

Thursday 11 August 2011

IM Medical Limited

Dear Shareholder

The Company is aware some shareholders have received a letter from Dr Laurie Williams seeking their proxies in order to vote against the resolutions that will be considered at the Company's General Meeting on 16 August 2011.

In the letter Dr Williams claims he oversaw the original success of the Company and makes a number of other unsubstantiated claims.

Your current Directors do not agree with the statements made by Dr Williams in his letter. Shareholders should be aware that significant losses were incurred by the Company while Dr Williams was Managing Director (appointed in June 2005) and Chairman (appointed in February 2006).

Under Dr Williams, the Company wrote the value of its Intelliheart business down from \$1.29 million to nil in the year to 30 June 2005 and reported a loss of \$3.2 million in the year to 30 June 2006. In November 2006, Dr Williams advised shareholders that the Company expected to move into operating profit in the New Year. Dr Williams subsequently resigned as Chairman in December 2006. The Company reported a further loss of \$1.1 million in the half year to 31 December 2006 and a loss of \$3.2 million for the full year to 30 June 2007.

Your Directors do not recommend you give your proxies to Dr Williams. If you have already done so, you are entitled to resubmit your proxy as described below.

General Meeting

Since the appointment of new Directors to the Board in March this year, the Company has been focused on stabilising the Company's financial position and restoring shareholder value. The resolutions at the General Meeting seek your approval for important steps in restructuring and recapitalising the Company. If the resolutions are not approved, the Directors are of the opinion that there is a likelihood that the Company will face solvency issues that may require the Board to consider voluntary administration. In this situation any residual value for shareholders would be uncertain.

Your vote at the General Meeting is important and the Directors encourage you to submit your Proxy Forms or attend the General Meeting to vote on the resolutions.

The independent Directors recommend shareholders vote in favour of all resolutions.

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 2.00pm (EST) on Sunday 14 August 2011, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged in person, by mail or by fax or email to:

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

If you have already submitted your Proxy, you are entitled to resubmit it if you wish to change your vote.

If you have misplaced your Proxy form, or you would like to resubmit your Proxy, please contact the registry by phone or email for a replacement, or use the proxy form attached to the Notice of Meeting announced to the ASX on 18 July 2011.

Yours Sincerely



Nigel Blaze
Chairman
IM Medical limited