

IMI Underwritten Capital Raising

On 26 August 2014, IM Medical Limited (ASX: IMI, IMIO) (**IMI** or **the Company**) announced the proposed acquisition of ADX Management Limited and its intention to become manager of a major data centre trust (the **Acquisition**). In conjunction with the Acquisition, IMI intends to seek shareholder approval to consolidate its shares and to raise a minimum of \$6.0 million and up to \$8.0 million via a prospectus offering (**Capital Raising**). The Capital Raising is expected to include a priority offer to IMI shareholders of not less than \$2 million. Investors will receive 1 free listed option for every 3 shares subscribed under the Capital Raising (exercisable at 25¢ on or before 30 September 2017) (**Option**).

The proceeds of the Capital Raising will be used to complete the Acquisition, to invest approximately \$3 million in convertible notes in the trust, to pay the costs of the Acquisition and the Capital Raising and for general working capital purposes.

Summary of Underwriting Arrangements

The Company has entered into an agreement (**Underwriting Agreement**) with Patersons Securities Limited (**Underwriter**), pursuant to which the Underwriter will underwrite the Capital Raising up to the minimum raising of \$6.0 million. The Underwriter is also acting as lead manager to the Capital Raising.

A summary of the principal terms of the Underwriting Agreement is included in Annexure A.

Further details in respect of the Capital Raising and the Acquisition, including key risks associated with the Acquisition will be set out in a Notice of Meeting and prospectus which the Company expects to dispatch in September 2014.

Set out below is a summary of the timetable for the key events relating to the Acquisition and the Capital Raising.

Indicative Timetable

Event	Expected Date*
Dispatch Shareholder Meeting Documentation	Early September 2014
Dispatch Prospectus	Early September 2014
Shareholder Meeting, Complete Equity Capital Raising	Mid October 2014
Suspend Company Shares	Mid October 2014
Re-comply with Listing Rules 1 & 2	Late October 2014
Complete Acquisition	Late October 2014

* Shareholders should note that the timetable is indicative only and is subject to change.

Enquiries

Any enquiries should be directed to:

Richard Wadley
Company Secretary
(03) 9607 8280

Annexure A – Summary of Underwriting Agreement

The Underwriter will receive an underwriting fee of 6% (ex GST) of the total amount underwritten (\$6,000,000) as consideration for acting as the underwriter. The Underwriter will also receive a management fee of \$200,000 and a selling fee of 6% of the total gross amount raised over the underwritten amount. Subject to Shareholder approval, the Company will grant 30,000,000 Options to the Underwriter or its nominees. The Company has also agreed to reimburse the Underwriter for all reasonable costs and expenses incurred in connection with the Offer (as that term is defined in the Underwriting Agreement) (**Offer**) and the Issue (as that term is defined in the Underwriting Agreement) (**Issue**).

The obligation of the underwriter to underwrite the Offer is subject to certain standard events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement if:

- a) (Indices fall): any of the All Ordinaries Index, the S&P/ASX 200 index as published by ASX is at any time after the date of the Underwriting Agreement 10% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement; or
- b) (Prospectus): the Company does not lodge the prospectus for the Offer (**Prospectus**) on the lodgement date specified in the Underwriting Agreement or the Prospectus or Offer is withdrawn by the Company; or
- c) (Copies of Prospectus): the Company fails to provide the Underwriter with copies of the Prospectus as required by the Underwriting Agreement and such failure is not remedied within 2 days; or
- d) (No Official Quotation): Official Quotation has not been granted by the Shortfall Notice Deadline Date (as that term is defined in the Underwriting Agreement) or, having been granted, is subsequently withdrawn, withheld or qualified; or
- e) (Supplementary Prospectus):
 - i. the Underwriter, having elected not to exercise its right to terminate its obligations under the Underwriting Agreement as a result of an occurrence as described in paragraph o)(vi), forms the view on reasonable grounds that a supplementary or replacement prospectus should be lodged with ASIC for any of the reasons referred to in section 719 of the Corporations Act and the Company fails to lodge a supplementary or replacement Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - ii. the Company lodges a supplementary or replacement prospectus without the prior written agreement of the Underwriter otherwise than as permitted by the Underwriting Agreement; or
- f) (Non compliance with disclosure requirements): it transpires that the Prospectus does not contain all the information that investors and their professional advisers would reasonably require to make an informed assessment of:
 - i. the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - ii. the rights and liabilities attaching to the Offer Shares; or
- g) (Misleading Prospectus): it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of sections 710,711 and 716 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- h) (Restriction on allotment): the Company is prevented from allotting the Shares and Options under the Offer within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi governmental agency or authority; or
- i) (Withdrawal of consent to Prospectus): any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent; or
- j) (ASIC application): an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the Shortfall Notice Deadline Date (as that term is defined in the Underwriting Agreement) has arrived, and that application has not been dismissed or withdrawn;

- k) (ASIC hearing): ASIC gives notice of its intention to hold a hearing under section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 of the Corporations Act; or
- l) (Takeovers Panel): the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such declaration is made to the Takeovers Panel; or
- m) (Authorisation): any authorisation which is material to anything referred to in the Prospectus is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter; or
- n) (Indictable offence): a director or senior manager of a Relevant Company (as that term is defined in the Underwriting Agreement) (**Relevant Company**) is charged with an indictable offence; or
- o) (Termination Events): any of the following events occurs (provided that in the reasonable opinion of the Underwriter reached in good faith, the occurrence of the event or events has, or is likely to have, or two or more events together (**Relevant Termination Events**) have or are likely to have a Material Adverse Effect (as that term is defined in the Underwriting Agreement) (**Material Adverse Effect**) or could give rise to a liability of the Underwriter under the Corporations Act or otherwise and the Underwriter has afforded the Company not less than 5 Business Days to remedy the Relevant Termination Events (if all Relevant Termination Events are capable of remedy) and all of the Relevant Termination Events have not been remedied):
 - i. (Default): default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking; or
 - ii. (Incorrect or untrue representation): any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect; or
 - iii. (Contravention of constitution or Act): a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX; or
 - iv. (Adverse change): an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - v. (Error in Due Diligence Results): it transpires that any of the Due Diligence Results or any part of the Verification Material (as those terms are defined in the Underwriting Agreement) was misleading or deceptive, materially false or that there was any omission from them; or
 - vi. (Significant change): a "new circumstance" as referred to in section 719(1) of the Corporations Act arises that is materially adverse from the point of view of an investor; or
 - vii. (Public statements): without the prior approval of the Underwriter (such approval not to be unreasonably withheld), a public statement is made by the Company in relation to the Offer, the Issue (as those terms are defined in the Underwriting Agreement (**Offer** and **Issue** respectively) or the Prospectus unless such public statement is required by law, the Listing Rules or a governmental agency; or
 - viii. (Misleading information): any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the Issue or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive; or
 - ix. (Official Quotation qualified): the Official Quotation is qualified or conditional other than as set out in the definition of "Official Quotation" in the Underwriting Agreement;
 - x. (Change in Act or policy): there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any of its States or Territories, any Act or prospective Act or budget or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt any new, or any major change in, existing monetary, taxation, exchange or fiscal policy that has not been publicly disclosed or proposed as at the date of the Underwriting Agreement; or

- xi. (Hostilities): there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, Syria, Iraq or the People's Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- xii. (Prescribed Occurrence): a Prescribed Occurrence (as that term is defined in the Underwriting Agreement) occurs other than as disclosed in the Prospectus; or
- xiii. (Suspension of debt payments): the Company suspends payment of its debts generally; or
- xiv. (Event of Insolvency): an Event of Insolvency (as that term is defined in the Underwriting Agreement) occurs in respect of a Relevant Company; or
- xv. (Judgment against a Relevant Company): a judgment in an amount exceeding \$25,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days; or
- xvi. (Litigation): litigation, arbitration, administrative or industrial proceedings are after the date of the Underwriting Agreement commenced or threatened against any Relevant Company, other than any claims foreshadowed in the Prospectus; or
- xvii. (Board and senior management composition): there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Offer without the prior written consent of the Underwriter; or
- xviii. (Change in shareholdings): there is a material change in the major or controlling shareholdings of a Relevant Company in any manner not contemplated by the Prospectus or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company; or
- xix. (Timetable): there is a delay in any specified date in the Timetable which is greater than 10 Business Days; or
- xx. (Force Majeure): a Force Majeure (as that term is defined in the Underwriting Agreement) affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs; or
- xxi. (Certain resolutions passed): a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- xxii. (Capital Structure): any Relevant Company alters its capital structure in any manner not contemplated by the Prospectus, excluding the issue of any Shares upon exercise of options, such options having been disclosed to the ASX as at the date of the Underwriting Agreement; or
- xxiii. (Breach of Material Contracts): any of the Material Contracts (as that term is defined in the Underwriting Agreement) is terminated or substantially modified; or
- xxiv. (Investigation): any person is appointed under any legislation in respect of companies to investigate the affairs of a Relevant Company; or
- xxv. (Market Conditions): a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

The Company has agreed to indemnify the Underwriter and its officers and employees, (**Indemnified Parties**) from and against all penalties, suits, claims, actions, damages, losses, liabilities, costs or expenses, including legal costs and disbursements, which any Indemnified Party incurs or suffers in respect of or in any way relating to the Offer or the matters set out in the Underwriting Agreement. The Underwriting Agreement contains covenants, warranties, representations and other terms normal for an agreement of this nature. The Underwriter may procure any person to sub-underwrite such portion of the Offer as the Underwriter, in its absolute discretion, thinks fit.