

12 May 2014

Dean Litis  
Principal Adviser  
Listings Compliance (Melbourne)

ASX Compliance Pty Ltd  
Level 4  
North Tower  
525 Collins Street  
Melbourne VIC 3000

Dear Dean,

**Re: IM Medical Ltd- Appendix 4C- Quarter ended 31 March 2014- Chapter 12 ASX Listing Rules**

I refer to your letter dated 7 May 2014.

Your queries follow the release of the Company's Quarterly Report in the form of Appendix 4C for the period ending 31 March 2014 lodged by the Company with ASX on 30 April 2014 ("Appendix 4C").

1. On 19 December 2013, the Company announced a Merger Implementation Agreement with White Data Limited ("White Data") and on 31 March 2014 announced that it is continuing to finalise key elements of the proposed merger. Under the proposed merger IMI will become a specialist data centre management company.

As announced on 19 December 2013, the terms of the agreement include amongst other matters the Company obtaining shareholder approval for the acquisition of White data, a share consolidation, and an equity capital raising to raise \$12.5 million.

Although this process has taken longer than anticipated, completion of the proposed merger and capital raising will provide sufficient cash to fund the Company's operations.

In the intervening period, the Company's cash expenditure is expected to be at a lower level than the previous quarter. The Company has incurred an

increased level of expenditure as part of its diligence process, which is now largely complete (including preparation of the draft Notice of Meeting and Prospectus) and it is expected that the level of expenditures for the current quarter will be reduced.

2. The Company expects to have negative cash flows until completion of the proposed merger transaction referred to above. As noted in the response above, the cash expenditure in the current quarter is expected to be lower than the previous quarter. Negative cash flows are built into the Company's budget and the Company has an expectation to continue to be able to raise funds as and when required.
3. The Company's actual cashflows on a year to date basis are tracking within the range expected by the Company.
4. N/A
5. The Board is monitoring the Company's cash position on a regular basis. The Company conducted a placement to raise \$248k in December 2013. The Company continues to work towards the completion of the proposed acquisition of White Data and associated capital raising.

The Company has been able to raise capital in the past as required to support its activities and is confident that it has the ability to raise working capital if required.

6. The Company confirms that it has complied with the requirements of ASX Listing rule 3.1
7. The Company has undertaken a significant restructuring process in the recent past during which cash flows have not been evenly spread. The Company is now at an advanced stage in its plans to change and increase its scale of activities including a capital raising, and considers it has sufficient cash reserves to enable the Company achieve the proposed change in activities.

Yours sincerely,



Richard Wadley  
Director & Company Secretary  
IM Medical Limited



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7 May 2014

Mr Richard Wadley  
Director & Company Secretary  
IM Medical Limited  
Level 40  
140 William Street  
Melbourne VIC 3000

By email only

Dear Richard

**IM Medical Limited- Appendix 4C- Quarter ended 31 March 2014- Chapter 12 ASX Listing Rules**

I refer to the Quarterly Report in the form of Appendix 4C for the period ended 31 March 2014 released by IM Medical Limited (the "Company") to ASX Limited ("ASX") on 30 April 2014 (the "Appendix 4C"), and to the Company's announcements dated 19 December 2013 and 31 March 2014 (together, the "Announcements") in relation to the proposed acquisition of White Data Limited ("White Data Acquisition"), subject to a number of conditions precedent, including:

- a minimum capital raising of \$12.5 million ("Capital Raising");
- shareholder approval ("Requisite Shareholder Approval");
- and re-compliance with Chapters 1 & 2 of ASX Listing Rules.

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$161,000.
3. Cash at end of quarter of \$130,000.
4. That certain details in relation to the proposed White Data Acquisition are yet to be finalised and therefore:
  - 4.1 the proposed Capital Raising (which must be under a prospectus lodged with ASIC) is yet to commence;
  - 4.2 the notice of meeting (the "Notice") in relation to the Requisite Shareholder Approval is yet to be despatched; and
  - 4.3 the Company would not be in a position to re-comply with Chapters 1& 2 of ASX Listing Rules for at least approximately one-month following despatch of the Notice.

In light of the information contained in the Announcements and the Appendix 4C (and, in particular, noting that the Company is proposing to change its activities), please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, it may only have sufficient cash to fund its activities for approximately another 2.5 months. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched its anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with its anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.
5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet fund its activities should the proposed White Data Acquisition not proceed or is further delayed?
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by return email. It should not be sent to the Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9.30 a.m. AEST) on Monday 12 May 2014.**

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent electronically, without signature]

Dean Litis

**Principal Adviser**

**Listings Compliance (Melbourne)**