



CAPITOL HEALTH TAKES BITE INTO \$2.4 BILLION DENTAL SECTOR

MEDIA RELEASE

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Capitol Health is set to invest in Australia's \$2.4 billion dental healthcare sector under a fully underwritten capital raising and planned ASX listing announced today.

Perth-based Capitol Health Limited says its \$1.8 million Initial Public Offer (IPO) and planned listing on the ASX in June 2006, aims to bring to the nation's private dental practices the benefits of consolidation already witnessed in other medical and allied health sectors.

Central to Capitol Health's growth strategy is the acquisition of profitable surgeries and facilities around Australia to allow dentists to continue practising with Capitol Health providing administrative and management support.

Capitol Health will pay particular attention to continuing to build on patient loyalty which has been established to date by local dentists. Accordingly, its strategy is to continue to operate newly acquired surgeries under their existing banner rather than imposing a common brand to the surgeries.

"The consolidation that has occurred in recent times in other medical and allied health fields in Australia has until today, had little effect on the dental industry," Mr Harrison said.

"Our strategy will be to provide the use of dental surgeries and facilities to self employed dentists to carry on their own dental practices so that practitioners can concentrate on the delivery of clinical services instead of applying their time to the administrative aspects of a practice".

Terms of the Offer

Under the IPO announced today, Capitol Health is offering 9 million ordinary shares at an issue price of 20 cents each to raise \$1.8 million. The Offer is fully underwritten by Marketech Pty Ltd., a Perth-based financial institution.

The offer will open on 25 May, 2006 and is scheduled to close on 7 June. The Company anticipates listing on the ASX in mid-June.

If fully subscribed, Capitol Health will have 56.1 million shares on issue at listing, and be valued at listing at around \$11 million at the IPO price.

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Ahead of its planned listing on ASX, Capitol Health has contracted to acquire two dental practices – at Fremantle and Booragoon in Perth. These practices generated revenue of over \$1.6 million for the year ended 30 June 2005.

“This revenue record means the Company will be cash positive at an operational level from day one. Acquisitions of surgeries will be financed on a 60-70% debt basis, and initial service and facilities contracts with dentists will be for 2-5 year terms,” Mr Harrison said.

In addition to providing surgical facilities to dentists, Capitol Health also provides a range of practice management, administrative, technology and other support services.

“Boutique nature” of dental practices is key

“The consumer perception of dental practices and their services is markedly different from other health and medical services,” Mr Harrison said.

“Other medical fields which have consolidated individual practices have typically been branded under a common marketing banner. This is largely true for pathology, physiotherapy, radiology and to a lesser extent, in general medical practice.”

“However, many successful dental practices are ‘boutique’ in nature and cater to a particular set of patients. This is often driven by price, clinical focus, location, individual style, and the demographic qualities of patients.”

“A strategic imperative of Capitol Health is to acquire surgeries fitting the Company’s target profile and service them under their original brand - the formula on which their success was based. Growth in revenue will be achieved by enhancing individual brands and improving marketing upon acquisition” Mr Harrison said.

Advantages of consolidation

Mr Harrison said Australia’s dental sector would benefit considerably from consolidation as proposed by Capitol Health.

“The Capitol model not only provides a viable sale alternative for dentists wanting to sell their practices, but also a future income stream for them, along with providing job and development opportunities for dentists wanting to contract to Capitol surgeries.”

“The benefits of scale mean lower operating costs, greater development opportunities for dentist across the group, along with greater negotiating power with consumable and equipment suppliers.”

“One of the main benefits for practitioners is that they are relieved of the burden of staff management and administration, and allowed to have a far greater clinical focus.”

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DIRECTORS OF CAPITOL HEALTH LIMITED

Mr Andrew Harrison - *Managing Director*

Mr Harrison has significant experience in both senior management and board positions in publicly listed companies including Brambles Industries Limited. He is a former Managing Director of underwater maritime services group, Neptune Marine Services Limited, including its IPO and listing, is a Non Executive Director of ASX listed optical marketer, C @ Limited, has worked as a management consultant for such clients as Chubb Australasia and has been CEO of a Melbourne based marketing consultancy.

Dr Russell Fine - *Clinical Director – Non-Executive*

Dr Fine is a founding member of Capitol Health and a Board Certified Dentist. During the past 6 years, Dr Fine has owned and operated a successful private practice in Perth focusing on high-end cosmetic and implant dentistry. Dr Fine has extensive industry involvement, being a member of the Australian Dental Association (WA and Federal), Treasurer and Secretary of the Australian Osseointegration Society (WA), Executive Council of the Australian Society for Implant Dentistry (WA), and a member of the International College of Oral Implantologists.

Mr Anthony Ho - *Non-Executive Director*

Mr Ho graduated in 1980 with a Bachelor of Commerce from the University of Western Australia. He qualified as a Chartered Accountant in 1983 with Deloitte. Mr Ho is presently the principal of a public practice, specialising in providing corporate and financial services to ASX-listed companies and is a former senior executive with a major investment and resource group in Western Australia. He is currently a non executive director of ASX listed Piquant Blue Limited and Optima Corporation Limited.