

## **ASX Announcement**

**21 October 2011**

### **IM Medical Limited – General Meeting Chairman’s Address**

This General Meeting has been called to approve the entitlement issue announced on 14 September 2011.

By way of background, the entitlement issue is part of a broader restructure and recapitalisation of the Company. The restructure includes the sale of the Company’s radiology business which has not met performance expectations, due to difficult industry conditions and the loss of key clients.

The Directors believe the sale of the radiology business and the capital raising under the entitlement issue are the best means available to the Company to address its weak solvency position.

Resolutions to consider the sale of the radiology business and the remaining steps in the restructure will be put to shareholders for consideration at the Company’s Annual General Meeting to be held in late November. The sale related resolution has been deferred to the Annual General Meeting so that shareholders will know the outcome of the entitlement issue before considering a resolution to sell the radiology business. A Notice of Meeting for the Annual General Meeting will be issued by the Company next week.

The current entitlement issue replaces an underwritten rights issue that was proposed in August 2011, but was withdrawn due to termination of the underwriting agreement as a result of adverse share market movements. The Company has not been able to raise equity capital since late last year and is in urgent need of funding.

The entitlement issue is a non-renounceable pro-rata issue on the basis of six shares for every one share held on the record date at an issue price of 0.5 cent per share. All eligible shareholders have the opportunity to participate. For each share issued, one free attaching option will be issued exercisable at 1.0 cent on or before 30 September 2016. The entitlement issue to raise up to \$3.3 million is subject to a minimum subscription of \$2.8 million, and will be used primarily to pay creditors and provide working capital to the Company.

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Votes cast on the resolution are subject to voting exclusions. The Company has disregarded any votes cast on this resolution by any Substantial Shareholders, Converting Loan Holders, any proposed promoter, underwriter or sub-underwriter or their associates or a person (or any associate of such a person) who might obtain a benefit except a benefit solely in their capacity as holders of ordinary securities if the Resolution is passed.

The Directors stress the importance of approval of the entitlement issue to provide necessary equity funding for the Company. If the entitlement issue is not approved, the Company will not have the funds required to pay its creditors.

We have been advised by the ASX that the Company will be re-instated to trading on completion of the Entitlement Issue.

The Directors unanimously recommend all eligible shareholders vote in favour of the resolution to approve the entitlement issue.

Please be assured your Board is working as hard as it can to effect the restructure and protect shareholder value. The Directors look forward to your on-going support to restructure the business and seek opportunities to create shareholder value.

Richard Wadley  
Director  
October 21, 2011

For further information please call IM Medical Limited on 03 9860 0904.