

17 June 2024

ASX Release

Capitol Health enters into Process Deed following Indicative Proposal from Integral Diagnostics

Capitol Health Limited (ASX: CAJ) (**Capitol**) announces that it has entered into a process and exclusivity deed (**Process Deed**) with Integral Diagnostics Limited (ASX: IDX) (**Integral**), following Integral submitting a conditional, non-binding indicative merger proposal (**Indicative Proposal**) to acquire 100% of Capitol shares via a scheme of arrangement at an implied exchange ratio of 0.12849 Integral shares for every Capitol share (**Proposed Transaction**).

The Indicative Proposal on a 0.12849 merger ratio implies a share price of \$0.326 for Capitol and represents a:

- 33% premium to the last close share price of Capitol of \$0.245 (as at 14 June 2024);
- 28% premium based on Capitol's 1-month volume weighted average price (VWAP) to 14 June 2024 of \$0.243 and Integral's 1-month VWAP to 14 June 2024 of \$2.427⁽¹⁾;
- 27% premium based on Capitol's 3-month volume weighted average price (VWAP) to 14 June 2024 of \$0.241 and Integral's 3-month VWAP to 14 June 2024 of \$2.390⁽¹⁾

History of engagement with Integral

The Indicative Proposal follows an unsolicited approach from Integral in late March 2024 regarding a potential combination. Following a review of the unsolicited approach, the Capitol Board resolved that it was in the best interests of Capitol Shareholders to engage with Integral and provide non-public information on a confidential and non-exclusive basis to conduct a two-way value based due diligence process.

Following the conclusion of the two-way value based due diligence process, Integral submitted the improved Indicative Proposal at an exchange ratio of 0.12849.

(1) Premia are calculated on an implied offer price using Integral's VWAP. The implied offer using Integral's 1-month and 3-month VWAP are \$0.312 and \$0.307 respectively.

Potential benefits for Capitol shareholders if the Proposed Transaction completes

- Significantly enhanced scale with additional exposure to Queensland and New Zealand and enhanced presence in Victoria and Western Australia;
- Platform to drive best-in-class clinical outcomes for patients, doctors and referrers;
- Well-positioned for future growth; and
- Financially attractive opportunity:
 - Participate in the realisation of at least \$10m of anticipated annual pre-tax net cost synergies;
 - Attractive double digit EPS accretion (inclusive of synergies) in Year 2 (FY26)⁽²⁾

Managing Director Mr. Justin Walter said, “Today’s proposed merger announcement with Integral, represents an exciting opportunity for all our valued radiologists, technicians, and staff to be part of Australia’s largest pure-play publicly listed imaging company. This opportunity is a result of their dedicated hard work, particularly over the last five years. The merger will create further value for our shareholders by realising significant benefits through scale, enhanced internal capability, and organic growth. All underpinned by market leading clinical standards and service to our referrers and their patients.”

Key terms of the Indicative Proposal

- Capitol must propose a scheme of arrangement pursuant to which Integral will acquire all of the ordinary shares in Capitol in exchange for new ordinary shares in Integral (**Scheme**)
- Two of Capitol’s non-executive directors will be invited to join the Integral board and Justin Walter will be offered a transitional leadership role over the period of up to two years after implementation of the Scheme
- The Scheme will be subject to certain customary conditions only (included in the Merger Implementation Deed (**MID**)):
 - Unanimous recommendation by the Capitol Board in favour of the Scheme, subject to no Superior Proposal emerging and the independent expert concluding the Scheme is in the best interests of the Capitol shareholders;
 - All necessary shareholder and court approvals for implementation of the Scheme are received;
 - Informal clearance of the Scheme from the ACCC; and
 - Other customary conditions and standard clauses such as no material adverse change, no prescribed occurrences, exclusivity, break fee, matching right, termination rights and representations and warranties

(2) Assuming synergies of A\$10m

Process Deed and Exclusivity

The Process Deed grants Integral a 4 week exclusivity period to undertake confirmatory due diligence (**Exclusivity Period**).

The Exclusivity Period will run to 15 July 2024. Capitol has agreed, subject to fiduciary exceptions, to certain customary exclusivity provisions during the Exclusivity Period, including “no shop”, “no talk”, “no due diligence” and “notification”.

Capitol also represents and warrants to Integral that each Capitol director intends to recommend shareholders to vote in favour of the Proposed Transaction, subject to entry into the Implementation Deed, in the absence of a Superior Proposal and subject to an independent expert concluding (and continuing to conclude) that the Proposed Transaction is in the best interests of Capitol shareholders.

Capitol Chair Mr. Andrew Demetriou commented: "The Indicative Proposal reflects attractive value for Capitol shareholders and the Board has determined that it is in the best interests of shareholders to engage with Integral."

A full copy of the Process Deed is attached to this announcement.

Next steps

During the Exclusivity Period, Integral and Capitol will undertake a two-way confirmatory due diligence process. At the conclusion of the Exclusivity Period, if Capitol and Integral enter into binding transaction documentation, then Capitol Shareholders will receive a Scheme Booklet (including an Independent Expert's Report) and will then be entitled to vote on the transaction at a shareholder meeting to be scheduled.

Capitol Shareholders do not need to take any action in relation to the Indicative Proposal or the Proposed Transaction. Capitol will continue to keep shareholders informed about the Indicative Proposal in accordance with its continuous disclosure obligations.

The Capitol Board reiterates that the Proposed Transaction remains subject to a number of conditions, including the completion of a two-way confirmatory due diligence process, and as such there can be no certainty that the Indicative Proposal will result in a binding transaction.

Capitol has appointed Citigroup Global Markets Australia Pty Ltd as its financial advisor and Maddocks as its legal advisor.

This announcement has been authorised for release by the Board of Directors and Justin Walter, Managing Director and CEO.

For further information please contact

Melanie Leydin
Company Secretary
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Email: Melanie.Leydin@vistra.com

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HERBERT
SMITH
FREEHILLS

Deed

Execution version

Process Deed

Integral Diagnostics Limited

Capitol Health Limited

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Process Deed

Date ►17 June 2024

Between the parties

IDX

Integral Diagnostics Limited

ACN 130 832 816

of Suite 9.02, Level 9, 45 William Street, Melbourne VIC 3000

Capitol

Capitol Health Limited

ACN 117 391 812

of Level 2, 288 Victoria Parade, East Melbourne VIC 3002

Recitals

- 1 IDX and Capitol have agreed indicative terms to give effect to the Proposed Transaction as set out in the Merger Proposal.
 - 2 The parties have agreed to progress the Proposed Transaction on the terms and conditions of this deed.
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This deed witnesses as follows:

1 Definitions and interpretation

(a) In this deed:

Business Day means a day other than a Saturday, Sunday or public holiday, on which banks are open for business in Melbourne Victoria, Australia.

Competing Proposal in relation to a party, means any expression of interest, proposal, offer, arrangement or transaction which, if entered into or completed, would result in a Third Party (either alone or together with any associate):

- 1 directly or indirectly acquiring a Relevant Interest in, or having a right to acquire a Relevant Interest in, 20% or more of the party's issued securities;
- 2 acquiring Control of the party;
- 3 directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or substantially all of the business or assets of the party or the group of entities of which that party is the holding company;



- 4 otherwise directly or indirectly acquiring, or merging with, the party; or
- 5 other than as referred to, or as a result of paragraphs 2, 3 or 4 above, requiring the party to abandon, or otherwise fail to proceed with, the Proposed Transaction,

whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.

Confidentiality Deed means the confidentiality deed between the parties dated 10 May 2024 (and any amendment of that deed) including the Competition Protocol which is contemplated by that deed.

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Exclusivity Period means the period commencing on the execution of this deed and ending on the earlier of:

- 1 11:59pm on the date that is 4 weeks after the date of this deed; and
- 2 entry into a definitive document by the parties to implement the Proposed Transaction.

Implementation Deed means a deed to be entered into by IDX and Capitol whereby the parties agree to implement the Proposed Transaction, which deed will reflect the terms set out in the Merger Proposal and otherwise include customary terms and conditions for such a deed.

JV Partner means:

- 1 in respect of IDX, each shareholder in Med-IDX Pty Ltd ACN 646 707 244, other than IDX; and
- 2 in respect of Capitol, each shareholder in Imaging @ Olympic Park Pty Ltd ACN 132 368 524, Capital Radiology (Pakenham) Pty Ltd ACN 650 965 834, Adrad Investments SA Pty Ltd ACN 628 040 273, Capital Radiology (EPH) Pty Ltd ACN 660 814 031 or Capital Heart Pty Ltd ACN 649 831 943, other than a related entity of Capitol.

Merger Proposal means the indicative terms to give effect to the Proposed Transaction (including the assumptions on which such terms are based) agreed in writing between the parties on or prior to the date of this deed.

Merger Proposal Change Notice has the meaning given in clause 3.6(a).

Proposed Transaction means the proposed acquisition by IDX of all of the ordinary shares in Capitol in exchange for new ordinary shares in IDX, by scheme of arrangement.

Related Entity means, in respect of an entity (the first entity):

- 1 a subsidiary of the first entity;
- 2 an entity of which the first entity is a subsidiary; or
- 3 a subsidiary of another entity of which the first entity is also a subsidiary.

Related Person means:



- 1 a Related Entity of a party;
- 2 in respect of a party or its Related Entity, each director, officer, employee, advisor, agent or representative of that party or of its Related Entity; and
- 3 in respect of an adviser, each director, officer, employee or contractor of that adviser.

Relevant Interest has the meaning given in the Corporations Act.

Superior Proposal in relation to a party, means a bona fide Competing Proposal:

- 1 of the kind referred to in any of paragraphs 2, 3 or 4 of the definition of Competing Proposal; and
- 2 not resulting from a breach by that party or any of its Related Persons of any of its obligations under clause 4 of this deed,

that the board of directors of that party, acting in good faith, and after receiving advice from its financial and legal advisers, determines:

- 3 is reasonably capable of being valued and completed in a reasonable timeframe in accordance with its terms; and
- 4 would, if completed substantially in accordance with its terms, be more favourable to the shareholders of that party (as a whole) than the Proposed Transaction,

in each case taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the identity, reputation and financial condition of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Proposed Transaction.

Termination Notice has the meaning given in clause 3.6(b).

Third Party means a person other than IDX or Capitol (or a Related Entity of IDX or Capitol).

- (b) In this deed:
- (1) a reference to a clause is a reference to a clause in this deed;
 - (2) the singular includes the plural and the plural includes the singular; and
 - (3) specifying anything in this deed after the words 'include' or 'for example' or similar expressions does not limit what else is included.
- (c) Terms defined in the Corporations Act shall have the same meaning in this deed, unless the context requires otherwise.

2 Confidentiality Deed

The parties acknowledge and agree that the Confidentiality Deed continues to have full force and effect and that all information provided pursuant to this deed will be provided on, and subject to, the terms of the Confidentiality Deed.



3 Proposed Transaction

3.1 Intention to recommend

Capitol represents and warrants to IDX that each Capitol director has confirmed that he or she intends as at the date of this deed, and subject to entry into the Implementation Deed, to:

- (a) recommend to each Capitol shareholder to vote; and
- (b) vote, or cause to be voted, all ordinary shares in Capitol which he or she holds or controls,

in favour of the Proposed Transaction, in the absence of a Superior Proposal and subject to an independent expert concluding (and continuing to conclude) that the Proposed Transaction is in the best interests of Capitol shareholders.

3.2 Due diligence and Implementation Deed

- (a) The parties agree to negotiate in good faith an Implementation Deed (and any other transaction documentation required to implement the Proposed Transaction) to enable an Implementation Deed to be finalised and signed before the expiry of the Exclusivity Period.
- (b) Each party agrees that it will commit all reasonably necessary resources (including management and financial, legal and other professional advisory resources) to enable:
 - (1) the other party to complete its due diligence investigations in relation to the first party; and
 - (2) an Implementation Deed (and any other transaction documentation required to implement the Proposed Transaction) to be prepared, negotiated, finalised and signed, before the expiry of the Exclusivity Period.
- (c) Each party warrants that, as at the date of this deed, as far as it is aware:
 - (1) all information made available to the other party in response to the other party's enquiries has been collated with all reasonable care and skill and is accurate in all material respects and not materially misleading (including by omission); and
 - (2) other than in accordance with the terms of the Confidentiality Deed, it has not withheld information from the other party in relation to the matters or areas of enquiry described in the phase 1 RFI register initialled for identification by the parties at the time of execution of this deed which would, or could reasonably be expected to be, material to the other party's assessment of whether to proceed with the Proposed Transaction on the terms set out in the Merger Proposal.

3.3 Conduct of business

Subject to clause 3.4, during the Exclusivity Period, each party:

- (a) must conduct its business and operations, and cause each of its Related Entities to conduct its respective business and operations, in the ordinary and usual course; and



- (b) must not:
- (1) issue shares or securities convertible into shares, other than an issue in the ordinary course and consistent with past practice under that party's equity incentive plan in place at the date of this deed;
 - (2) acquire or dispose of any business, assets, entity or undertaking, the value of which exceeds \$5 million (individually or in aggregate);
 - (3) enter into or vary any contract or commitment with a JV Partner or make any payment to a JV Partner, other than in accordance with the arrangements disclosed to the other party prior to the date of this deed; or
 - (4) agree to do any of the above.

3.4 Exceptions

Nothing in clause 3.3 restricts the ability of a party or its Related Entity to take any action which:

- (a) is required in order to comply with its obligations under this deed;
- (b) is expressly permitted by clause 4;
- (c) has been agreed to in writing by the other party;
- (d) is required by any applicable law, regulation or by a government agency; or
- (e) is required to reasonably and prudently respond to an emergency, cyberattack or disaster.

3.5 No restrictions on other arrangements

For the avoidance of doubt the parties acknowledge and agree that nothing in this deed constitutes an obligation or commitment on the part of either party to proceed with the Proposed Transaction, it being acknowledged and agreed that neither party will be obliged to commit to proceed with the Proposed Transaction until and unless an Implementation Deed is executed.

3.6 Merger Proposal

- (a) If, at any time during the Exclusivity Period, IDX:
- (1) determines that it will cease to pursue the Proposed Transaction; or
 - (2) determines that it will pursue the Proposed Transaction on terms that are less favourable to Capitol and / or Capitol shareholders than those set out in the Merger Proposal (or has made a proposal to Capitol to that effect),

it must notify Capitol in writing as soon as reasonably practicable and in any event within 48 hours of making such determination (such notice being a **Merger Proposal Change Notice**).

- (b) On receipt of a Merger Proposal Change Notice Capitol may, in its sole discretion, determine to terminate this deed by providing written confirmation of such termination to IDX (**Termination Notice**).



4 Exclusivity

4.1 No existing discussions

Each party represents and warrants to the other party that, as at the execution of this deed, neither it nor any of its Related Persons:

- (a) is party to any agreement, arrangement or understanding with a Third Party in relation to a Competing Proposal; or
- (b) is in any negotiations or discussions, and has terminated any existing negotiations or discussions, with a Third Party in relation to a Competing Proposal.

4.2 No shop

During the Exclusivity Period, each party must not, and must procure that each of its Related Persons do not, directly or indirectly, solicit, initiate or invite any inquiry, offer or proposal from a Third Party, in relation to, or which would reasonably be expected to lead to the making of, a Competing Proposal, or otherwise communicate any intention to do any of those things.

4.3 No talk

Subject to clause 4.5, during the Exclusivity Period, each party must not, and must procure that each of its Related Persons, do not, directly or indirectly:

- (a) participate in any negotiations or discussions with respect to any inquiry, offer or proposal by a Third Party, in relation to, or which would reasonably be expected to lead to the making of, a Competing Proposal; or
- (b) negotiate, accept or enter into any agreement, arrangement or understanding with a Third Party in relation to a Competing Proposal.

4.4 No due diligence

Subject to clause 4.5, during the Exclusivity Period, each party must not, and must procure that each of its Related Persons do not, directly or indirectly:

- (a) allow any Third Party to undertake due diligence investigations on the party or the operations or assets of the party and its Related Entities;
- (b) make available to any Third Party, or permit any Third Party to receive, any non-public information; or
- (c) make available to any Third Party, or permit any Third Party to have access to, any officers or employees of, or premises used, leased, licenced or owned by, the party or any of its Related Entities,

with a view to obtaining from a Third Party, or for the purposes of a Third Party developing, or assisting in the development of, a Competing Proposal.

4.5 Fiduciary exception

Clauses 4.3 and 4.4 do not prohibit any action or inaction taken by a party or any of its Related Persons in relation to a Competing Proposal where the board of directors of that party, acting in good faith, determines:



- (a) after consultation with its financial and legal advisers, that the Competing Proposal is, or could reasonably be considered to become, a Superior Proposal; and
 - (b) after receiving advice from its legal adviser, that the failure to take or not take such action would likely breach the fiduciary or statutory duties of the directors of that party,
- provided that the Competing Proposal was not brought about by a breach of clause 4.2.

4.6 Notification obligation

- (a) During the Exclusivity Period, each party must notify the other in writing as soon as reasonably practicable if it or any of its Related Persons becomes aware of any:
 - (1) approach or proposal made to the party in connection with a Competing Proposal; or
 - (2) negotiations, discussions or other communications occurring in relation to a Competing Proposal.
- (b) A notification given under clause 4.6(a) must include all material terms and conditions of the Competing Proposal (including details of the proposed price or implied value, timing and the identity of the Third Party making the Competing Proposal) to the extent known by the party or its Related Persons.

5 General

5.1 Acknowledgement

Each party acknowledges and agrees that this deed is not intended to constitute, and does not constitute, an offer capable of acceptance or to otherwise give rise to a binding contract to proceed with the Proposed Transaction.

5.2 Termination

- (a) This deed automatically terminates on the earlier of:
 - (1) the expiry of the Exclusivity Period;
 - (2) the execution of an Implementation Deed; and
 - (3) the date of a Termination Notice.
- (b) On termination of this deed, each party is released from its obligations under this deed, except:
 - (1) the rights and claims of the parties that accrued before termination; and
 - (2) clauses 1 and 5.

5.3 Compliance with law

- (a) If it is determined by a court, or the Takeovers Panel, that the agreement by the parties under clause 4 or any part of it:



- (1) constituted, or constitutes, or would constitute, a breach of the fiduciary or statutory duties of the IDX or Capitol board;
 - (2) constituted, or constitutes, or would constitute, 'unacceptable circumstances' within the meaning of the Corporations Act; or
 - (3) was, or is, or would be, unlawful for any other reason,
- then, to that extent (and only to that extent) the relevant party will not be obliged to comply with that provision of clause 4.
- (b) Each party must not make or cause to be made, any application to a court or the Takeovers Panel for, or in relation to a determination referred to in this clause 5.3.

5.4 Notices

- (a) Any notice or other communication, including any request, demand, consent or approval (**Notice**), to or by a party to this deed must be:
 - (1) in writing and in English and signed by or on behalf of the sending party; and
 - (2) addressed to the receiving party in accordance with the details set out below (or any alternative details nominated by the receiving party by Notice).

Party	Address	Addressees	Email
IDX	Suite 9.02, Level 9, 45 William Street, Melbourne VIC 3000	Ian Kadish	ikadish@idxgroup.com.au
Capitol	Level 2, 288 Victoria Parade, East Melbourne VIC 3002	Justin Walter	j.walter@capitolhealth.com.au

A Notice is regarded as being given by the sender and received by the addressee:

- (a) if by delivery in person, when delivered to the addressee;
- (b) if by post, on delivery to the addressee; or
- (c) if by email, when the email (including any attachment) has been sent to the addressee's email address (unless the sender receives a delivery failure notification indicating that the email has not been addressed to the addressee),

but if the delivery or receipt is on a day which is not a Business Day or is after 5.00pm (addressee's time), it is regarded as received at 9.00am on the following Business Day.

5.5 Variation

A variation of any term of this deed must be in writing and signed by the parties.



5.6 Entire agreement

This deed states all the express terms agreed by the parties in respect of its subject matter and supersedes all prior discussions, negotiations, understandings and agreements in respect of its subject matter.

5.7 Governing law

This document is a deed and is governed by the laws of Victoria, Australia and the parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria, Australia.

5.8 Counterparts

This deed may be executed in any number of counterparts. All counterparts, taken together, constitute one instrument. Subject to applicable law, a counterpart may be signed electronically and may be in hard copy or electronic form.

For personal use only



Signing page

Executed as a deed

IDX

Signed sealed and delivered by
Integral Diagnostics Limited
by

sign here ► John James Merity
Company Secretary/Director

sign here ► [Signature]
Director

print name John James Merity

print name Ian Kadish

Capitol

Signed sealed and delivered by
Capitol Health Limited
by

sign here ► _____
Company Secretary/Director

sign here ► _____
Director

print name _____

print name _____

For personal use only



Signing page

Executed as a deed

IDX

Signed sealed and delivered by
Integral Diagnostics Limited
by

sign here ▶ _____
Company Secretary/Director

sign here ▶ _____
Director

print name _____

print name _____

Capitol

Signed sealed and delivered by
Capitol Health Limited
by

sign here ▶  _____
Director

sign here ▶  _____
Director

print name Justin Walter _____

print name Andrew Demetriou _____

For personal use only