



ABN 84 117 391 812

SHORT FORM PROSPECTUS

For the issue of 10,000 Shares at an issue price of \$0.09 each to raise \$900.

This Prospectus has been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any restrictions on the sale of securities issued by the Company on 6 December 2007.

Important Notice

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document the information of which is deemed to be incorporated in this Prospectus.

TABLE OF CONTENTS

1.	CORPORATE DIRECTORY.....	4
2.	DETAILS OF THE OFFER.....	5
3.	INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS.....	9
4.	COMPANY OVERVIEW.....	12
5.	FINANCIAL INFORMATION.....	17
6.	ADDITIONAL INFORMATION.....	18
7.	AUTHORITY OF DIRECTORS.....	26
8.	DEFINITIONS.....	27
	APPLICATION FORM.....	28

Important Notice

This Prospectus is dated 6 December 2007.

A copy of this Prospectus was lodged with the ASIC on 6 December 2007. The ASIC takes no responsibility for the contents of this Prospectus.

No Shares will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made within seven (7) days after the date of this Prospectus for permission for the Shares offered by this Prospectus to be listed for Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisors before deciding whether to apply for Shares. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer of Shares in any place in which, or to any person to whom, it would not be lawful to make the Offer.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 8 of this Prospectus.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in a document that has been lodged with the ASIC.

This Prospectus refers to the Annual Report for the year ended 30 June 2007 dated 14 September 2007 (the **Annual Report**) lodged by the Company with the ASIC on 14 September 2007 and the Appendix 4C Quarterly Report for the quarter ended 30 September 2007 (the **Quarterly Report**) lodged with the ASIC on 1 November 2007. In referring to the Annual Report and Quarterly Report, the Company:

- identifies the Annual Report and the Quarterly Report as containing information relevant to the offer of Shares under this Prospectus and containing information that will provide investors and their professional advisers information to assist them in making an informed assessment of the assets and liabilities, financial position and performance, profits and losses of Capitol Health;
- informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the Annual Report and the Quarterly Report by contacting the Company at its registered office during normal business hours during the offer period; and
- advises that the information in the Annual Report and the Quarterly Report will be primarily of interest to investors and their professional advisers or analysts.

Timetable and Important Dates*

EVENT	DATE
Prospectus lodged with the ASIC and ASX	6 December 2007
Opening Date of Offer	6 December 2007
Closing Date of Offer	7 December 2007
Despatch of holding statements for Offer	10 December 2007
Expected Date for Official Quotation of Shares under the Offer	10 December 2007

* These dates are indicative only. The Directors reserve the right to vary the dates without prior approval. As such, the date the Shares are expected to commence trading on ASX may vary.

1. CORPORATE DIRECTORY

DIRECTORS

Andrew Harrison
Managing Director

John Conidi
Executive Director

Anthony Ho
Non-Executive Director

COMPANY SECRETARY

Kim Hogg

REGISTERED OFFICE

Level 3, 33 Richardson Street
WEST PERTH WA 6005

CONTACT DETAILS

Tel: (08) 9481 1400
Fax: (08) 9441 6299

SOLICITORS TO THE OFFER

Steinepreis Paganin
Lawyers & Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

2. DETAILS OF THE OFFER

2.1 Offer

By this Prospectus, the Company invites applicants to subscribe for a total of 10,000 Shares at an issue price of \$0.09 per Share payable in full on application to raise \$900.

All of the Shares under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

2.2 Purpose of this Prospectus and Offer

The Company is seeking to raise only an amount of \$900 (before deducting the expenses of the Offer). The purpose of this Prospectus is not to raise capital and any funds raised by the Offer will be applied towards the expenses of the Offer.

On 6 December 2007, the Company announced to the ASX that it has completed a placement of 27,777,778 Shares to sophisticated and institutional investors to raise approximately \$2,500,000 (**Institutional Offer**). The purpose of this Prospectus is to remove any restrictions on the sale of securities issued by the Company under the Institutional Offer on 6 December 2007 in accordance with Section 708A(11) of the Corporations Act.

Relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) a prospectus is lodged with ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

2.3 Use of Proceeds

The Company intends to apply the funds raised from the Offer (\$900), together with the funds raised from the Institutional Offer (\$2,500,000), as follows:

Description	Total
Funding Acquisition of Bell Imaging and South East Medical Imaging radiology groups ¹	\$2,293,400
Expenses of the Offer and Institutional Offer	\$207,500
Total	\$2,500,900

Note:

¹ Refer to Section 6.7 of the Prospectus for a summary of the terms and conditions of the Bell Sale of Business Agreement and the SEMI Sale of Business Agreement.

2.4 Capital Structure and Effect of the Offer

The capital structure of the Company following the completion of the Offer and the Institutional Offer is summarised below:

Shares	Number
Shares on issue at the date of the Prospectus ¹	239,100,001
Shares issued under the Institutional Offer	27,777,778
Shares offered under the Offer	10,000
Total Shares on issue at completion of the Offer	266,887,779
Options	
Unlisted options on issue at the date of this Prospectus ^{1 2}	20,000,000
Incentive options on issue at the date of this Prospectus ³	250,000
Options issued under the Institutional Offer and Offer	Nil
Total Options on issue at completion of the Offer	20,250,000

Notes:

¹ This includes the issue of the Consideration Securities to the Radiology Group on 30 August 2007. Refer to Section 4.2 of the Prospectus for further details of the Acquisition.

² Exercisable at \$0.20 each on or before 31 March 2010.

³ Exercisable at \$0.25 each on or before 26 September 2010.

2.5 Application for Shares

Applications for Shares must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.09 per Share.

Completed Application Forms and accompanying cheques must be:

Mailed to:
 Capitol Health Limited
 GPO Box 2819,
 PERTH, WA, 6000

Or delivered to:
 Capitol Health Limited
 Level 3, 33 Richardson Street,
 WEST PERTH, WA, 6005

Cheques should be made payable to "Capitol Health Limited – Placement Account" and crossed "Not Negotiable". Completed Application Forms must reach the Company by no later than the Closing Date.

2.6 Minimum Subscription

The minimum subscription for the Offer is \$900. No Shares will be allotted or issued pursuant to this Prospectus in respect of the Offer until the minimum subscription is reached. If the minimum subscription is not raised within four (4) months after the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act.

2.7 Allotment of Shares

Allotment of Shares will take place as soon as practicable after the Closing Date. Application monies will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for the Applicant. Any interest earned on the application monies will be retained by the Company irrespective of whether allotment takes place.

The Directors reserve the rights to allot Shares under the Offer in full for any application or to allot any lesser number or to decline any application. Where the number of Shares allotted under the Offer is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within seven (7) days of the allotment date.

2.8 Underwriting

The Offer is not underwritten.

2.9 Securities Exchange Quotation

Application for official quotation of the Shares by the ASX will be made by the Company within seven (7) days of the date of this Prospectus.

If the ASX does not grant permission for Official Quotation of the Shares within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Shares offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

2.10 CHESS

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement and Transfer Corporation Pty Ltd (**ASTC**), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and the ASTC Settlement Rules,

Under CHESS, the Company will not issue certificates to investors. Instead, subscribers will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send a CHESS statement to the investor.

2.11 Risk Factors

Prospective investors in the Company should be aware that subscribing for the Shares the subject of this Prospectus involves a number of risks. Refer to Section 4.5 of this Prospectus for an outline of the risks applicable to the Company.

Other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered speculative.

2.12 Privacy Statement

The Company collects information about each Applicant from an Application Form for the purposes of processing the Application Form and, if the Applicant is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's share registry, the Company's related bodies corporate, agents, contractors and third party service providers, (including mailing houses), ASX, the ASIC and other regulatory authorities.

If an Applicant becomes a security holder of the Company, the Corporations Act requires the Company to include information about the security holder (name, address and details of the securities held) in its public register. This information must remain in the register even if that person ceases to be a security holder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

2.13 Enquiries

If you have any questions concerning the Offer, please contact the Company Secretary, by telephone on (08) 9481 1400, or contact your professional adviser.

3. INFORMATION DEEMED TO BE INCORPORATED IN PROSPECTUS

3.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however, it incorporates by reference information contained in a document that has been lodged with the ASIC.

The information to be incorporated by reference into this Prospectus is summarised below in Section 3.2 and will primarily be of interest to investors and their professional advisers or analysts.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of its Annual Report for the year ended 30 June 2007 (the **Annual Report**) and its Appendix 4C Quarterly Report for the quarter ended 30 September 2007 (the **Quarterly Report**) by contacting the Company at its registered office during normal business hours during the offer period. The Annual Report and Quarterly Report will also be available on the Company's website www.capitolhealth.com.au under "News", or by searching the ASIC's and ASX's records in relation to Capitol Health Limited.

3.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the Annual Report and the Quarterly Report that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Shares, they should obtain a copy of the Annual Report and the Quarterly Report.

Annual Report: Managing Director's Review – Pages 1 & 2

This review by Andrew Harrison, Managing Director summarises the position of the Company and its activities in the 2007 financial year. In particular, the letter notes the following:

- (a) The consolidated entity's financial performance was in-line with management expectations generating a loss before tax of \$966,327. While the business operations achieved a reasonable EBITDA result of \$0.363 million, or 24% Return on Sales (excluding \$250,000 impairment loss on goodwill), significant investment in infrastructure, information technology, and management personnel was made to underpin future growth through acquisition. Also contributing to the loss was an impairment expense against the carrying value of goodwill of \$250,000.
- (b) Shareholders approved the Company's acquisition of the Melbourne based Radiology Group (**Acquisition**) at a general meeting on 30 August 2007. The Acquisition signifies a broadening of the Company's focus into the associated healthcare field of radiology. It provides greater opportunities for both organic and acquisitive expansion, and lays a solid foundation for growth of future earnings.
- (c) The highlights of the Acquisition of the Radiology Group include:
 - The consideration for the Acquisition was satisfied by the issue of 183 million Shares and 10 million unlisted options exercisable at 20 cents each by 31 March 2010. A voluntary escrow period of 12 months will apply to 174 million Shares and 10 million of the unlisted options.
 - The Acquisition is expected to generate positive cashflow and profitable operations for the Company in the 2008 financial year.
 - The Acquisition will allow the Company to have an operational and corporate presence in eastern Australia.

- The Company to integrate the radiology business with reduction in overhead costs.
- (d) Mr John Conidi, a current Director, major shareholder, and one of the founders of the Radiology Group, joined the Board of Capitol as an Executive Director on 30 August 2007. Mr Conidi graduated in 1995 with a Bachelor of Business degree from Royal Melbourne Institute of Technology. He is a CPA and currently manages the Radiology Group's operations. Mr Conidi's role in strategy, management and business development has driven the rapid expansion of the business.

Annual Report: Directors' Report – pages 4 - 8

The Directors' Report includes a summary of each of the Directors of the Company for the 2007 financial year, the number of Directors meetings attended by the Directors and the interests held by each of the Directors in the Company.

The Directors' Report also states that the consolidated loss after income tax for the 2007 financial year was \$966,327.

Annual Report: Remuneration Report – pages 9 - 13

The remuneration report contains a summary of the remuneration policy of Directors' and executive officers including the amount paid to non executive Directors, details of executive service agreements and the options granted to Directors in the 2007 financial year.

Annual Report: Corporate Governance Statement of the Company – pages 14 - 15

The corporate governance statement contains a summary of the corporate governance policies that the Company has in place and a discussion of where the Company does not presently comply with ASX best practice recommendations.

Annual Report: Consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2007 – pages 16 - 41

This section of the Annual Report contains the consolidated income statements for the year ended 30 June 2007, the consolidated balance sheet as at 30 June 2007, the consolidated statement of cash flows for the year ended 30 June 2007, the consolidated statement of changes in equity for the year ended 30 June 2007 and the notes to the consolidated financial statements.

A note to the financial statements include a statement that although a loss after tax has been recorded by the consolidated entity, the Directors have prepared the financial statements on the going concern basis which contemplates the establishment of profitable operations and the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The basis for the Directors' belief in this regard is set out in this note.

Annual Report: Directors' Declaration – page 42

This section contains a declaration by the Directors that:

- the financial statements and notes as contained in the Annual Report are in accordance with the Corporations Act, Australian accounting standards and the Corporations Regulations and give a true and fair view of the financial position and performance of the consolidated entity and the Company;
- the remuneration disclosures comply with the relevant accounting standard; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Annual Report: Independent Audit Report – page 43

This section contains the independent audit report prepared by Stantons International which states that in the opinion of Stantons International:

- (a) the financial report of Capitol Health Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial report of the Group also complies with International Financial Reporting Standards; and
- (c) the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of Australian Accounting Standard AASB 124 Related Party Disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

Quarterly Report: Review of Operations by Mr Andrew Harrison, Managing Director

This review from Andrew Harrison, Managing Director summarises the position of the Company and its activities in the quarter ended 30 September 2007. In particular, the review notes the following:

- (a) Receipts from customers grew substantially by 189% being \$843,000 in the June 2007 quarter to \$1,288,000 in the September 2007 quarter, resulting in the group achieving cashflow positive operations.
- (b) Shareholders approval of the Acquisition at a general meeting on 30 August 2007.
- (c) Quarterly receipts from customers in the dental business grew modestly to \$506,000 in the September 2007 quarter, up from \$445,000 in the June 2007 quarter.

4. COMPANY OVERVIEW

4.1 Overview and Reference to Annual Report and Quarterly Report

An overview of the Company's activities is set out in the Annual Report that was lodged with the ASIC on 14 September 2007 and the Quarterly Report that was lodged with the ASIC on 1 November 2007. Persons considering subscribing for Shares under this Prospectus should refer to Section 3 of this Prospectus for a summary of the information contained in the Annual Report and Quarterly Report deemed to be incorporated in this Prospectus.

4.2 Circumstances or Matters Subsequent to the Annual Report

Other than as stated in this Prospectus, the Company is not aware of any material matter or circumstance that would impact on the contents of the Annual Report or the activities and prospects of the Company and be relevant to assist investors or their professional advisers making an informed assessment of relevant matters.

As set out in the Managing Director's Review (pages 1-2 of the Annual Report), item 27 "Events Subsequent to Reporting Date" of the consolidated financial statements of the Company and its controlled entities for the year ended 30 June 2007 (page 41 of the Annual Report) and announcements made to ASX on 26 July 2007 and 30 and 31 August 2007, the Company acquired the Radiology Group after obtaining shareholder approval at a general meeting of Shareholders held on 30 August 2007.

The Company entered into a number of share sale agreements, under which it acquired a 100% interest in a group of 7 radiology clinics located across metropolitan Melbourne, Victoria (**Radiology Group**). The Acquisition signified a broadening of the Company's focus into the associated healthcare field of radiology.

The consideration for the Acquisition was satisfied by the issue of 183 million Shares at a deemed issue price of 8 cents per Share and 10 million unlisted options exercisable at 20 cents on or before 31 March 2010 (together, the **Consideration Securities**). A voluntary escrow period of 12 months applied to 174 million shares and 10 million options.

The Independent Expert's Report which accompanied the Notice of Meeting sent to Shareholders on 30 July 2007 contained a detailed examination of the Acquisition to assist Shareholders to assess the merits of the Acquisition and decide whether to approve the proposal. The Independent Expert's Report concluded that the issue of the Consideration Securities to acquire the Radiology Group was fair and reasonable to the non associated Shareholders of the Company.

On 6 December 2007, the Company announced to ASX that it has successfully completed a placement of 27,777,778 Shares to sophisticated and institutional investors at an issue price of \$0.09 each to raise approximately \$2,500,000 (before the costs of the Institutional Offer). Refer to Section 2.3 of this Prospectus for details as to the proposed use of funds raised by the Company under the Institutional Offer.

As announced to ASX on 6 December 2007, the Company's wholly owned subsidiary, CHL Operations Pty Ltd (**CHL**) has entered into a sale of business agreement with Dr Russell Fine (**Fine**) (**Booragoon Business Sale Agreement**), pursuant to which Fine has agreed to acquire the business of CHL, which is primarily that of a general dental practice, trading as Booragoon Dental Clinic, and its assets. A summary of the terms and conditions of the Booragoon Business Sale Agreement is set out in Section 6.7 of this Prospectus.

4.3 Proposed Acquisitions

On 6 December 2007 the Company announced to ASX that its wholly owned subsidiary, Capitol Radiology Pty Ltd (**Capitol Radiology**), has entered into business sale agreements pursuant to which Capitol Radiology has agreed to acquire the business and assets as a going concern of 2 independent radiology businesses in Melbourne, Victoria, namely Bell Imaging (**Bell**) and South East Medical Imaging (**SEMI**). For a summary of the terms of the Bell Sale of Business Agreement and SEMI Sale of Business Agreement, please refer to Section 6.7 of this Prospectus.

4.5 Risk Factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the Company's business.

Investors should be aware that an investment in the Company involves risks that may be higher than risks associated with an investment in some other companies. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors prior to applying for Shares offered for subscription under this Prospectus. Some of these risks are outside the control of the Company and cannot be mitigated. Prospective investors in the Company should consider the risk factors described in this section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Shares.

The following summary, which is not exhaustive, represents some of the major risk factors which potential investors need to be aware of.

4.5.1 General Risks

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's future possible revenue and operations can be affected by these factors, which are beyond the control of the Company.

General movements in local and international stock markets, and economic conditions could all affect the market price of the Company's Shares.

a) Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. The Company's future possible revenue and share price can be affected by these factors, which are beyond the control of the Company and its Directors.

b) Government Policy Changes

Government policies are subject to review and changes from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability.

c) Stock Market Conditions

Share market conditions may affect the listed shares regardless of the operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) movements in, or outlook on, interest rates and inflation rates;
- (iii) currency fluctuations;

- (iv) commodity prices;
- (v) changes in investor sentiment towards particular market sectors; and
- (vi) the demand for, and supply of, capital.

Investors should recognise that once the Shares are listed on ASX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, the recent world events have affected the price of shares in various sectors. Such events are unpredictable and their impact on the individual companies or markets is beyond the control of the Company.

4.5.2 Specific Risks

The Shares offered under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX.

In addition to the risks outlined above, there is a range of specific risks associated with the Company's business operations and its involvement in the healthcare industry. Potential investors in the Company should note the following additional risks set out below prior to investing.

(a) Limited History

Capitol Health Limited was established in December 2005. The Company's business therefore has a limited performance history and related financial information. The Company's prospects must be considered in the light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving industries.

(b) Key Personnel

The Company's businesses are reliant on the continued performance and expertise of key personnel, including radiologists. There is a risk that the Company may fail to attract, retain or develop key employees or consultants and this would have the effect on the development of the Company. The loss of any of these individuals could have an adverse impact on the business of Capitol Health. The Company has in place service contracts with select employees and consultants and provides appropriate contract conditions to assist in the retention of key personnel.

(c) Going Concern of the Company

In the Annual Report, the Directors have prepared the financial statements on the basis that it is operating as a going concern, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate for the following reasons:

- subsequent to balance date, the Company acquired a group of radiology practices in Melbourne (the "Radiology Group"). This acquisition is expected to generate positive cashflow and profitable operations for the consolidated entity in the 2008 financial year;
 - the Radiology Group has experienced consistent and substantial growth in the past three years, and the Board believes that it is reasonable to expect this to continue and provide Capitol the opportunity to participate in future growth in the radiology industry;
 - the corporate and administrative cost overheads of Capitol will be spread over a greater number of business units, hence improving cost efficiencies; and
 - the Company believes it has the ability to raise additional capital or secure additional debt funding, if required, to fund expansion in the radiology industry.
-

As at the date of the Prospectus, the Directors expect that it has sufficient capital resources to enable the Company to achieve its business objectives and operate as a going concern. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company.

Depending upon the nature and scale of the Company's activities and the terms of any funding facilities the Company may establish, the Company may need to raise further capital in the foreseeable future in order to fund its budgeted expenditure. The success or otherwise and the pricing of that capital raising will be dependent upon the then prevailing market conditions.

If the additional capital is raised by an issue of Shares this may have the effect of diluting Shareholders' interests in the Company. Any debt financing, if available, may involve financial covenants which limit the Company's operations. If the Company cannot obtain such additional capital, the Company may be required to reduce the scope of any expansion which could adversely affect its business, operating results and financial condition.

Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business, its financial condition and performance and its ability to continue as a going concern.

(d) Integration Risks of Acquisitions

The operating results of the Company will depend on the success of management in integrating the proposed acquisitions set out in Section 4.3 of this Prospectus. There is no guarantee that the Company will be able to integrate the new acquisitions into its business successfully, or that any economic benefits will be able to be realised. There is a risk that the Company's future profitability and prospects could be adversely impacted if successful integration is not achieved in an orderly and timely fashion.

(e) Government Policy and Regulations

There are a number of Federal and State policies and regulations that, if changed, may have a material impact on the financial and operational performance of the Company.

The risks relating to these policies and regulations to the Company's business include:

- changes to the nature and extent of the regulation or licensing systems could result in a change in industry structure, which could adversely impact the growth opportunities for and profitability of its business;
- as the radiology business is heavily dependent on funding agreements between industry and the Australian Federal Government, if new funding agreements between the Federal Government and industry are not effected when the existing agreements expire, or adverse changes are made to the existing agreements, the profitability of these businesses could be adversely impacted;
- changes to the Federal Government initiatives which promote private health insurance and encourage health fund membership, including health insurance rebate;
- changes to private hospital licensing policy which could have the effect of reducing the barriers to entry and exposing Capitol Health to increased competition and additional compliance costs; and
- changes to the Medicare regime, including any reduction of Medicare rebates for radiology services.

In addition, the Company may become subject to other regulations which could increase its regulatory and compliance obligations. Any new regulatory restrictions or changes in

government attitudes or policies in relation to any or all of the existing regulatory areas may adversely impact on the financial performance and position, and future prospects, of Capitol Health.

(f) Competition

The Company will be operating in a competitive and dynamic market. Competitors as yet unknown to the Company may emerge from time to time. The introduction of new competitors or a more aggressive competitive response from existing participants may affect the operating performance of the Company. Future costs may rise and prices within the existing operating paradigm may fall, which may or may not restrict the Company's ability to compete profitably.

5. FINANCIAL INFORMATION

5.1 Effect of the Offer and Institutional Offer

The principal effect of the Offer and the Institutional Offer will be to:

- (a) increase cash reserves by approximately \$2,293,400 after deducting the estimated expenses of the Offer and the Institutional Offer of \$207,500 and assuming all Shares offered under the Offer and Institutional Offer are issued; and
- (b) increase the number of Shares on issue from 239,100,001 Shares to 266,887,779 Shares.

The Offer and the Institutional Offer will have an effect on the Company's financial position. Set out below is an unaudited pro forma consolidated position of the Company as at 30 September 2007 incorporating the effects of the Offer and the Institutional Offer.

5.2 Pro Forma Statement of Consolidated Position

	Unaudited Consolidated 30-Sep-07	Unaudited Consolidated Proforma
Current Assets	416,424	748,547
Non Current Assets	2,483,622	3,889,648
Intangible Assets	14,786,537	20,931,700
Total Assets	17,686,583	25,569,895
Current Liabilities	510,080	1,160,080
Non Current Liabilities	-	540,000
Interest bearing liabilities	1,727,955	5,365,270
Total Liabilities	2,238,036	7,065,350
NET ASSETS	15,448,548	18,504,545

Transactions adjusting the 30 September 2007 unaudited consolidated position to the unaudited pro forma consolidated position are as follows:

- (a) The placement of 27,777,778 Shares to sophisticated and institutional investors at an issue price of \$0.09 each to raise approximately \$2,500,000 and the offer of up to 10,000 Shares at an issue price of \$0.09 each to raise a gross \$900;
- (b) The payment of estimated expenses of the Offer and the Institutional Offer of \$207,500;
- (c) The further borrowing of \$1,500,000 and repaying the existing interest bearing debt facilities of approximately \$535,000 and finance lease facility of approximately \$228,000;
- (d) The sale of Booragoon Dental Clinic for a total sum of \$275,000. For further details of the agreement covering this sale, please refer to Section 6.7 of this Prospectus.
- (e) The sale of certain plant, equipment and inventories relating to Booragoon Dental Clinic on 21 November 2007 for a sum of \$275,000 plus GST.
- (f) The completion of the acquisition of South East Medical Imaging for a total sum of \$3,790,000 and allocating the purchase price as to \$550,000 to plant and equipment and \$3,240,000 to goodwill. For further details of the terms of this purchase agreement, please refer to Section 6.7 of this Prospectus.
- (g) The completion of the acquisition of Bell Imaging for a total sum of \$4,750,000 and allocating the purchase price as to \$1,631,795 to plant and equipment and \$3,118,205 to goodwill. For further details of the terms of this purchase agreement, please refer to Section 6.7 of this Prospectus.

6. ADDITIONAL INFORMATION

6.1 Rights Attaching to Shares

The rights attaching to Shares in the Company are:

- (i) set out in the Constitution of the Company, a copy of which is available for inspection during normal business hours at the registered business office of the Company; and
- (ii) in certain circumstances, regulated by the Corporations Act, the Listing Rules, the ASTC Settlement Rules and the general law.

The following are the more important rights, privileges and restrictions attaching to the Shares offered for subscription by this Prospectus:

- (a) subject to any special rights or restrictions for the time being attached to any class or classes of shares in the Company (at present there are none), at a general meeting every shareholder present in person or by proxy, representative or attorney will have a vote on a show of hands and, on a poll, one vote for each Share held;
- (b) each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to Shareholders under the Constitution or the Corporations Act;
- (c) subject to any special rights of the holders of any shares as to a dividend (at present there are none), any dividend declared shall be payable on all Shares in proportion to the number of Shares held by the Shareholders;
- (d) subject to the rights of holders of shares with special rights in a winding-up (at present there are none), on a winding-up of the Company all monies and property that are to be legally distributed among holders of shares will be distributed so that, to the greatest extent possible, the amount distributed is in proportion to the Shares held by Shareholders respectively. At the commencement of the winding up, shares classified by ASX as Restricted Securities shall rank on a return of capital after all other Shares; and
- (e) subject to the Constitution and the Corporations Act, Shares are freely transferable.

6.2 Market Prices of Ordinary Shares

The highest and lowest recorded market sale prices of the Shares quoted on ASX during the 12 month period prior to the date of this Prospectus were \$0.20 on 6 December 2006 and \$0.075 on 12 April 2007 respectively.

The last market sale price of the Shares on ASX on the last day that trading took place in the Shares prior to the date of this Prospectus was \$0.13 on 26 November 2007.

The Company has no options over Shares that are currently quoted on ASX.

6.3 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in the Shares. Taxation consequences will depend on particular circumstances. Neither Capitol Health nor any of its officers accept any liability or responsibility in respect of the taxation consequences of the matters referred to above or any other taxation consequences connected with an investment in the Shares in Capitol Health.

6.4 Overseas Participants

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus does not constitute an offer to sell, or a solicitation to buy Shares in the Company in any jurisdiction in which such offer or solicitation is unlawful.

6.5 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

6.6 Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from or inspected at, an office of the ASIC. This includes the Annual Report and Quarterly Report referred to in Section 3 of this Prospectus.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since official quotation on 7 June 2006. As at the time of lodging this Prospectus the only such documents were:

Date	Details
6 December 2007	ASX Appendix 3B – Placement
6 December 2007	Investor Presentation
6 December 2007	Acquisitions and capital raising
6 December 2007	Reinstatement to quotation
30 November 2007	Results of Meeting
29 November 2007	Acquisitions and Capital Raising
26 November 2007	Suspension from Official Quotation
21 November 2007	Trading Halt
1 November 2007	Appendix 4C - quarterly
29 October 2007	Notice of Annual General Meeting/Proxy Form
29 October 2007	Annual Report to shareholders
8 October 2007	Becoming a substantial holder
24 September 2007	Becoming a substantial holder
14 September 2007	2007 Financial Report
14 September 2007	Becoming substantial holders
13 September 2007	Ceasing to be a substantial holder
13 September 2007	Change in substantial holding
12 September 2007	Change of Director's Interest Notice
7 September 2007	Capitol Health expands radiology business
31 August 2007	Preliminary Final Report
31 August 2007	Completion of Radiology Group Acquisition
30 August 2007	Outcome of General Meeting
31 July 2007	ASX Appendix 4C - June 2007 Quarterly Report

30 July 2007	Notice of General Meeting/Proxy Form
26 July 2007	Investor Presentation re Acquisition
26 July 2007	Acquisition of Radiology Group
26 July 2007	Reinstatement to Official Quotation
12 June 2007	Suspension from Official Quotation
8 June 2007	Appendix 3B
25 May 2007	Release from escrow
30 April 2007	Commitments Test Entity - Third Quarter Report
28 February 2007	Half Yearly Report & Half Year Accounts
31 January 2007	Commitments Test Entity - Second Quarter Report
4 January 2007	Change of Address
8 December 2006	Appendix 3B
20 November 2006	Results of AGM
17 November 2006	Release from escrow
14 November 2006	Appendix 3B
31 October 2006	Commitments Test Entity - First Quarter Report
20 October 2006	2006 Annual Report
20 October 2006	Notice of Annual General Meeting
1 September 2006	Full Year Accounts
1 September 2006	Preliminary Final Report
28 August 2006	Acquires Dental Surgery & Facilities
28 July 2006	Commitments Test Entity - Fourth Quarter Report
13 June 2006	Becoming a substantial holder x 3
9 June 2006	Initial Director's Interest Notice x3

6.7 Material Contracts

Sale of Business Agreement – Bell Imaging

On 6 December 2007, Capitol Radiology and the Company entered into a sale of business agreement with Willjohn Nominees Pty Ltd (**Willjohn**), John Richard Sauvey (**Sauvey**) and Wayne David McGregor (**McGregor**) trading as Bell Imaging Group (together, the **Vendors**) (**Bell Sale of Business Agreement**) pursuant to which the Vendors agreed to sell, and Capitol Radiology agreed to acquire, the business of a medical diagnostic imaging provider carried on by the Vendors (**Bell Business**) and the assets of the Bell Business (**Bell Assets**).

The Bell Sale of Business Agreement contains the following material terms and conditions:

- a) (**Vendors' Conditions**): The Bell Sale of Business Agreement is conditional upon the following being satisfied on or before 17 December 2007:
 - (i) the execution by Sauvey and McGregor of employment agreements with Capitol Radiology on terms acceptable to Sauvey and McGregor; and
 - (ii) consent from the bankers to the Business (**Bank**) to the sale of the Bell Business and the Bell Assets;
- b) (**Completion Conditions**): Completion of the sale of the Bell Business and Bell Assets (**Completion**) is conditional on the following Completion conditions being satisfied on or before 28 February 2008 (**Completion Date**):
 - (i) the assignment of the leases in respect of the premises lease for the purpose of the Bell Business (**Leases**) to Capitol Radiology; and

- (ii) Capitol Radiology obtaining any necessary approvals required under the Trade Practices Act;

If the above Completion conditions are not satisfied or waived by Capitol Radiology by the Completion Date, Capitol Radiology will have until 28 February 2008 to satisfy such conditions. If the above Completion conditions are not satisfied by 28 February 2008, either party may terminate the Bell Sale of Business Agreement;

- c) **(Purchase Price)**: the purchase price for the sale of the Bell Business and the Bell Assets is \$4,750,000 (plus or minus any adjustments for outgoing and expenses relating to the Bell Business or the Bell Assets) which is payable in cash and that number of Shares in the capital of the Company which is equal to \$750,000 based on the closing trading price of the Shares on the day before the Completion Date and discounted by \$0.01;
- d) **(Completion)**: Completion will take place on the Completion Date. At Completion, Capitol Radiology must deliver to the Vendors (among other things):
 - (i) an unconditional bank guarantee in the amount of \$250,000 in favour of the Vendors;
 - (ii) evidence that Capitol Radiology has executed all documentation and obtained all necessary consents for Capitol Radiology to assume liability for the operating leases, finance leases and finance facilities of the Bell Business; and
 - (iii) evidence that Capitol Radiology has provided replacement security deposits in respect of the relevant leases of the Bell Business;
- e) **(Business Liabilities)**: From Completion, Capitol Radiology will be responsible for all liabilities of the Bell Business accruing after Completion. Capitol Radiology indemnifies the Vendors for all loss or liability arising from or incurred in connection with such liabilities. Capitol Radiology also agrees to indemnify the Vendors in respect of all loss or liability arising from or incurred by the Vendors after Completion in connection with the operating leases of the Bell Business, the finance leases of the Bell Business and the finance facilities of the Bell Business;
- f) **(Employees)**: On or before the Completion Date, Capitol Radiology must make an offer of employment, subject to, and effective from, Completion, to each employee engaged in the Bell Business on terms no less favourable than their existing terms of employment;
- g) **(Employee Liabilities)**: From the Completion Date, Capitol Radiology will be responsible for, and will indemnify the Vendors against, all claims and expenses relating to the entitlements accruing to the transferring employees after the Completion Date;
- h) **(Warranties and Indemnities)**: The Bell Sale of Business Agreement contains standard warranties and indemnities for an agreement of this nature; and
- i) **(Governing Law)**: The Bell Sale of Business Agreement is governed by the laws of Victoria.

Sale of Business Agreement – South East Medical Imaging

On 29 November 2007, Capitol Radiology Pty Ltd (**Capitol Radiology**), a wholly owned subsidiary of the Company, entered into a sale of business agreement (**SEMI Sale of Business Agreement**) pursuant to which it agreed to acquire:

- a) the medical practice of radiologists and medical imaging specialists under the business name Clayton X-Ray Clinic and its goodwill and assets (**Clayton Business**) from Minh Hung
-

Tran (**Tran**), Clayton Imaging Pty Ltd (**Clayton Imaging**), Loc Minh Pty Ltd (**Loc Minh**) and Centre Road Services Pty Ltd (**Centre Road Services**) (collectively the **Clayton Vendors**); and

- b) the medical practice of radiologists and medical imaging specialists under the business name Springvale X-Ray Clinic and its goodwill and assets (**Springvale Business**) from Tran, M H Tran Pty Ltd (**M H Tran**), Springvale X-Ray Capital Services Pty Ltd (**X-Ray Capital**) and Springvale X-Ray Services Pty Ltd (**X-Ray Services**) (collectively the **Springvale Vendors**).

The SEMI Sale of Business Agreement contains the following material terms and conditions:

- a) (**Consideration**): In consideration for the purchase of the Clayton Business and Springvale Business, Capitol Radiology must pay \$2,100,000 to the Springvale Vendors (made up of \$1,600,000 cash and a vendor finance facility of \$500,000 on the terms set out below) and \$1,100,000 cash to the Clayton Vendors;
- b) (**Vendor Finance Agreement**): Capitol Radiology has agreed to enter into a vendor finance agreement with Tran pursuant to which Capitol Radiology will borrow \$500,000 from Tran to pay to the Springvale Vendors as part consideration for the Springvale Business (**Vendor Finance Agreement**). The Vendor Finance Agreement shall be on the following material terms and conditions:
- (i) the term of the Vendor Finance Agreement shall be 1 year;
 - (ii) Capitol Radiology must pay to Tran interest at the rate of 12% per annum, payable quarterly in arrears. If such interest is paid within 7 days of the due date, interest will only be charged at 8% per annum; and
 - (iii) the Company will guarantee the obligations of Capitol Radiology under the Vendor Finance Agreement;
- c) (**Completion**): Completion of the purchase of the Springvale Business and Clayton Business (**Completion**) will occur on 17 December 2007 or such other date as the parties may agree. Completion is conditional upon Capitol Radiology being provided with final accounts and those accounts showing no material change to the financial position of the Springvale Business and Clayton Business (collectively the **SEMI Businesses**). At Completion, Capitol Radiology must (among other things):
- (i) enter into lease agreements for the Dandenong premises and the premises of each of the Springvale Business and the Clayton Business;
 - (ii) take transfers of the leases and commercial hire purchase agreements entered into by the Vendors in relation to the financed equipment of the SEMI Businesses (**Finance Agreements**) or payout such Finance Agreements. The amount financed by the Vendors under the Finance Agreements is approximately \$550,000 in total; and
 - (iii) execute the Vendor Finance Agreement;
- d) (**Book Debts and Creditors**): After Completion, the Clayton Vendors and the Springvale Vendors (collectively the **Vendors**) will be entitled to all book debts of the SEMI Businesses and will indemnify Capitol Radiology against all debts and creditors of the SEMI Businesses;
- e) (**Employees**): Capitol Radiology may offer employment to each of the employees of the SEMI Businesses, provided that such offer is on terms no less favourable than those currently in place with the Vendors. Capitol Radiology will be responsible for the entitlements of the transferring employees. On Completion, Capitol Radiology must pay all accrued entitlements (to a maximum of \$40,000) to the employees who do not accept employment with Capitol Radiology;
-

-
- f) **(Employment of Tran):** Completion is conditional upon Tran executing an employment contract with Capitol Radiology pursuant to which Tran will be employed as a radiologist for a term of 5 years commencing from Completion. The terms of such employment contract will be as set out in the SEMI Sale of Business Agreement and otherwise on terms satisfactory to both Tran and Capitol Radiology;
 - g) **(Warranties and Indemnities):** The SEMI Sale of Business Agreement contains standard warranties and indemnities for an agreement of this nature; and
 - h) **(Governing Law):** The SEMI Sale of Business Agreement is governed by the laws of Victoria.

Booragoon Business Sale Agreement

On 21 November 2007, the Company's wholly owned subsidiary, CHL Operations Pty Ltd (**CHL**) entered into a sale of business agreement with Dr Russell Fine (**Fine**) (**Booragoon Business Sale Agreement**), pursuant to which Fine agreed to acquire the business of CHL, which is primarily that of a general dental practice, trading as Booragoon Dental Clinic (**Booragoon Business**) and its assets (**Booragoon Assets**).

The Booragoon Business Sale Agreement contains the following material terms and conditions:

- (a) **(Consideration):** The consideration to be paid by Fine for the purchase of the Booragoon Business and Booragoon Assets is \$275,000, which is to be satisfied in cash. The consideration will be paid in 12 monthly instalments, with the first instalment due on Settlement (as defined below);
- (b) **(Condition Precedent):** The settlement of the sale of the Booragoon Business and Booragoon Assets (**Settlement**) is conditional upon the completion by Fine of due diligence to the satisfaction of Fine on or before 25 November 2007;
- (c) **(Settlement):** Settlement will occur on that date which is 5 business days after completion of the above condition precedent;
- (d) **(Employees):** Fine must make an offer of employment, conditional on Settlement, to each employee of the Booragoon Business on terms of employment no less favourable than the terms of employment with CHL;
- (e) **(Accounts):** The parties acknowledge that Fine is purchasing the Booragoon Assets and assuming the liabilities of the Booragoon Business as at the date of the Booragoon Business Sale Agreement (**Effective Date**);
- (f) **(Representations and Warranties):** The Booragoon Business Sale Agreement contains standard representations and warranties from each of the parties for an agreement of this nature; and
- (g) **(Termination and Release):** With effect from immediately before Settlement, the Services Agreement and Facilities Licence dated 2 May 2006 between CHL and Fine is terminated and of no force or effect.

Sale of plant and equipment

CHL also sold to Fine by way of tax invoice certain plant, equipment and inventories relating to the Booragoon Business on 21 November 2007 for a sum of \$302,500 including GST.

Other than those disclosed above or in the Annual Report or announced to ASX, the Directors do not consider any other contracts to which the Company is a party as being material to enable investors make an informed assessment of the Shares being offered.

6.8 Interests of Directors, Experts and Advisers

A full disclosure of the current interests of Directors and the Auditor of the Company (and the amounts paid to such persons in the last 2 years) are set out in the Annual Report and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

Other than as set out below or elsewhere in this Prospectus or the Annual Report, no Director has, or had within two years before lodgement of this Prospectus with the ASIC, any interest in:

- (a) the promotion or formation of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its promotion or formation or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- (a) to induce him or her to become, or to qualify him or her as, a Director; or
- (b) for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

The interests of the Directors in the securities of the Company at the date of this Prospectus are as follows:

Director	Shares	Options ²
Mr A Harrison ¹	13,400,001	5,000,000
Mr A Ho ¹	1,000,000	1,000,000
Mr J Conidi ¹	55,813,464	10,000,000
Total	70,213,465	16,000,000

Notes:

¹ Securities are held by the directors either directly or indirectly

² These options are exercisable at \$0.20 each on or before 31 March 2010.

Steinepreis Paganin are the solicitors to the Offer and will receive professional fees of approximately \$5,000 for legal work undertaken by them in connection with this Prospectus. In the past two years, Steinepreis Paganin has been paid fees on standard commercial terms for legal services provided to the Company.

6.9 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

The following persons have each consented to the inclusion of the following statements and statements identified in this Prospectus as being based on statements made by those persons, in the form and context in which they are included, and have not withdrawn that consent before lodgement of this Prospectus with the ASIC:

- (a) Stantons International has given its written consent to the incorporation by reference of the Auditor's Report and the audited financial statements in the Annual Report in this Prospectus. Stantons International has not authorised or caused the issue of any other part of this Prospectus.
- (b) Steinepreis Paganin has consented to be named in this Prospectus as Solicitor to the Offer. Steinepreis Paganin has not authorised or caused the issue of any other part of this Prospectus.

6.10 Expenses of the Offer

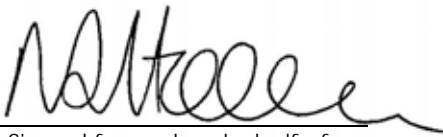
The total expenses of the Offer are estimated to be approximately \$15,000 (which includes ASIC fees of \$2,010 and legal fees of \$5,000).

7. AUTHORITY OF DIRECTORS

This Prospectus is issued by Capitol Health Limited and its issue has been authorised by a resolution of the Directors.

Each of the Directors of Capitol Health Limited has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act.

Dated the 6th day of December 2007



Signed for and on behalf of
CAPITOL HEALTH LIMITED
by Andrew Harrison,
Managing Director

8. DEFINITIONS

Annual Report means the Annual Report for the year ended 30 June 2007 lodged by the Company with the ASIC on 14 September 2007.

Applicant means a person who submits an Application Form.

Application Form means the application form attached to or accompanying this Prospectus.

Acquisition means the Company's acquisition of the Radiology Group.

ASIC means Australian Securities and Investments Commission.

ASX means Australian Securities Exchange Limited (ACN 008 624 691).

Board means the Board of Directors unless the context indicates otherwise.

Business Day means a day other than a Saturday or Sunday on which banks are open for business in Perth, Western Australia.

CHES means ASX Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer.

Company or **Capitol** or **Capitol Health** means Capitol Health Limited (ABN 84 117 391 812).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company from time to time.

Dollars or **\$** means Australian dollars unless otherwise stated.

Listing Rules or **ASX Listing Rules** means the official Listing Rules of ASX.

Offer means the offer of Shares pursuant to this Prospectus, as described in Section 2 of this Prospectus.

Official List means the Official List of ASX.

Prospectus means the prospectus constituted by this document.

Radiology Group means Balaclava Medical Imaging Pty Ltd, Treadwell Medical Imaging Pty Ltd, Radiology One Pty Ltd, Vermont Medical Imaging Pty Ltd and Carnegie Medical Imaging Pty Ltd.

Quarterly Report means Appendix 4C Quarterly Report for the quarter ended 30 September 2007 lodged with the ASIC on 1 November 2007.

Quotation and **Official Quotation** means official quotation on ASX.

Share means one fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

WST means Western Standard Time, Perth, Western Australia.



Share Registrar Use Only

APPLICATION FORM

Before completing this Application Form, you should read the Prospectus dated 6 December 2007 and the instructions overleaf. No Share will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus.

PLEASE READ CAREFULLY ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM.

I/We apply for

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in CAPITOL HEALTH LIMITED or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge full application monies of:

\$	<table border="1" style="width: 100%; height: 20px;"> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </table>											For the above Shares.

Full name (PLEASE PRINT)

--

Joint Applicant #2 or <designated account>

--

Joint Applicant #3 or <designated account>

--

Postal Address (PLEASE PRINT)

Street Number	Street

Suburb/Town State Post code

--

Contact Name Telephone number – Business hours

	()	
--	---	--	---	--

Telephone number – After hours

	()	
--	---	--	---	--

CHESS HIN (where applicable) E-mail Address

--	--

Tax File Number or Exemption

--

Applicant #2

--

Applicant #3

--

CHEQUE DETAILS

Drawer	Bank	BSB	Amount of cheque

Declaration and Statements:

By lodging this Application Form:

I/We declare that all details and statements made by me/us are complete and accurate;

I/We agree to be bound by the terms and conditions set out in the Prospectus and by the Constitution of the Company;

I/We acknowledge that the Company will send me/us a paper copy of the Prospectus and any Supplementary Prospectus (if applicable) free of charge if I/we request so during the currency of the Prospectus;

I/We authorise the Company to complete and execute any documentation necessary to effect the issue of Shares to me/us; and

I/We have received personally a copy of the Prospectus accompanied by or attached to this Application Form or a copy of the Application Form or a direct derivative of the Application Form before applying for Shares.

I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Shares in Capitol Health Limited and that no notice of acceptance of the application will be provided.

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 6 DECEMBER 2007 AND ANY RELEVANT SUPPLEMENTARY PROSPECTUS.

This Application Form relates to the Offer of 10,000 Shares in Capitol Health Limited pursuant to the Prospectus dated 6 December 2007.

APPLICATION FORMS

Applications must be made on the application form attached to this Prospectus. Please complete all parts of the application form using BLOCK LETTERS.

Use correct forms of registrable name (see below). Applications using the wrong form of name may be rejected. Current CHES participants should complete their name and address in the same format as they are presently registered in the CHES system.

Insert the number of Shares you wish to apply for. The applicant(s) agree(s) upon and subject to the terms of the Prospectus to take any number of Shares equal to or less than the number of Shares indicated on the Application Form that may be allotted to the applicants pursuant to the Prospectus and declare(s) that all details of statements made are complete and accurate.

No notice of acceptance of the application will be provided by the Company prior to the allotment of Shares. Applicants agree to be bound upon acceptance by the Company of the application.

Please provide us with a telephone contact number (including the person responsible in the case of an application by a company) so that we can contact you promptly if there is an irregularity in your Application Form. If your Application Form is not completed correctly, it may still be treated as valid. There is no requirement to sign the Application Form. The Company's decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final.

PAYMENT

Applications for Shares must be accompanied by the application money of \$0.09 per Share (in Australian currency). Cheques should be made payable to "Capitol Health Limited – Placement Account" and crossed "Not Negotiable".

BROKER SPONSORED APPLICANTS

The Company is an Issuer Sponsored participant in the ASX CHES System. This enables a holder to receive a statement of holding rather than a certificate. If you are already a Broker Sponsored participant in this system, you may complete this section or forward a signed Application Form to your sponsoring broker for completion prior to lodgement. Otherwise, leave this box blank and your Shares will automatically be Issuer Sponsored on allotment.

TAX FILE NUMBERS

The collection of tax file number ("TFN") information is authorised and the tax laws and the Privacy Act strictly regulate its use and disclosure. Please note that it is not against the law not to provide your TFN or claim an exemption, however, if you do not provide your TFN or claim an exemption, you should be aware that tax will be taken out of any unfranked dividend distribution at the maximum tax rate.

If you are completing the application with one or more joint applicants, and you do not wish to disclose your TFN or claim an exemption, a separate form may be obtained from the Australian Taxation Office to be used by you to provide this information to the Company. Certain persons are exempt from providing a TFN. For further information, please contact your taxation adviser or any Taxation office.

CORRECT FORM OF REGISTRABLE TITLE

Note that only legal entities are allowed to hold securities. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to Capitol Health Limited. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the example of the correct forms of registrable names below:

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
Individual <i>Use given names, not initials</i>	John Alfred Brown	JA Brown
Company <i>Use Company title, not abbreviations</i>	ABC Pty Ltd	ABC P/L ABC Co
Trusts <i>Use trustee(s) personal name(s), Do not use the name of the trust</i>	Sue Brown <Sue Brown Family A/C>	Sue Brown Family Trust
Deceased Estates <i>Use executor(s) personal name(s)</i>	Jane Brown <Est John Brown A/C>	Estate of late John Brown
Partnerships <i>Use partners' personal names, do not use the name of the partnership</i>	John Brown and Michael Brown <John Brown and Son A/C>	John Brown and Son
Clubs/Incorporated Bodies/Business Names <i>Use office bearer(s) personal name(s), Do not use the names of the clubs etc.</i>	Michael Brown <ABC Cricket Association A/C>	ABC Cricket Association
Superannuation Funds <i>Use of name of trustee of fund, do not use the name of the fund.</i>	Jane Brown Pty Ltd <Super Fund A/C>	Jane Brown Pty Ltd Superannuation Fund