

4 April 2017

## ASX Release

### Non-Renounceable Rights Issue

- **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. 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**

### Rights Issue

**IM Medical Limited** (ASX: IMI, IMIOA) (“**IMI**” or “the **Company**”) proposes to undertake a pro-rata non-renounceable entitlements issue on the basis of 3 new fully paid ordinary shares in the Company (**Shares**) for every 8 existing Shares held by eligible shareholders at an issue price of \$0.001 per Share, to raise approximately \$0.5 million, together with one free attaching option for every Share issued (each with an exercise price of \$0.002 and expiry date of 31 March 2019 – the same terms as the existing listed IMIOA options) (“**Attaching Options**”) (“**Rights Issue**”).

The Rights Issue will be offered to eligible Shareholders, being Shareholders who are on the Company’s register with an Australian or New Zealand address, at the close of business (AEDT) on the record date, which is expected to be on or about 10 April 2017.

As the Rights Issue is non-renounceable, the rights may not be transferred or sold. Up to approximately 498,237,396 Shares will be issued pursuant to the Rights Issue. Shares issued under the Rights Issue will rank equally with Shares which the Company currently has on issue. The Rights Issue is expected to be underwritten.

The funds raised under the Rights Issue will be used to pay existing creditors and leave IMI with a cash balance of circa \$100,000. No funds raised under the Rights Issue will be provided to Babylon as part of the proposed Babylon Acquisition (see below for further details).

Further details of the Rights Issue, including details of the timetable, the underwriting arrangements and key risks of the Rights Issue, will be announced shortly, and will be set out in a prospectus that will be lodged with ASIC, released to the ASX and available on the IMI website at [www.immedical.com.au](http://www.immedical.com.au).

The Company notes that its securities have been suspended from trading on ASX since 29 December 2015. The Company will remain suspended from trading until the Company has satisfied ASX that it has re-complied with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on the Company's reinstatement to the Official List of ASX. The Company notes the ASX policy, which provides that if a company is suspended for a period of more than two years then the company will be delisted from ASX.

### **Babylon Acquisition**

The Company has entered into a binding agreement which provides the Company with an option ("**Babylon Option**") to acquire all of the issued capital of Babylon Operations Pty Ltd ("**Babylon**") ("**Babylon Acquisition**"). The Babylon Option has a six month term, and is subject to further due diligence by IMI on the Babylon business. In particular, IMI will be closely reviewing the operational performance and growth of the Babylon business over the Babylon Option period to ensure it is an appropriate business for acquisition and listing prior to making an election to exercise the Babylon Option. The Company has not yet consulted with ASX regarding whether the Babylon business is an appropriate business for listing.

If IMI proceeds with Babylon Acquisition, it will provide a potential attractive entry for IMI into the growing specialised resource asset management and maintenance sector. Following the recent resource sector construction boom, BIS Schrapnel estimates the annual maintenance expenditure in Australia's resources industry will swell to \$10 billion within five years – this surge has been described as the next potential mining boom.

Following exercise by IMI of the Babylon Option, in conjunction with the Babylon Acquisition, the Company is also intending to conduct a consolidation of its existing securities on a 1:20 basis ("**Consolidation**"). Further details of the Consolidation will be provided in due course.

As part of completion of the Babylon Acquisition, the Company intends to undertake the Capital Raising and re-comply with Chapters 1 and 2 of the ASX Listing Rules (see further below).

### **Babylon background**

Babylon was established in 2017 by Mr Michael Shelby, an experienced international oil and gas executive who most recently grew the oil and gas service business of Resource Equipment Ltd ("**REL**") from inception to A\$12m revenue p/a whilst exceeding profit targets up until REL was acquired by Pump Services, LLC by way of a cash on market takeover offer in 2015.

Babylon's business plan is to become a speciality equipment and service provider to the expanding resources maintenance sector with a focus on two niche areas:

- a) Specialised Equipment Rental – Owning and renting specialised pumping equipment and providing operators and technicians for the oil and gas and mining sectors. Target

applications for the rental fleet include process and pipeline maintenance, wellhead and well service work, decommissioning services and mine dewatering and water management.

- b) Diesel Services – Repair and maintenance of client equipment with a specific emphasis on rebuilding and providing maintenance for large diesel engines similar to the Babylon rental fleet. The engine rebuild service is focussed on engines of 1000hp or greater. Points of differentiation include a focus on smaller underserved equipment owners, flexible parts and labour supply, in-house testing capability and an experienced and respected team.

If the Babylon Acquisition completes, it is expected that Mr Shelby, Mr Patrick Maingard and Mr Michael Kenyon will be appointed to the Board of the Company, and the existing directors of IMI will resign from the IMI Board. It is also intended that Mr Kenyon will be appointed as Company Secretary of IMI. Brief bios of Messrs Shelby, Maingard and Kenyon are set out below:

**Michael Shelby – Managing Director**

- Senior Executive MBA to compliment technical degree in Chemical Engineering.
- Executive leader with almost 20 years international oil and gas experience
  - Most recently grew oil and gas service business of REL from inception to A\$12m revenue p/a whilst exceeding profit targets
  - Recruited key personnel and launched overseas branches to compliment Australian business activities
  - 10 years in Australia leading multifunction teams across mining and oil and gas during most recent market cycles

**Patrick Maingard – Executive Director**

- 30 years of management experience
- Strong SME background with Director and Managing Director portfolios
- MSc Management – Oxford University
- Director/Owner plastics manufacturing business for 14 years before negotiating sale to a European multinational

**Michael Kenyon – Non-Executive Director and Company Secretary**

- Chartered Accountant with strong tier 1 accounting firm experience before 20 year career as CFO/Company Secretary in industry
- Significant exposure to manufacturing, engineering and contracting sectors through roles in ASX listed corporations
- Two years as CFO/Company Secretary of REL up until takeover.

## Acquisition Terms

The proposed consideration for the Babylon Acquisition is to be satisfied by the issue of Shares and options in IMI. IMI will issue Shares to a value equal to the value of capital raised by Babylon up to the date of completion, issued on a post-Consolidation basis at a deemed issue price equal to the Rights Issue price, together with one option for every two Shares issued (with an exercise price of \$0.04 and expiry date of 31 March 2019 – the same terms as the existing listed IMIOA options on a post-Consolidation basis).

Babylon has raised a total of \$920,000 in equity capital, and may seek to raise more equity as its business develops. Assuming \$1,000,000 in equity in total is raised by Babylon prior to completion of the Babylon Acquisition, the consideration payable for the Babylon Acquisition is the issue of 50,000,000 Shares at a deemed issue price of \$0.02 per Share (on a post-Consolidation basis) and 25,000,000 options (reflecting a purchase price of \$1m, equal to the capital raised by Babylon).

If IMI proceeds with the Babylon Acquisition, IMI also proposes to issue 40m performance rights (“**Performance Rights**”) to the senior management of Babylon. The proposed Performance Rights will convert into Shares on a one for one basis on the achievement of the following revenue, profitability and Share price milestones:

- Delivery of revenues of \$4.6m in year 1 and \$9.2m in year 2 (being 80% of budgeted revenue) over 2 years (2 tranches of 7 million Performance Rights);
- Delivery of EBITDA of breakeven in year 1 and \$2.6m in year 2 (being 80% of the budgeted profit) over 2 years (2 tranches of 7 million Performance Rights); and
- The exercise of 80% of the IMIOA options delivering circa \$8.5 million of new capital, which will imply the new business strategy has been successful (12 million Performance Rights).

## Capital Raising

Subject to exercise by IMI of the Babylon Option, in conjunction with the Babylon Acquisition, IMI proposes to raise between \$3.8 million and \$6.0 million at an issue price of \$0.02 per Share (being the same as the issue price under the Rights Issue on a post-Consolidation basis) under a prospectus offer, together with a one free attaching option (on the same terms as existing IMIOA options on a post-Consolidation basis) for every two Shares subscribed for (“**Capital Raising**”). The Babylon Acquisition is conditional on the Company raising at least \$2 million under the Capital Raising.

A priority offer of \$2.5m will be made available to the existing approximately 4,900 Shareholders under the proposed Capital Raising. The Capital Raising is proposed to be fully or partially underwritten and it is proposed to grant options to the underwriter on the same terms as the Attaching Options on the basis of one Attaching Option for every two Shares underwritten (“**Underwriter Options**”).

The funds raised under the Capital Raising will be used to fund the expansion of the Babylon business following completion of the Babylon Acquisition, and to satisfy the requirements for re-listing of the Company’s securities on the ASX under Chapters 1 & 2 of the ASX Listing Rules.

Adjusting for the Consolidation, the Capital Raising is proposed to be conducted at the same issue price as the Rights Issue.

### **Re-compliance with Chapters 1 & 2 of the ASX Listing Rules**

Subject to completion of the Babylon Acquisition and the Capital Raising, IMI intends to apply for the reinstatement of trading of its securities on the ASX. The proposed Babylon Acquisition will constitute a significant change in nature and scale of the Company's activities of the nature contemplated by Chapter 11 of the ASX Listing Rules. As a result of changing the nature of its activities, various aspects of the transaction will need to be approved by Shareholders and the Company will need to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules.

At this time ASX has not considered the suitability of Babylon as an entity for listing on ASX. Before making a decision on whether to exercise the Babylon Option, IMI will consult with ASX on whether the Babylon business is an appropriate business for listing. Subject to further due diligence on Babylon, IMI intends to convene a General Meeting of Shareholders to approve all enabling resolutions, including in relation to the Babylon Acquisition, the Capital Raising, the Consolidation (if not implemented earlier), the appointment of Babylon's directors to the IMI Board on completion of the acquisition of Babylon, and a change of company name to Babylon Pump and Power Limited.

While every endeavour will be made to comply with the requirements set down by the Listing Rules and ASX, there can be no guarantee that the Company will be reinstated to trading on the ASX. Further details will be provided in the Notice of Meeting, and in the prospectus for the Rights Issue which will be sent to all Shareholders. The Company's securities will continue to be suspended from trading until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules. As noted above, ASX policy provides that if a company is suspended for a period of more than two years then the company will be delisted from ASX.

## Indicative Capital Structure

The indicative capital structure of IMI following completion of the proposed Rights Issue, Consolidation, Capital Raising and Babylon Acquisition is set out below.

	IMI Shares	IMI Options (IMIOA)
Existing Securities	1,328,633,057	495,064,755
Initial Rights Issue <sup>(1)</sup>	498,237,396	498,237,396
<b>Sub Total</b>	<b>1,826,870,453</b>	<b>993,302,151</b>
Consolidation (1:20 basis)	91,343,523	49,665,108
Babylon Acquisition <sup>(2)</sup>	50,000,000	25,000,000
Capital Raising <sup>(3)</sup>	190,000,000	95,000,000
Underwriter Options <sup>(3)</sup>	-	95,000,000
<b>Subtotal</b>	<b>331,343,523</b>	<b>264,665,108</b>
Performance Rights	40,000,000	-
<b>Total (including Performance Rights)</b>	<b>371,343,523</b>	<b>264,665,108</b>

### Notes:

- (1) Assumes the Rights Issue is fully subscribed/underwritten.
- (2) Assumes Babylon has raised \$1m in equity capital prior to completion of the Babylon Acquisition.
- (3) Assumes \$3.8m is raised under the Capital Raising, and that amount is underwritten.

Patersons Securities Limited has been appointed to act as Corporate Advisor to IMI in respect of the Babylon Acquisition and as Lead Manager and Underwriter to the Rights issue. It is proposed that Patersons will also act as Lead Manager and/or Underwriter to the Capital Raising at a later date following completion by the Company of due diligence on Babylon.

IMI currently earns no revenue and has been operating at a loss. IMI does not expect to be in a position to earn revenue, other than interest income, until completion of the Babylon Acquisition, and there is a risk that operating losses will continue for the consolidated group in the near term post completion of the acquisition.

Further details of the Rights Issue and the proposed Babylon Acquisition, including details of the timetable, the underwriting arrangements and key risks of the Rights Issue, will be announced shortly, and will be set out in a prospectus that will be lodged with ASIC, released to the ASX and available on the IMI website at [www.immedical.com.au](http://www.immedical.com.au).

For and on behalf of the IMI Board

NigelBlaze  
Chairman