

11 July 2017

ASX Release
IM Medical Limited

Strategy Update

The Directors of IM Medical Limited (ASX: IMI; IMIO or the Company) are pleased to provide an update on the proposed acquisition of Babylon Operations Pty Ltd ("Babylon"), a 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.

Babylon Update

Babylon Operations Pty Ltd ("Babylon") was established in early 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's takeover in 2015.

Babylon specialises in 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 1,000hp 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.

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.

Since commencing operations, Babylon has:

- secured a leased operations facility and established a workshop, strategically located in Forresterfield, Western Australia, near the Perth Airport;
- assembled an experienced operations team;
- developed quality and safety processes for accreditation; and
- secured first customer contracts.

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.

Diesel engine service work has begun for local and multinational mining companies, with approximately \$50,000 of revenue was booked to these clients in June 2017. Another \$300,000 of diesel engine service work expected to be completed in August 2017.

Additional equipment will be mobilised in July and quotes are outstanding with two clients for long term rental of power generation in excess of \$2,000,000 per year each. Award of these projects is expected in the 3rd quarter of 2017.

Babylon has also begun discussions with several larger mining companies for large engine rebuilds. Diesel engine rebuild work totalling \$1,500,000 has been quoted to an international heavy equipment component supplier.

Based on existing contracts, forward indications of customer activity and a probability weighted estimate of success from quotations submitted, the Company expects to achieve profitability on an ongoing basis by 4th Quarter of calendar 2017.

Babylon Acquisition Process

IMI is delighted with the early progress made by Babylon in building its customer base, order book and earnings pipeline. IMI intends to approach the ASX to seek confirmation regarding re-admission to the official list of the ASX, as soon as the audited accounts for the year to 30 June 2017 for IMI and Babylon are available (expected within 2 weeks).

Subject to exercising the option to acquire Babylon, for an amount equal to Babylon's \$0.9 million in subscribed capital, 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.

It is contemplated that Babylon would emerge as a listed entity with a market capitalisation in excess of \$6.6 million, net assets exceeding \$4 million, and a strong emerging earnings profile.

IMI expects to dispatch a Notice of Meeting and lodge the Prospectus for the capital raising in August 2017. The Company's shares 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.

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

Richard Wadley
Company Secretary