

10 June 2010

ASX Announcement

Update on acquisition of Radiology and Imaging business

IM Medical (ASX – IMI) is pleased to announce that it has agreed with the Mark Scott Group the terms and conditions of a financing transaction. The equipment financing transaction which when approved by shareholders will represent a saving for the company of \$1.09m per annum in operating cash flows and, importantly, would permit the company to move to complete its acquisition of the Mark Scott Group Radiology and Imaging businesses.

On 10 September 2009, the Shareholders in General Meeting approved the issue of up to 1,223,978,722 fully paid ordinary shares in the Company with a deemed issue price of \$0.002451023 and up to a maximum of 1,142,380,141 options to subscribe for shares in the Company with an exercise price of \$0.0035, as consideration for the purchase of the businesses.

Whilst approval was obtained, completion of the transaction remained subject to a number of conditions, most notably, the securing by the company of new equipment finance agreements (rental, hire purchase and the like) for the equipment used in the businesses.

Since the shareholder approval, the company, with the assistance of its corporate advisers, has been working to satisfy these conditions without reaching a conclusion acceptable to the company.

In light of the above, the company and the Mark Scott Group have agreed on an equipment financing transaction involving the Mark Scott Group, the key terms of which are:

1. the Mark Scott Group will permit the Company to use all of the equipment required for the businesses, on an exclusive basis, for the remainder of the term of the equipment finance agreements;
2. the Mark Scott Group will leave in place their securities in connection with the existing equipment finance agreements;
1. with the consent of the Mark Scott Group's primary financiers, Mark Scott Group and Mark Scott will be responsible to continue to make the rental and lease payments under all the current equipment finance agreements. This represents a cash saving to the company in the vicinity of \$2.5m over the respective terms of these agreements;
2. Mark Scott Group and its associates will receive as consideration for the equipment financing transaction:
 - a. 1,600,000,000 ordinary shares with a deemed issue price of \$0.00162, 56% of which are to be escrowed and subject to forfeiture if Mark Scott Group or

Mark Scott do not comply with their payment obligations in relation to the equipment finance agreements; Additionally the company is entitled to set-off certain remuneration otherwise payable to Mark Scott Group under ordinary service agreements and make payments direct to financiers on their behalf

- b. 3,200,000,000 options with an exercise prices of \$0.0025 and maturity date of 3 years from their date of issue; and

The issue of the shares and options is subject to the approval of shareholders and the company will send to shareholders shortly the Notice of Meeting and other materials setting out the advantages and disadvantages and all other relevant information in connection with the equipment financing transaction. The completion of the finance transaction would occur contemporaneously with the completion of the acquisition of the businesses.

Roman Najdecki
Company Secretary