

Appendix 4D

Half -Year Report For The Period Ended 31 December 2016 (Previous corresponding period: Half-Year End 31 December 2015)

*This Half Year Report is provided to the
Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3.*

Results for Announcement to The Market

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount \$
Revenues from continuing operations	up	-	To	Nil
Loss from continuing activities after income tax attributable to members	down	52%	To	(127,226)
Net loss attributable to members	down	52%	To	(127,226)

Dividends (Distributions)

	Amount per security	Franked amount per security
Interim dividend	Nil	N/A
The record date for determining entitlements to the final dividend is	N/A	N/A
Previous corresponding period		
Interim dividend	Nil	N/A

Brief explanation necessary to enable the above to be understood

The net loss after tax for the period was \$(127,226) compared to a loss of \$(262,962) for the same period last year. The loss for the half- year includes recognition for the recovery of \$220,000 agreed acquisition expenditures.

Net Tangible Assets per Security

Net tangible assets per security (with comparative figure for the previous corresponding period):

	Current period	Previous corresponding period
Net tangible assets security	\$0.000001 cents	\$0.000003 cents

The accounts attached have been subject to a review.

This half yearly report is to be read in conjunction with the half-year financial report and the most recent annual financial report.

IM MEDICAL LIMITED

ABN: 47 009 436 908

Financial Report for the
Half-year ended 31 December 2016

Directors' report

The directors of IM Medical Limited (the Company) submit herewith the financial report of the Company and its subsidiaries (the Consolidated entity) for the half-year ended 31 December 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Director names

The names of the directors of the Company during the half-year and until the date of this report are below. All directors were in office for the entire period, unless otherwise stated.

Mr Nigel Blaze

Mr Richard Wadley

Mr Paul Burton

Review and results of operations

(a) Review and results of operations

The loss for the half-year was \$127,226 compared to a loss of \$262,962 for the corresponding period.

(b) Future development

- IMI intends to raise \$0.5m via a Rights Issue to recapitalise its balance sheet
- IMI has entered into a 6 month conditional option agreement to acquire Babylon Operations Pty Ltd. Babylon is a recently established provider of specialised equipment rental and diesel maintenance services to the expanding resource maintenance sector.
- Should IMI make a decision to exercise the option to acquire Babylon, IMI intends to:
 - undertake a capital raising of \$3.8m and up to \$6m;
 - undertake a consolidation on a 1:20 basis;
 - change its name to Babylon Pump & Power Limited; and
 - seek re-listing of its securities on the ASX following re-compliance with Chapters 1 and 2 of the ASX Listing Rules

(c) Review of financial conditions

Under the Rox Resources Limited acquisition agreement the Company was able to recover certain expenditures incurred during the due diligence process; \$220,000 has been paid and the matter is now finalised.

(d) Risk management and corporate governance practices

The Board has delegated to the Audit, Risk and Compliance Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring that the Consolidated entity conducts its operations in a manner that manages risk to protect its people, the environment, Consolidated entity assets and reputation.

(e) Subsequent events

- On 4 April 2017 the Company announced it had entered into a 6month conditional option agreement to acquire Babylon P/L. Babylon is a recently established provider of specialised equipment rental and diesel maintenance services to the expanding resource maintenance sector. Also announced was a non-renounceable pro rata offer of up to 498,237,396 shares at an issue price of \$0.001 each on the basis of three (3) Shares for every eight (8) Shares held at the Record Date, together with one free Attaching Option for every Share subscribed.
- On 28 February 2017 the Company announced it had received \$200,000 as a final payment from Rox Resources Limited as reimbursement of certain due diligence expenses incurred during the Reward acquisition offer period.
- On 4 August 2016 the Company announced it raised \$330,000 through a Converting Loan to sophisticated investors. The funds were used to fund transaction documentation costs associated with the proposed Reward acquisition. The note holders agreed in January 2017 to extend the notes to 31 May 2017.

Auditor's independence declaration

The auditor's independence declaration is included on page (15) of the half-year financial report.

Signed in accordance with a resolution of the directors and made pursuant to s306(3) of The Corporations Act 2001.
On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Nigel Blaze', with a horizontal line drawn underneath it.

Nigel Blaze
Director
Melbourne
4 April 2017

Directors' declaration

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s303(5) of the Corporations Act 2001.

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'N. Blaze', with a horizontal line underneath it.

Nigel Blaze
Director
Melbourne
4 April 2017

Condensed consolidated statement of profit or loss and other comprehensive income
for the half-year ended 31 December 2016

	Note	31 Dec 2016 \$	31 Dec 2015 \$
Continuing Operations			
Revenue		-	24
Corporate, legal and administration		(71,158)	(192,246)
Director and employee benefits		(49,918)	(55,300)
Other expenses		(6,150)	(15,440)
Loss before income tax expense		(127,226)	(262,962)
Income tax expense		-	-
Loss for the period from continuing operations		(127,226)	(262,962)
Discontinued Operations			
Loss from discontinued operations		-	-
Loss for the period		(127,226)	(262,962)
Other comprehensive income		-	-
Total comprehensive loss for the period		(127,226)	(262,962)
Continuing and Discontinued Operations			
Basic loss per share (cents per share)		(0.01)	(0.02)
Diluted loss per share (cents per share)		(0.01)	(0.02)
Continuing Operations			
Basic loss per share (cents per share)		(0.01)	(0.02)
Diluted loss per share (cents per share)		(0.01)	(0.02)

The above condensed consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the attached notes.

Condensed consolidated statement of financial position
as at 31 December 2016

	Note	31 Dec 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents		76,551	(874)
GST refundable		15,719	14,553
Sundry debtors		200,000	3,071
Total current assets		292,270	16,750
Total assets		292,270	16,750
Current liabilities			
Converting loan		330,000	-
Trade and other payables		375,779	303,033
Total current liabilities		705,779	303,033
Total liabilities		705,779	303,033
Net assets/(deficiency)		(413,509)	(286,283)
Equity			
Issued capital	2(a)	22,608,124	22,608,124
Accumulated losses		(23,021,633)	(22,894,407)
Total equity		(413,509)	(286,283)

The above condensed consolidated statement of financial position is to be read in conjunction with the attached notes.

Condensed consolidated statement of changes in equity
 for the half-year ended 31 December 2016

Consolidated	Issued capital	Accumulated losses	Total
	\$	\$	\$
Balance at 1 July 2015	22,042,084	(22,513,272)	(471,188)
Share Purchase Plan (net of costs)	566,040	-	566,040
Total comprehensive loss for the period	-	(262,962)	(262,962)
Balance as at 31 December 2015	22,608,124	(22,776,234)	(168,110)
Balance at 1 July 2016	22,608,124	(22,894,407)	(286,283)
Total comprehensive loss for the period	-	(127,226)	(127,226)
Balance as at 31 December 2016	22,608,124	(23,021,633)	(413,509)

The above condensed consolidated statement of changes in equity is to be read in conjunction with the attached notes.

Condensed consolidated statement of cash flows
for the half-year ended 31 December 2016

	31 Dec 2016 \$	31 Dec 2015 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees	(106,991)	(199,869)
Interest received	-	24
Net cash flows used in operating activities	<u>(106,991)</u>	<u>(199,845)</u>
Cash flows from investing activities		
Acquisition costs	(144,984)	(109,601)
Loans	(600)	(11,958)
Loans repaid	-	16,602
Net cash flows (used in)/provided by investing activities	<u>(145,584)</u>	<u>(104,957)</u>
Cash Flows from Financing Activities		
Receipt of loans	330,000	-
Proceeds from the issue of shares under the Share Purchase Plan.	-	300,000
Payment of capital raising costs	-	632,259
Net cash flows provided by financing activities	<u>330,000</u>	<u>(66,219)</u>
Net (decrease) / increase in cash held	77,425	(38,762)
Cash at beginning of the financial period	(874)	45,838
Cash at the end of the financial period	<u>76,551</u>	<u>7,076</u>

The above condensed consolidated statement of cash flows is to be read in conjunction with the attached notes.

Condensed Notes to the consolidated interim financial report for the half-year ended 31 December 2016

1. Summary of significant accounting policies

Basis of Preparation

Statement of compliance

The half-year financial report is a general purpose condensed financial report prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2016 financial report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Going concern basis

The financial statements are prepared on the going concern basis, which contemplates the continuity of normal business activities, and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a net loss of \$127,226 (2015: \$262,962) and incurred negative cash flows from operations of \$106,991 (2015: \$199,845) during the period ended 31 December 2016. As at 31 December 2016 the consolidated entity had an excess of current liabilities over current assets of \$413,509 (30 June 2016 excess of current liabilities of: \$286,283), and accumulated losses of \$(23,016,289) 30 June 2016: (\$22,894,407).

In August 2016 the Company issued a \$330,000 Converting Loan for further working capital. These notes will convert to equity in December 2016 if not repaid prior to that time. In January 2017 note holders agreed to extend the note period to 31 May 2017.

The Company has announced that it intends to recapitalise the balance sheet through a \$0.5m rights issue. In addition it intends to enter into a 6 month conditional option agreement to acquire Babylon Operations Pty Ltd. Babylon is a recently established provider of specialised equipment rental and diesel maintenance services to the expanding resource maintenance sector. Should the Company exercise the option it will undertake a capital raising between \$3.8m and up to \$6m; change its name to Babylon Pump & Power Limited; and seek re-listing of its securities on the ASX following re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Excluding the potential impact of the above capital raising the directors have prepared a cashflow forecast to June 2018. Until the cashflows from the non-renounceable offer have been received directors have agreed to forgo payment of their remuneration. Directors will only receive the full amounts outstanding if and when an investment opportunity is completed. The cash flow forecasts indicate that the consolidated entity will have sufficient cash resources (based on incurring only nominal cash outflows relating to the maintenance of a corporate administration function) to continue to pay its debts to June 2018.

If the consolidated entity is unable to continue as a going concern it may realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The Company is continuing activities to identify a suitable investment opportunity. The investigation activities and due diligence procedures on potential investments require the Company to incur additional expenditures from time to time, which may require the Company to raise additional funding. The company has been able to raise equity successfully as required in recent years. Based on discussions with its advisers, the directors are confident that the company and consolidated entity will be able to raise additional equity to fund its activities. The financial statements do not include adjustments, if any, relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Standards and Interpretations affecting amounts reported in the current period (and/or prior period)

The Company has considered the implications of new or amended Accounting Standard, but determined that their application in the financial statements is either not relevant or not material.

2. Issued capital

	Company at 31 Dec 2016		Company at 30 Jun 2016	
	Number	\$	Number	\$
(a) Issued capital				
Ordinary shares fully paid	1,163,633,057	22,608,124	1,163,633,057	22,608,124
Share option reserve	495,064,755	-	853,921,259	-
		<u>22,608,124</u>		<u>22,608,124</u>
(b) Movements in shares on issue				
Balance at beginning of the financial period	1,163,633,057	22,608,124	952,465,220	22,044,344
Consolidation on a 1:2 basis	-	-	(476,232,610)	-
Issue of shares	165,000,000	-	687,400,447	632,259
Less transaction costs	-	-	-	(66,219)
Balance at the end of the financial period	<u>1,328,633,057</u>	<u>22,608,124</u>	<u>1,163,633,057</u>	<u>22,608,124</u>

	Company 31 Dec 2016		Company 30 Jun 2016	
	Number	\$	Number	\$
(c) Movements in share option reserve				
Balance at beginning of the financial period	853,921,259	-	717,713,008	-
Consolidation on a 1:2 basis	-	-	(358,856,504)	-
Options (ASX: IMIO) expired 30 September 2016	(358,856,504)	-	-	-
Options granted (ASX: IMIOA)	-	-	495,064,755	-
Balance at the end of the financial period	<u>495,064,755</u>	<u>-</u>	<u>853,921,259</u>	<u>-</u>

	Exercisable		Expiry
	Number	\$	
(d) Options Granted under capital raisings (ASX:IMIOA)			
Share Placement Plan offer	137,500,000	\$0.002	31 March 2019
Top-up Placement offer	20,564,755	\$0.002	31 March 2019
Underwriter Option offer	275,000,000	\$0.002	31 March 2019
Prior Placement Option offer	62,000,000	\$0.002	31 March 2019
	<u>495,064,755</u>		

3. Subsequent events

- On 4 April 2017 IMI announced it had entered into a 6month conditional option agreement to acquire Babylon. Babylon is a recently established provider of specialised equipment rental and diesel maintenance services to the expanding resource maintenance sector, Also announced was a non-renounceable pro rata offer of up to 498,237,396 shares at an issue price of \$0.001 each on the basis of three (3) Shares for every eight (8) Shares held at the Record Date, together with one free Attaching Option for every Share subscribed.
- On 28 February 2017 the Company announced it had received \$200,000 as a final payment from Rox Resources Limited as reimbursement of certain due diligence expenses incurred during the Reward acquisition offer period.
- On 4 August 2016 the Company announced it raised \$330,000 through a Converting Loan to sophisticated investors. The funds were used to fund transaction documentation costs associated with the proposed Reward acquisition. The note holders agreed in January 2017 to extend the notes to 31 May 2017.

4. Dividends

The Directors resolved not to declare any dividends for the period ended 31 December 2016 (31 December 2015: Nil).

5. Borrowings

	31 Dec 2016 \$	30 June 2016 \$
Convertible note	330,000	-

On 4 August 2016 the company issued converting loan notes to sophisticated investors. In lieu of interest the Company issued 165,000,000 IMI shares. The loan was due to be repaid by 31 December 2016. The Noteholders subsequently agreed to extend the repayment date with the following amended terms:-

- Subject to the Borrower raising the minimum amount of equity funding required by the ASX to re-comply with Chapters 1 and 2 of the ASX Listing Rules (**Capital Raising**), the Borrower must repay the Loan within 5 business days of funds from the Capital Raising being available to the Borrower, or if not repaid by 31 May 2017,
- subject to the Borrower's shareholder approval, the Loan will be converted into ordinary fully paid shares in the capital of the Borrower (**Conversion Shares**) at a conversion price of 0.06666667 cents per share.
- Interest will accrue on the loan at a rate of 10% per annum (calculated daily) during the period from 1 January 2017 up until the date of the repayment or conversion.

6. Segment information

The following is an analysis of the Consolidated entity's revenue and results by reportable operating segment for the periods under review.

	Revenue		Segment loss	
	Half –year ended		Half –year ended	
	31 Dec 2016 \$	31 Dec 2015 \$	31 Dec 2016 \$	31 Dec 2015 \$
Continuing operations				
Corporate	-	24	(127,226)	(262,962)
Loss before tax			(127,226)	(262,962)
Income tax expense			-	-
Consolidated segment revenue and loss for the period	-	24	(127,226)	(262,962)

The following is an analysis of the Consolidated entity's assets and liabilities by reportable operating segment:

	Assets		Liabilities	
	31 Dec 2016 \$	30 June 2016 \$	31 Dec 2016 \$	30 June 2016 \$
Continuing operations				
Corporate	292,270	16,750	705,779	303,033
Total segment assets	292,270	16,750	705,779	303,033

7. Contingent liabilities.

There are no contingent liabilities as at 31 December 2016.

8. Commitments

There are no commitments for expenditure as at 31 December 2016

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF IM MEDICAL LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

McLean Delmo Bentleys Audit Pty Ltd.

McLean Delmo Bentleys Audit Pty Ltd



**Adam Roberts
Partner**

**Hawthorn
4 April 2017**

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IM MEDICAL LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of IM Medical Limited and controlled entities, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the entity.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of IM Medical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of IM Medical Limited would be in the same terms if provided to the directors as at the time of this auditor's review report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF IM MEDICAL LIMITED (Continued)**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of IM Medical Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of IM Medical Limited and controlled entities' financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion above, we draw attention to Note 1 'Going Concern Basis' to the financial statements which details that the consolidated entity incurred a net loss, and incurred negative cash flows from operations during the period ended 31 December 2016 and had an excess of current liabilities over current assets at 31 December 2016. These conditions along with other matters as set forth in Note 1 to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

McLean Delmo Bentleys Audit Pty Ltd.

McLean Delmo Bentleys Audit Pty Ltd



Adam Roberts
Partner

Hawthorn
4 April 2017