

ASX Release

IM Medical Limited

Funding and Strategy Update

12 May 2017: The Directors of IM Medical Limited (ASX: IMI; IMIO or the Company) would like to express their gratitude to shareholders and underwriter Patersons Securities Limited for their support for the recent Rights Issue that has raised \$498,000 in new capital.

The purpose of the Rights Issue is to repay creditors and provide working capital in preparation for the proposed acquisition of Babylon Operations Pty Ltd (“Babylon”), a recently established provider of specialised equipment rental and diesel maintenance services to the expanding resource maintenance sector. IMI holds an option to acquire all of the issued capital of Babylon prior to 3 October 2017 which is intended to provide sufficient time for Babylon to establish its commercial operations to meet the requirements for listing on the ASX.

Following completion of the Rights Issue, IMI is delighted to welcome Chesapeake Capital Limited (“Chesapeake”) as a substantial shareholder. Chesapeake is a Pooled Development Fund (“PDF”) that seeks to invest in a concentrated portfolio of mainly listed companies. Chesapeake was recapitalised by new management in mid-2015, including its Executive Chairman James Cullen, who has valuable experience relevant to the proposed acquisition of Babylon, having been the Managing Director of Resource Equipment Limited, a listed company that provides specialist equipment and services to the mining, oil and gas sectors in Australia and Indonesia.

Babylon Update

After raising approximately \$1m in new capital, Babylon has secured a leased operations facility, strategically located in Forrestfield, Western Australia, near the Perth Airport. An experienced operations team has been assembled, significant time has been spent developing quality and safety accreditation processes, and first customer contracts have been secured.

Babylon's initial focus has been on diesel engine services and work has commenced on contracts with companies in the mining and earthmoving sectors for engine and component rebuilds. This will continue to be the short term focus while Babylon builds up its rental fleet.

Babylon has begun acquiring large diesel engines and a rental fleet, and multiple rental projects have been quoted on for the second half of 2017. Babylon is in negotiations with overseas suppliers to source specialty rental equipment not currently available in Australia.

Subject to exercising 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.

The Company's 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.

For further information, please contact the Company on (03) 9607-8280.

Richard Wadley
Company Secretary