average price (**VWAP**) of fully paid ordinary shares of each comparator company and of CAJ in the one month period preceding the start date compared to the VWAP of fully paid ordinary shares in the one month period preceding the end date of the relevant Performance Period, will be used in calculating TSR over the three-year period.

Vesting Condition 2 – EPS Hurdle

The achievement of the EPS Hurdle is determined by reference to the average growth in EPS (transaction costs to be included in year 1 and year 2 only, not to be included in year 3. EPS calculations will also exclude fluctuations in the valuation in the Group's investment in Enlitic) over the three-year Performance Period. The vesting scale is as follows:

CAJ EPS growth	Percentage of Tranche 2 Performance Rights to vest
<10%	No vesting
=10%	25% vesting
>10% to <45%	Pro-rata vesting (straight line)
≥ 45%	100% vesting

The EPS Hurdle base for the Performance Rights will be the FY22 EPS at end June 2022. The achievement of the EPS Hurdle is determined by reference to the average growth in EPS (transaction costs to be included in year 1 and year 2 only, not to be included in year 3. EPS calculations will also exclude fluctuations in the valuation in the Group's investment in Enlitic) over the three-year Performance Period.

The EPS Hurdle base for the Performance Rights is the Company's 2022 financial year earnings per share EPS calculations will also exclude fluctuations in the valuation in the Group's investment in Enlitic).

The vesting of Performance Rights is also subject to the continuing employment of Mr Walter. Unvested Performance Rights may, in certain circumstances, vest early in accordance with the terms of the EIP Rules, and any Leaver's Policy that may apply from time to time, as approved by the Board. Performance Rights will generally lapse on Mr Walter's resignation or dismissal.

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

- (a) the Board decides exceptional circumstances justify the reduction or waiver in whole or in part of the Vesting Conditions; or
- (b) a Change of Control Event occurs (as defined in the EIP Rules).

There is no ability to re-test whether the TSR or EPS Hurdles have been satisfied after the Performance Period has ended.

Comparator Peer Group

Peer Group	Ticker	Peer Group	Ticker
Healius Limited	HLS	Integral Diagnostics Limited	IDX
Regis Healthcare Limited	REG	SomnoMed Limited	SOM
Sigma Healthcare Limited	SIG	Paragon Care Limited	PGC
Nanosonics Limited	NAN	CogState Limited	CGS
Estia Health Limited	EHE	Nova EYE Medical Ltd	EYE
SDI Limited	SDI	Volpara Health Technologies Limited	VHT
Pacific Smiles Group Limited	PSQ	Apiam Animal Health Limited	AHX
ImpediMed Limited	IPD	Compumedics Limited	CMP

The Comparator Peer Group, which includes companies from ASX 300 Healthcare index, is selected on the basis that it presents the best fit for the Company over the coming years and is an established and 'live' index. The Comparator Peer Group is reviewed by the Board for each tranche of performance rights to ensure the Company maintains ongoing relevance, with the Board retaining discretion to consider other suites of data in assessing the Company's performance.

Additional Information

ASX Listing Rule 10.14 requires that the Company not permit a Director or their associates to acquire securities under an "employee incentive scheme" without Shareholder approval (unless an exception applies). The Board is therefore seeking Shareholder approval to grant Performance Rights to Mr Walter on the terms set out above and under the EIP. The EIP constitutes an "employee incentive scheme" under the ASX Listing Rules.

Information provided in accordance with Listing Rule 10.15

ASX Listing Rule 10.15 requires that the following information be provided to Shareholders for the purpose of obtaining Shareholder approval pursuant to ASX Listing Rule 10.14:

- (a) the related party is Mr Justin Walter;
- (b) Mr Walter falls within ASX Listing Rule 10.14.1 as a Director of the Company;
- (c) the maximum number of Performance Rights is 2,360,877, subject to the achievement of performance hurdles;

(d) Mr Walter's current remuneration package is as follows:

Director	Nature	Remuneration Package Details
Mr Justin Walter	Managing Director & Chief Executive Officer	<p>Fixed remuneration of \$700,000 per annum, inclusive of superannuation in line with the <i>Superannuation Guarantee (Administration) Act 1992</i> (Cth).</p> <p>In FY23 Mr Walter will be entitled to a potential short-term incentive (STI) of \$525,000, representing 75% of his base remuneration, with KPI's to be determined by the Board. He also has the opportunity for an additional 25% of his base remuneration should his key outperformance indicators be achieved.</p> <p>Mr Walter will also be entitled to a potential long-term incentive (LTI) for FY23 of up to \$700,000, representing 100% of his base remuneration, subject to Shareholder approval.</p>

In addition, it is noted that Mr Walter's security interests in the Company are currently (not including any potential grant of Performance Rights, the subject of this Resolution) tranches of 2,966,102, and 1,984,127 Performance Rights, vesting on satisfaction of certain performance hurdles over a three-year period, respectively expiring 1 October 2023, and 1 October 2024.

- (e) the total number of securities previously issued to Mr Walter under the EIP are 7,335,509 unlisted Performance Rights at nil acquisition price;
- (f) the Performance Rights will have a three-year performance period from 1 July 2022 to 30 June 2025. The total value the entity attributes to these securities is \$700,000. The value attributed to each of the Performance Rights by the Company is \$0.2965 (29.65 cents) being the value of the Company's Shares as at a 30-day VWAP traded on the ASX and Chi-X over the 30 trading days up to and including 30 June 2022. Subject to the satisfaction of the vesting and exercise conditions described above, Mr Walter will receive one Share in the Company for each Performance Right exercised;
- (g) the Company expects to issue the Performance Rights within one month after the date of the Meeting, and in any event, no later than 3 years after the date of the Meeting;
- (h) the Performance Rights will be granted to Mr Walter at a nil issue price;
- (i) the material terms of the plan can be found in Annexure A to this explanatory statement. To the extent that there is any discrepancy between the terms of the plan and the Employment Agreement of Mr Walter, the terms of the Employment Agreement will prevail.
- (j) no loan will be made by the Company in relation to the grant of Performance Rights to Mr Walter;
- (k) details of any Performance Rights issued under the EIP will be published in each Annual Report of the Company relating to a period in which the Performance Rights have been issued in addition to a statement that the securities were issued under ASX Listing Rule 10.14;
- (l) any additional persons referred to in Listing Rule 10.14 who become entitled to participate in the EIP after this Resolution is approved and who were not named in this Notice of Meeting will not participate until approval is obtained under Listing Rule 10.14; and
- (m) if approval is given under ASX Listing Rule 10.14, approval will not be sought under ASX Listing Rule 7.1.

Termination Benefits approval – sections 200B and s200E Corporations Act

Sections 200B and 200E of the Corporations Act prohibit the Company from giving a benefit to a person who holds (or has held in the previous three years) a managerial or executive office with the Company or its subsidiaries, if that benefit is given in connection with that person's retirement from office and is in excess of that person's average annual base salary over the relevant period, unless the benefit is approved by Shareholders or an exemption applies.

Approval is therefore sought under section 200E of the Corporations Act to allow for the Board to determine to accelerate vesting of some or all of Mr Walter's unvested Performance Rights in the event Mr Walter ceases employment in 'good leaver' circumstances being cessation other than due to resignation or dismissal for cause or poor performance and for the benefit not to be a termination benefit for the purposes of the Corporations Act. Where Mr Walter ceases as a 'bad leaver' (which includes by resignation or dismissal for poor performance), all unvested Performance Rights will lapse, unless the Board determines otherwise.

If Shareholder approval is obtained, the value of the approved benefits will be disregarded when calculating Mr Walter's termination benefits cap for the purpose of subsection 200F(2)(b) or subsection 200G(1)(c) of the Corporations Act. The approval will be effective from the date the Resolution is passed until the conclusion of the 2025 Annual General Meeting (that is, for a period of approximately three years).

The value of any benefit relating to the Performance Rights given in connection with Mr Walter ceasing to hold managerial or executive office cannot presently be ascertained. However, matters, events and circumstances that will, or are likely to, affect the calculation of that value are:

- the number of Performance Rights held by Mr Walter prior to cessation of his employment;
- the date when, and circumstances in which, Mr Walter ceases employment;
- whether performance hurdles are waived or (if not waived) met, and the number of Performance Rights that vest (which could be all of the Performance Rights held by Mr Walter); and
- the market price of the Company's shares on the ASX on the date Shares are provided to Mr Walter upon vesting of the Performance Rights.

Corporations Act – Chapter 2E

The Board has formed the view that the issues of Rights to Mr Walter (or his nominee) do not require Shareholder approval under section 208 of the Corporations Act as the issues constitute "reasonable remuneration" in accordance with section 211 of the Corporations Act.

A "financial benefit" is defined in section 229 of the Corporations Act and includes granting an option to a related party. Section 228 of the Corporations Act defines a "related party" for the purposes of Chapter 2E to include:

- a. directors of the public company (section 228(2)(a)); and
- b. an entity controlled by directors of the public company (section 228(4)). Section 228(5) provides that an entity is a related party of a public company at a particular time if the entity was a related party of the public company of a kind referred to in subsection (1), (2), (3) or (4) at any time within the previous 6 months.

In reaching this view, the Board considers the proposed grant of Rights aligns the interests of Mr Walter with the interests of Shareholders. The grant of Rights to Mr Walter is a cost-effective form of remuneration when compared to the payment of cash consideration. The Board believes that having regard to the Company's current cash position, and the Company's objective to use available cash to fund its operations in the near future, compensating Mr Walter in Rights is in line with current market practices.

If this Resolution is passed and the Rights are issued, Mr Walter will have a relevant interest in 7,311,106 Performance Rights.

Voting Exclusions

A voting exclusion statement is included in the Notice.

Board Recommendation

The Board (with Mr Walter abstaining) recommends Shareholders vote in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Resolution 5: Adoption of a new Dividend Reinvestment Plan

Background

There is currently no statutory requirement under either the Listing Rules or the Corporations Act for a company to obtain shareholder approval for the establishment, amendment, replacement or implementation of a dividend reinvestment plan (**DRP**).

However, under clause 25 of the Company's Constitution the Company must obtain Shareholder approval to:

- (a) authorise the Directors to implement a dividend reinvestment plan; or
- (b) revoke or amend such authority.

The Company therefore seeks the approval of shareholders to repeal its existing Dividend Reinvestment Plan which was adopted by shareholder resolution on 20 December 2011 (**Current DRP**) and replace it by adopting the proposed Dividend Reinvestment Plan in substitution for it as described below (**Proposed DRP**), and finally to give authority to the Board to implement the latter according to its terms.

The Proposed DRP incorporates various amendments to reflect the developments in law and practice since the adoption of the Current DRP in 2011. The Proposed DRP is broadly consistent with the Current DRP. Most of the changes are relatively minor or are administrative in nature and do not significantly impact shareholders.

Having regard to the amendments proposed, it is preferable to repeal and replace the Current DRP by way of adopting the Proposed DRP in its place, rather than merely amending a multitude of specific provisions. As it is not practicable to list all of the changes which are proposed, a summary of the proposed material changes is set out in the table below.

Shareholders may also read the Proposed DRP in its entirety on the Company's website at <https://www.capitolhealth.com.au> where a copy of each of the Current DRP and the Proposed DRP can be viewed.

Subject Matter	Position in Current DRP	Position in Proposed DRP	Comments
Allocation Price	Clause 1	Schedule 1	The price used to calculate the number of shares to be allotted under the DRP will be based on the daily volume weighted average price ('VWAP') over a pricing period of 20 trading days. Under the current DRP, the calculation is rounded to the nearest one tenth of a cent. The revised DRP proposes that the daily VWAP be calculated to the nearest cent.
Eligibility to participate	Clause 2	Clause 3	While the Current DRP provides for the definition of eligible shareholders and confer to the Directors power to make such determination regarding the participation of Non-Resident shareholders, the Proposed DRP expands on the definition of Eligible Shareholders and the Board's discretion to ensure that Shareholder participation in the DRP is not in breach of any law in Australia, the Listing Rules or the Company's Constitution.
Extent of Participation	Clause 3	Clause 4	While the Current DRP already provides for the definition of 'Full Participation', 'Partial Participation', and 'Deemed Full Participation', the Proposed DRP expands on this definition and provides for an accurate definition to facilitate the administration of the DRP and specifically defines the terms of participation.

Subject Matter	Position in Current DRP	Position in Proposed DRP	Comments
Minimum Participating Holding and Maximum Participating Holding	N/A	Clause 5	Under the proposed DRP, the minimum and maximum participating threshold will be implemented. This will, <i>inter alia</i> , enable the Board to ascertain the maximum number of securities to be issued under the DRP and effectively administer the plan.
Shareholder's acknowledgements	N/A	Clause 6	This clause summarises Shareholder's acknowledgement, authority, consent (as applicable) when participating in the DRP.
Residual amounts	N/A	Clause 7.5	This clause provides for the treatment of residual balances should the DRP be terminated.
Underwriting	N/A	Clause 9	Under the Proposed DRP, the Board may elect to partially or fully underwrite the DRP in respect of any Dividend with one or more underwriters.

Voting Exclusions

A voting exclusion statement is included in the Notice.

Board Recommendation

The Board unanimously recommends Shareholders vote in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

Resolution 6: Approval of amendments to the Constitution

Background

Under section 136(2) of the Corporations Act, the Company may amend or repeal its current constitution (**Current Constitution**) by special resolution. The Company seeks the approval of shareholders to amend its Current Constitution as described below (**Revised Constitution**).

The Revised Constitution incorporates amendments in preparation for CHES Replacement and includes an updated provision regarding the DRP. The Revised Constitution remains broadly consistent with the Current Constitution. Most of the changes are relatively minor or are administrative in nature and do not significantly impact on shareholders. A summary of the proposed material changes is set out in the table below.

Shareholders may also read the Revised Constitution (on mark-up) in its entirety on the Company's website at <https://www.capitolhealth.com.au> where a copy of each of the Current Constitution and Revised Constitution can be viewed.

Subject Matter	Applicable Clause within the Current / Revised Constitution	Comments
Definition	Clause 1.1	Definition of CHES System has been updated following the renaming of ASX Settlement and Transfer Corporation Pty Limited (ASTC) as ASX Settlement Pty Ltd.
Joint Holders	Clause 9.8	Joint Holders have been extended from three to four persons.
Payment of Interest out of Capital	Clause 2.13	Deletion of this clause in the Current Constitution as it is not applicable to the business.
Written Resolutions	Clause 15.10	Modernisation of the clause pertaining to the written resolution of Directors.
Dividend Reinvestment Plan	Clause 25	In line with current practices, it is proposed that clauses 25.1 and 25.2 be amended to authorise the Board to implement the Dividend Reinvestment Plan, including varying, amending suspending the Dividend Reinvestment Plan as it thinks fit. Any amendment and revocation of the Dividend Reinvestment Plan will be announced on the ASX Market Announcements Platform.

Voting Exclusions

A voting exclusion statement is included in the Notice.

Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution.

Voting Intention

The Chair of the Meeting intends to vote undirected proxies in favour of this Resolution.

The Company considers this Explanatory Statement to contain all material information known to it that could reasonably be required by a Shareholder in deciding how to vote on the proposed Resolution other than information that would be unreasonable to require the Company to disclose because it has previously disclosed that information to Shareholders.

GLOSSARY

The following terms have the following meanings in this Explanatory Statement:

AEDT means Australian Eastern Daylight Time.

AGM, Annual General Meeting or Meeting means the 2022 Annual General Meeting convened by the Notice.

ASX means ASX Limited (ACN 008 624 691).

Board means the board of directors of the Company.

Chair means the chair of the Meeting.

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 2001 (Cth)*.

Company or **CAJ** 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.

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.

Meeting has the meaning given in the introductory paragraph of the Notice.

Notice means this notice of the 2022 Annual General Meeting.

Performance Right means a right to acquire a Share, subject to conditions specified by the Board.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution referred to in the Notice.

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 2022.

Rights means a right to acquire a Share, subject to conditions specified by the Board.

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.

Special resolution means a resolution requiring 75% of the votes cast by Shareholders entitled to vote on it.

VWAP means the volume weighted average price.

Annexure A

Capitol Health Limited Employee Incentive Plan (EIP or Plan)

The following is a summary of the key terms of the Plan:

TERM	DETAIL
Purpose	The Plan will operate to allow the Board to grant equity awards in the form of Awards to participating individuals, delivering an equity incentive component of remuneration on the terms determined by the Board from time to time.
Awards	<p>Each Award is a right to acquire one ordinary share in the Company (or receive an equivalent cash amount) upon satisfaction of the vesting conditions, as determined by the Board, and valid exercise of the Award.</p> <p>No exercise price will apply in respect of a grant of performance rights and the Board may specify circumstances or an event upon which a performance right may be automatically exercised.</p> <p>For a grant of options, an exercise price will apply, as determined by the Board and, ordinarily, automatic exercise will not apply.</p> <p>Each grant will specify the minimum and maximum number or value of shares in the Company that the participant may receive upon vesting and exercise of Awards.</p> <p>Unless the Board determines otherwise, no consideration is payable by the participant for a grant of Awards under the Plan.</p>
Eligible participants	<p>The Board may grant Awards to selected eligible participants.</p> <p>Eligible participants may include Directors, full-time and part-time employees, and any other person the Board considers appropriate.</p>
Allocation of shares upon vesting and exercise	<p>The Company may issue new shares or procure the acquisition of shares on-market to satisfy vested Awards upon exercise.</p> <p>The Company may also operate an employee share trust to acquire, hold or provide shares for the purposes of the Plan.</p> <p>Unless the Board determines, no trading restriction will be placed on shares allocated following vesting and exercise of Awards, subject to the Company's Securities Trading Policy.</p>
Vesting conditions and performance period	<p>The Board may determine vesting conditions, which may include performance and/or service conditions that must be satisfied before Awards vest. The vesting conditions will be measured and tested over a performance period determined by the Board.</p> <p>Note that the Plan provides the Board with the ability to review and adjust the vesting conditions, targets and vesting schedules (as applicable) on a grant-by-grant basis, ensuring the conditions remain appropriate for the particular grant.</p>
Other terms	The Board may determine the terms of the Awards, including the exercise price in respect of options, any exercise restrictions as well as any other vesting or lapsing conditions.
Entitlements	<p>Unless the Board determines otherwise, Awards do not carry any dividend or voting rights prior to vesting and exercise.</p> <p>The Awards are non-transferable, except in limited circumstances (such as death) or with the consent of the Board.</p>
Cessation of employment / engagement	<p>Where a participant ceases to be an employee (or otherwise engaged) by the Company (or any subsidiary of the Company) prior to the end of the applicable performance period, the treatment of Awards will depend on the circumstances of cessation.</p> <p>Generally, where a participant ceases due to resignation or termination for cause (including gross misconduct), all unvested Awards will lapse at cessation.</p> <p>Where the individual ceases for any other reason prior to the end of the relevant performance period, the participant's unvested Awards will continue "on-foot" and will be tested at the end of the applicable performance period, vesting only to the extent that any performance conditions have been satisfied (ignoring any service-related conditions).</p>

TERM	DETAIL
Cessation of employment / engagement	<p>However, the Board has a broad discretion to apply any other treatment it deems appropriate in the circumstances (including that another number of Awards may vest and be exercised either at cessation or at the end of the original performance period, or that some or all of the Awards will lapse).</p> <p>In making this determination, the Board may have regard to any factors the Board considers relevant, including the performance period elapsed and the extent to which the vesting conditions have been satisfied.</p>
Change of control	<p>Where a change of control event occurs prior to vesting of Awards, a pro-rata number of the Awards will generally vest based on the performance period elapsed and the extent to which the vesting conditions have been met at the time of the event.</p> <p>However, the Board has discretion to determine a different treatment, either at the time of grant or prior to the change of control event, including that another number of unvested Awards should vest or be subject to substitute or varied vesting conditions and/or periods.</p> <p>The Company also has specific rules in relation to divestments of a “material” part of the business or asset, with the Board having the discretion to determine an appropriate treatment for participants in the event of such a divestment.</p>
Claw-back	<p>In the event of fraud, dishonesty, or material misstatement of financial statements (or other specific circumstances described in the Plan), the Board may make a determination in respect of the Awards, or Shares allocated following exercise, to ensure that no unfair benefit is obtained by a participant (including lapse of unvested Awards).</p>
Adjustment of number of Awards granted	<p>The Board has discretion to adjust the number of Awards granted in the event of a variation of capital or other corporate transaction, to ensure that participants do not enjoy a windfall gain or suffer a material detriment as a result of the variation. Any adjustment will be made in accordance with the ASX Listing Rules.</p>
Administration of Plan	<p>The Plan may be administered either by the Board or an external party, including using a trust to acquire, hold, or provide shares to satisfy the Awards.</p> <p>The Board is given the power to make all required determinations under the Plan and to waive or modify the application of the terms of the Plan and the Awards granted under it, as the Board considers appropriate.</p>