

**26 September 2017**

**ASX Release**

**Acquisition of Babylon Operations Pty Ltd**

The Directors of **IM Medical Limited** (ASX: IMI, IMIO) (“IMI” or the Company) are pleased to advise that IMI has exercised its option to acquire all of the issued capital of Babylon Operations Pty Ltd (“Babylon”), a provider of specialised equipment rental and diesel maintenance services to the resource maintenance sector (the “Acquisition”).

The terms of the Acquisition were announced to the ASX on 4 April 2017, with an update provided on 11 July 2017. Completion of the Acquisition remains subject to satisfaction of conditions precedent, including:

- (a) IMI shareholder approval;
- (b) IMI achieving firm commitments for the minimum subscription under the IMI capital raising to be undertaken in connection with the Acquisition (see below for further details); and
- (c) IMI receiving confirmation from the ASX that its securities will be-requoted on ASX on terms and conditions acceptable to the parties to the Acquisition.

The Company will shortly dispatch a Notice of Meeting to shareholders to provide additional details and to seek shareholder approvals for the Acquisition, share consolidation, associated capital raising and other requirements in relation to reinstatement to trading on the ASX. The Company expects to hold a general meeting of shareholders in late October or early November.

The Company’s securities will remain suspended from trading until it has satisfied ASX that it has re-complied with Chapters 1 and 2 of the Listing Rules.

**Babylon Update**

Babylon was established in February 2017 by Mr Michael Shelby, an oil and gas executive with international experience who most recently had management responsibility for growing the oil and gas service business of Resource Equipment Ltd (ASX: RQL) from inception until RQL was acquired by Pump Services, LLC by way of cash on market takeover offer completed in 2015.

Babylon is a new speciality equipment and service provider to the expanding resources maintenance sector. Babylon specialises in two niche areas, specialised equipment rental for the oil & gas and mining sectors and diesel engine services, with a focus on repair and maintenance of large diesel engines.

Since commencing operations in May 2017, Babylon has:

- secured a leased operations facility, strategically located in Forrestfield, Western Australia, near the Perth Airport and spent over \$100,000 in workshop set up;
- assembled an experienced operations team with 3 full-time and 4 casual staff as at 31 August 2017;
- achieved ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 certifications for its quality, safety and environmental systems;
- begun acquiring high horsepower diesel engines, high pressure and large volume centrifugal pumps to be utilized in oil & gas and mine dewatering applications; and
- secured first customer purchase orders for both rental and diesel maintenance.

Babylon's initial focus has been on diesel engine services and work has commenced on contracts with companies in the oil and gas and mining sectors for pump, engine and component rebuilds. Babylon has also commenced rental operations using cross-hired equipment. This will continue until Babylon is able to acquire rental assets.

Diesel engine service work has begun for several resource sector customers and Babylon has generated gross revenue of approximately \$330,000 for this work in the period since commencing operations in May 2017 and the end of August 2017.

Equipment was mobilised in July 2017 for an onshore oil & gas maintenance project which is expected to provide regular ongoing revenues for the remainder of the 2017 calendar year. Ongoing maintenance and testing work commenced in June 2017 for a major international oil & gas service company utilizing Babylon's Forrestfield facility and in addition to working on the customer's site.

Babylon's strategy to pursue growth opportunities and expand its market presence includes:

- acquiring rental fleet in order to have fleet ready for hire to meet market opportunities;
- leveraging existing customers and historical business networks to expand services as new rental assets are acquired;
- further developing marketing tools and expanding sales and business development beyond first order from existing networks; and
- commencing sales activities outside the Western Australian market for both diesel maintenance and rental opportunities.

Since the announcement of the proposed acquisition of Babylon on 4 April 2017, Babylon has issued an additional \$195,000 in equity (before costs). The terms of the Acquisition will be amended by an equivalent amount, and the minimum amount under the proposed IMI capital raising will be increased to \$4 million.

The Directors of IMI based their decision to exercise the option to acquire Babylon on Babylon's rapid commercial progress since establishment, and its attractive prospects for growth in the expanding specialised resource asset management and maintenance sector.

The Directors of IMI (to be renamed Babylon Pump & Power Limited, subject to shareholder approval) expect the Company to emerge as a listed entity with a market capitalisation in excess of \$6.9 million, net assets exceeding \$4 million, and a strong emerging earnings profile.

Richard Wadley  
Company Secretary