

16 July 2011

Dear Shareholder

The Directors of IM Medical Limited (IMI or the Company) are pleased to enclose a Notice of Meeting in respect to a General Meeting of Shareholders to be held at The Quest Beaumont Kew on August 16 2011 at 2.00pm.

On 25 March and 19 April 2011, the Board of IMI, including the new Directors appointed in March 2011, announced critical steps to address a protracted period of poor financial performance and the Company's resulting weak solvency position. These steps included:

- (a) the proposed sale of IMI's Radiology Business to Capitol Health Limited (Capitol) in order to reduce operating expenses; and
- (b) a recapitalisation and restructure initiative whereby IMI:
 - (i) raised \$750,000 by way of Converting Loans, intended to convert into shares and options;
 - (ii) proposes to undertake a share consolidation; and
 - (iii) proposes to undertake an underwritten non-renounceable entitlement offer to raise new equity capital in order to recapitalise the Company.

Since making these announcements, the Directors have conducted a further review of the operations and financial position of the Company. This review identified significant additional liabilities of the Company which resulted in a breach of the terms of the original underwriting agreement for the entitlement issue and resulted in the terms of the original Converting Loans not being satisfied. As a result, the terms of the recapitalisation and restructure announced on 19 April 2011, have been amended, subject to shareholder approval, to the following:

- (a) the proposed share consolidation will be amended to a 1 for 50 basis;
- (b) the Converting Loans will now convert into 150,000,000 ordinary IMI shares at 0.5 cents per Share (post consolidation) and 150,000,000 Options exercisable at 0.5 cents each on or before 31 March 2012. For every Option exercised before expiry, the Company will issue an additional option exercisable at 1.5 cents each on or before 30 June 2015; and
- (c) the underwritten non-renounceable pro rata entitlement issue will be offered to all shareholders on the basis three (3) shares at 0.5 cents per share for every two (2) shares held, and for every share issued under the entitlement issue, shareholders will be granted one (1) Option exercisable at 0.5 cents on or before 31 March 2012. For every Option exercised before expiry, the Company will issue an additional option exercisable at 1.5 cents each on or before 30 June 2015.

The enclosed Notice of a General Meeting provides further details of the recapitalisation and restructure measures referred to above.

The Board of IMI decided it is critical to take these actions to stem the losses incurred by the Company and to position the Company to be able to consider opportunities to restore and grow shareholder value in future.

The Directors recommend you read the enclosed documentation carefully. If the recapitalisation does not proceed, there is a likelihood that the Company will face solvency issues that would require the Board to consider voluntary administration.

On completion of the entitlement issue and the conversion of the Converting Loans, the Company will pay all existing creditors, after which it expects to hold cash of approximately \$0.9 million and have no debt. This cash position is before the receipt of potential proceeds of up to \$2.7 million from the exercise of Options expiring on 31 March 2012 and before any potential cash performance payments from Capitol under the terms of the sale of the Radiology Business. Documentation in relation to the sale was signed on 13 July 2011.

In addition, the Company proposes to distribute approximately 45.6 million Capitol shares received as proceeds from the sale of its Radiology Business by way of an in-specie distribution to shareholders within 3 months of completion of the sale. Based on the closing price of Capitol shares on 14 July of 4.0 cents, the shares would be valued at approximately \$1.82 million.

By completing the proposed arrangements, the Company expects to restore its solvency position and be well positioned to explore new opportunities to create shareholder value.

Yours faithfully

Nigel Blaze
Chairman

IM MEDICAL LIMITED

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NOTICE OF GENERAL MEETING

**A General Meeting of the Company will be held at
The Quest Beaumont Kew, 7 Studley Park Road, Kew
on August 16, 2011 at 2.00 pm (EST)**

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (03) 9613 4100.

IM MEDICAL LIMITED

A C N 0 0 9 4 3 6 9 0 8

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of IM Medical Limited (**Company**) will be held at The Quest Beaumont Kew, 7 Studley Park Road, Kew on Tuesday August 16, 2011 at 2.pm (EST) (**General Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on August 15, 2011 at 5.00pm (EST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Section 7 of the Explanatory Memorandum.

A G E N D A

1. Resolution 1 – Authorise Sale of Radiology Business

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with Listing Rule 11.2 and for all other purposes, Shareholders approve and authorise the Company to dispose of the Radiology Business pursuant to the Sale Agreement between the Company and Capitol Health on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person (or any associate of such a person) who might obtain a benefit except a benefit solely in their capacity as holders of ordinary securities if the Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Approval of Share Consolidation

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with section 254H(1) of the Corporations Act, Article 10.1(b) of the Constitution and for all other purposes, Shareholders approve

and authorise the Directors to consolidate the issued capital of the Company on the basis that every fifty (50) Shares be consolidated into one (1) Share and that all Options on issue be adjusted in accordance with the Listing Rules on the terms and conditions in the Explanatory Memorandum."

3. Resolution 3 – Issue of Shares and Options pursuant to Converting Loans

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the allotment and issue of:

- (a) 150,000,000 Shares at 0.5 cents per Share; and
- (b) 150,000,000 Options exercisable at 0.5 cents each on or before 31 March 2012 (which if exercised entitle the holder to be granted one (1) additional Option exercisable at 1.5 cents each on or before 30 June 2015),

on conversion of the Converting Loans on the terms and conditions in the Explanatory Memorandum".

Voting Exclusion

The Company will disregard any votes cast on this Resolution by the Converting Loan Holders or a person (or any associate of such a person) who might obtain a benefit except a benefit solely in their capacity as holders of ordinary securities if the Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. Resolution 4 – Approval of Rights Issue

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, in accordance with the conditions attached to the waiver granted by ASX in respect of Listing Rule 7.11.3 and for all other purposes, Shareholders approve the Company undertaking a non-renounceable pro rata rights issue at a ratio of three (3) Shares for every two (2) Shares held on the record date which for every one (1) Share issued under the Rights Issue, the Shareholder will be granted one (1) Option exercisable at 0.5 cents on or before 31 March 2012 (which if exercised entitle the holder to be granted one (1) additional Option exercisable at 1.5 cents on or before 30 June 2015) on the terms and conditions in the Explanatory Memorandum".

Voting Exclusion

The Company will disregard any votes cast on this Resolution by any Substantial Shareholder, Patersons Securities Limited (as underwriter of the Rights Issue) and any sub-underwriters or their associates or a person (or any associate of such a person)

who might obtain a benefit except a benefit solely in their capacity as holders of ordinary securities if the Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. Resolution 5 – Re-election of Mr Nigel Blaze as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, Mr Nigel Blaze, who retires in accordance with Article 13.4 of the Constitution, being eligible and offering himself for re-election, be re-elected as a Director."

6. Resolution 6 – Re-election of Mr Paul Quarrell as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, Mr Paul Quarrell, who retires in accordance with Article 13.4 of the Constitution, being eligible and offering himself for re-election, be re-elected as a Director."

7. Resolution 7 – Re-election of Mr Richard Wadley as a Director

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, Mr Richard Wadley, who retires in accordance with Article 13.4 of the Constitution, being eligible and offering himself for re-election, be re-elected as a Director."

BY ORDER OF THE BOARD

Richard Wadley
Director and Company Secretary
Dated: July 15, 2011

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting to be The Quest Beaumont Kew, 7 Studley Park Road, Kew on Tuesday August 16, 2011 at 2.pm (EST) (**General Meeting**).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

This Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Background
Section 4:	Resolution 1 – Authorise Sale of Radiology Business
Section 5:	Resolution 2 – Approval of Share Consolidation
Section 6:	Resolution 3 – Issue of Shares and Options pursuant to Converting Loans
Section 7:	Resolution 4 – Approval of Rights Issue
Section 8:	Resolution 5 – Re-election of Mr Nigel Blaze as a Director
Section 9:	Resolution 6 – Re-election of Mr Paul Quarrell as a Director
Section 10:	Resolution 7 – Re-election of Mr Richard Wadley as a Director

A Proxy Form is located at the end of the Explanatory Memorandum.

Terms and abbreviations used in this Explanatory Memorandum are defined in Section 11.

2. Action to be taken by Shareholders

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the General Meeting in person.

3. Background

3.1 Recapitalisation and Restructure

Following a protracted period of disappointing financial performance, on:

- (a) 23 March 2011 the Company announced changes to its board of Directors;
- (b) 25 March 2011 the Company announced the proposed sale of its Radiology Business to Capitol Health; and
- (c) 19 April 2011 the Company announced a recapitalisation and restructure initiative whereby the Company:
 - (i) raised \$750,000 by way of an issue of Converting Loans;
 - (ii) proposed to undertake a consolidation of its issued Shares and Options; and
 - (iii) proposed to undertake an underwritten pro-rata entitlement offer to raise new equity capital in order to recapitalise the Company.

Since the above announcements, the new Directors have taken steps to review the operations of the Company and to reduce expenses to stabilise the financial position of the Company. This review also identified significant additional liabilities of the Company that have resulted in the terms of the recapitalisation and restructure, as announced on 19 April 2011, being revised.

The Company is proposing to undertake the restructure and recapitalisation (**Restructure and Recapitalisation**) on the following revised basis:

- (a) disposing of 100% of its interest in the Radiology Business in consideration for:
 - (i) 45,559,021 ordinary fully paid shares in the capital of Capitol Health; and
 - (ii) up to an aggregate of \$600,000 in deferred cash payments depending upon the post-sale financial performance of the Radiology Business;
- (b) undertaking a consolidation of the number of shares on issue on the basis that every fifty (50) Shares held be consolidated into one (1) Share and that Options currently on issue be consolidated on the same basis with their exercise price adjusted in accordance with the Listing Rules (**Consolidation**);
- (c) conversion of the Converting Loans into 150,000,000 Shares and 150,000,000 Options exercisable at 0.5 cents each on or before 31 March 2012; and
- (d) undertaking a non-renounceable pro-rata entitlement offer to eligible Shareholders of three (3) Shares at an issue price of 0.5 cents per Share for two (2) existing Shares held (on a post Consolidation basis), and one (1) Option exercisable at 0.5 cents each on or before 31 March 2012 for every new Share issued, to raise up to \$1,954,122 before associated costs (**Rights Issue**).

The Company has entered into a conditional underwriting agreement with Patersons Securities Limited (**Patersons**) whereby Patersons has agreed to underwrite the rights issue. The underwriting commitment of Patersons is subject to Resolutions 1 to 4 (inclusive) being passed by Shareholders.

The proposed Consolidation will be completed prior to the conversion of the Converting Loans and the record date for the Rights Issue (refer to section 3.3).

The provision of Converting Loans and the proposed Rights Issue provide capital funding that is required by the Company, both to meet its existing liabilities and to provide sufficient working capital to allow the Company to pursue opportunities to restore and create Shareholder value.

The Board considers that if the Restructure and Recapitalisation does not proceed, there exists a risk that the Company will face solvency issues which will require the Board to consider voluntary administration.

3.2 Proposed New Capital Structure

Indicatively (should Shareholders approve the Resolutions in the Notice), the capital structure of the Company after the Consolidation, the conversion of the Converting Loans and the Rights Issue would be as follows:

	Shares	Options
Securities on issue as at date of Notice	5,527,476,886	4,731,862,273 ⁽¹⁾
Consolidation (1:50)	110,549,538	94,637,245
Conversion of Converting Loans (post Consolidation)	150,000,000	150,000,000 ⁽²⁾
Rights Issue (3 for 2)	390,824,307 ⁽³⁾	390,824,307 ^(2,3)
Total	651,373,845	635,461,552

(1) Unlisted Options with varying exercise prices and expiry dates. Refer to the Appendix 3B lodged by the Company with ASX on 22 December 2010 for the terms and conditions of these Options.

(2) Refer to Schedule 1 for the terms and conditions of the Options. Note also that the Company will issue one additional Option for each Option exercised prior to the expiry date.

(3) Assuming no Options are exercised prior to the record date.

In the event that all of the Options to be granted under Resolutions 3 and 4 are exercised, and additional Options are granted on their exercise (Refer to Sections 6.1 and 7.1), the capital structure of the Company would be as follows:

	Shares	Options
Securities on issue (following exercise of the Options granted under Resolutions 3 and 4)	1,192,198,152 ⁽¹⁾	94,637,245
Additional Options granted (Converting Loan)	-	150,000,000 ⁽²⁾
Additional Options granted (Rights Issue)	-	390,824,307 ⁽³⁾
Total	1,192,198,152	635,461,552

(1) Includes the total number of shares on issue post the Rights Issue, the exercise of 150,000,000 Converting Loan Options and the exercise of 390,824,307 Rights Issue Options.

(2) Refer to Resolution 3 and Section 6.1.

(3) Refer to Resolution 4 and Section 7.1.

3.3 Indicative Timetable

The Restructure and Recapitalisation is proposed to be completed in accordance with the following indicative timetable:

Notice of Meeting sent to Shareholders	18 July 2011
Finalise Accounts (for year ended 31 December 2010)	20 July 2011
ASX Suspension expected to end	22 July 2011
General Meeting	16 August 2011
Completion of sale of Radiology Business	18 August 2011
Consolidation occurs and Conversion of Converting Loans	18 August 2011
Prospectus for Rights Issue lodged with ASIC	31 August 2011
Completion of Rights Issue	3 October 2011

Note: The above timetable is indicative only and subject to change.

4. Resolution 1 – Authorise Sale of Radiology Business

4.1 Background

The Company seeks Shareholder approval under Listing Rule 11.2 for the disposal of its main undertaking, the Radiology Business.

The Radiology Business was acquired by the Company from companies associated with the Director, Mr Mark Scott, following approval by Company shareholders in July 2010.

Since being acquired by the Company, the trading performance of the Radiology Business has not met expectations and was a significant contributor to the loss of \$2,448,777 recorded by the Company in the six month period to 31 December 2010. The Company's other diagnostic product "Intelliheart" was also unprofitable during this period.

Following a review of the performance of the Radiology Business, in January 2011 the Directors concluded that the Radiology Business was not sustainable in its current form. Having regard to the cashflow position of the Company and the difficulty in raising the amount of capital required to turn the Radiology Business around, the Directors resolved to progress the sale of the Radiology Business.

The Company entered into an agreement dated 13 July 2011 pursuant to which, amongst other things, it was agreed that the Company would sell and Capitol Health would purchase, the Radiology Business (**Sale Agreement**).

4.2 Sale Agreement

The material terms of the Sale Agreement are as follows:

- (a) Completion of the Sale Agreement is subject to the following conditions precedent:

- (i) the parties obtaining ASX and any other regulatory approvals as may be required in order to effect the sale of the Radiology Business; and
 - (ii) there being no prescribed occurrences in respect to Capitol Health, which include, amongst other things, changes to the capital structure of Capitol Health, disposal of a substantial part of its business or property or any insolvency events occurring.
- (b) If any of the conditions listed above are not satisfied (or waived by the parties) on or before 31 August 2011 (or such other date as the parties agree in writing) the Sale Agreement terminates.
- (c) The consideration payable by Capitol Health for the Radiology Business is 45,559,021 ordinary fully paid shares in the capital of Capitol Health, together with a performance bonus payable in three instalments of \$200,000 on each date that is 12 months, 18 months and 24 months periods after the date of completion of the sale. These additional payments are subject to the Radiology Business achieving agreed post sale operating revenue performance milestones.
- (d) The Company has provided certain warranties with respect to the Radiology Business as are typical for a transaction of this nature.
- (e) The Company undertakes that it will, within 3 months of completion of the sale of the Radiology Business and subject to approval by Shareholders and the satisfaction of any regulatory requirements, distribute to Shareholders by way of an in specie distribution, the 45,559,021 shares in Capitol Health received as part consideration for the sale of the Radiology Business.

4.3 Listing Rule 11.2 - Substantial asset and main undertaking

Listing Rule 11.2 provides that a company may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders. The sale of the Radiology Business requires the approval by way of an ordinary resolution of the Shareholders.

Resolution 1 is an ordinary resolution.

4.4 Advantages and disadvantages of the Sale Agreement

The advantages and disadvantages to Shareholders of the sale of the Radiology Business pursuant to the Sale Agreement are as follows:

- (a) Advantages
 - (i) Eliminate operating losses and working capital outflow that has occurred from the ownership of the Radiology Business and that has had a negative impact on the Company's balance sheet, capital and solvency position.
 - (ii) Management of the Company will be able to focus on identifying and acquiring assets that will provide maximum Shareholder value.
 - (iii) The Directors are satisfied that they have achieved the best possible price attainable for the Radiology Business after interest in the Radiology Business was canvassed with a number of major industry participants.

- (iv) Provide an opportunity for Shareholders to continue to participate in the radiology sector via the shares held in Capitol Health received as consideration for the sale of the Radiology Business.
 - (v) Potential future benefits from the payment by Capital Health of up to \$600,000 in performance bonuses based on the future revenue performance of the Radiology Business.
- (b) Disadvantages
 - (i) The Company will cease to retain any immediate upside exposure to any assets. However, the Company will maintain an indirect ability to gain from any future upside from the Radiology Business as it will receive shares in Capitol Health as consideration for the sale of the Radiology Business. This benefit will be distributed to Shareholders subject to the future in specie distribution referred to in Section 4.7.
 - (ii) Following the sale, the Company will not have any active business operations. The Company will have no source of operating revenue to offset operating expenses until another operating business is acquired or undertaken.
 - (iii) There is a risk that the Company may not be able to locate and acquire suitable new projects in a reasonable timeframe.

4.5 Future of the Company after the Sale of the Radiology Business

As the Company is disposing of its main undertaking it will consider the application of Listing Rule 11.1.2 (Shareholder approval of the acquisition) and Listing Rule 11.1.3 (application of Chapters 1 and 2 of the Listing Rules to the acquisition) at the time of any future acquisition. Depending on the size and nature of any acquisition these Listing Rules may apply to the transaction.

The Directors will actively seek investment opportunities that will create increased Shareholder value. The sale of the Radiology Business will provide the capital required to allow the Directors to pursue a viable opportunity, should one arise.

4.6 Future of the Company if the Sale of the Radiology Business is not approved

If the sale of the Radiology Business is not approved by Shareholders, the sale will not proceed.

The Company will retain ownership of the loss making Radiology Business, without having sufficient funds to finance the business or invest in the business. The Company will continue to be loss making, with significant negative cashflows.

In the event this occurs, the Converting Loans (having an aggregate value of \$750,000) will become repayable with interest and a 20% redemption fee payable and the Rights Issue underwriting will be terminated. In these circumstances the Directors do not expect to have sufficient available funds to meet all obligations to the Company's creditors and there is therefore a possibility that the Company will be required to enter into voluntary administration. In this situation the Directors can give no assurance that there would be any recoverable value for Shareholders.

4.7 In Specie Distribution

Part of the consideration payable to the Company for the sale of the Radiology Business is the issue of 45,559,021 ordinary fully paid shares in the capital of Capitol Health. The Company intends, within 3 months of completion of the sale of the

Radiology Business, to undertake an in specie distribution of these shares to Shareholders and will seek the necessary Shareholder approval prior to undertaking this distribution.

4.8 Other Material Information

There is no other information material to the making of a decision by a Shareholder whether or not to approve Resolution 1 (being information that is known to any of the Directors and which has not been previously disclosed to Shareholders) other than as disclosed in this Explanatory Memorandum.

4.9 Directors' Recommendation

After considering all relevant factors, the Directors (with the exception of Dr Mark Scott) unanimously recommend the Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) after a full and proper assessment of all available information they believe that the proposed sale of the Radiology Business is in the best interests of the Shareholders and the Company;
- (b) in the opinion of the Directors, the advantages of the sale of the Radiology Business outweigh its disadvantages; and
- (c) the directors are satisfied they have achieved the best possible terms for the sale of the Radiology Business in the circumstances facing the Company.

Dr Mark Scott, a Director, has excluded himself from this recommendation as he has a relevant interest in Resolution 1.

5. Resolution 2 – Approval of Share Consolidation

5.1 Background

Resolution 2 seeks Shareholder approval for the Company to undertake the Consolidation.

Each Shareholder's proportional interest in the Company's share capital will remain unchanged as a result of the Consolidation. The result of the Consolidation is that the Security holding for each shareholder and option holder will be reduced by a factor of fifty from its current level. Any fractional entitlements of Securities as a consequence of the Consolidation will be rounded up to the nearest whole number.

The Directors regard the Consolidation as an important step in the recapitalisation of the Company for the following reasons:

- (a) the Company currently has 5.5 billion Shares on issue. This has resulted in the Company's Shares trading at the lowest permitted price on the ASX on 0.1 cents per share on all but 2 days in the two month period prior to suspension from Official Quotation of the Shares on the ASX on 1 March 2011; and
- (b) companies typically raise new equity capital at a discount to their prevailing share price. With the Shares trading at the lowest permitted price on the ASX, the Company has been unable to offer Shares at a discount. The Directors consider this has been a contributing factor to the inability of the Company to raise new capital via the issue of Shares.

5.2 Section 254H of the Corporations Act and Listing Rules

Section 254H(1) of the Corporations Act enables a company to convert all or any of its shares into a smaller number of shares by a resolution passed at a general meeting. The Consolidation proposed by Resolution 2 is permitted under that section and under Article 10.1(b) of the Constitution.

Listing Rule 7.20 provides that if an entity proposes to reorganise its capital, it must advise shareholders of certain matters, which are set out below.

In accordance with Listing Rule 7.22 the number of Options on issue will be consolidated on the basis of one (1) Option for every fifty (50) Options held and the exercise price of such Options will increase according to the Consolidation ratio.

Resolution 2 is an ordinary resolution.

5.3 Effect of Consolidation on Capital Structure

The change in capital structure of the Company following the Consolidation, which is subject to adjustments for rounding, is as follows:

Class of Security	Number on Issue (Pre-Consolidation)	Number on Issue (Post-Consolidation) ⁽²⁾
Shares	5,527,476,886 ⁽¹⁾	110,549,538 ⁽³⁾
Options	4,731,862,273	94,637,245 ⁽³⁾

⁽¹⁾ As at the date of this Notice.

⁽²⁾ Assumes no Options are exercised prior to the Consolidation.

⁽³⁾ Unlisted Options with varying exercise prices.

5.4 Taxation Consequences of Consolidation

The Directors do not intend to provide any advice on the taxation consequences of the Consolidation.

If a Shareholder is in any doubt as to his or her tax position as a result of the Consolidation, he or she should seek professional taxation advice. The Company and its respective officers do not accept any liability or responsibility in respect to the taxation consequences arising from the Consolidation.

5.5 Effective Date of Consolidation

The proposed Consolidation will take effect from 16 August 2011 (**Effective Date**).

As from the day that is four Business Days after the Effective Date, the Company may not register transfers on a pre-Consolidation basis. In the case of certificated holdings, this is the last day for the Company to accept transfers accompanied by certificates issued before the Consolidation.

The Company will send a notice to all Securityholders not earlier than the fifth Business Day after the Effective Date and not later than the ninth Business Day after the Effective Date advising of the number of Securities held by each Securityholder both before and after the Consolidation.

Uncertificated security holding statements or certificates (as applicable) for the Securities will be sent to Securityholders not earlier than the fifth Business Day after (but not including) the Effective Date and not later than the ninth Business Day after (but not including) the Effective Date.

The Company will, from the date that is five Business Days after the Effective Date, reject transfers accompanied by a certificate or holding statement that was issued before the Consolidation.

Where a Securityholder has sold his or her Securities in the Company prior to the Consolidation and the Company receives a valid transfer executed by the Securityholder together with a certificate (if applicable) for those Securities, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new Securities to the transferee named in the transfer.

Based upon the above, an indicative timetable assuming Shareholder approval is obtained will be as follows:

Date	Event
16 August 2011	Following Shareholder approval Company announces Shareholder approval of Consolidation.
17 August 2011	Last day for trading pre-Consolidation Shares.
18 August 2011	Effective Date. Trading of post-consolidation Shares on a deferred settlement basis commences.
24 August 2011	Last day to register transfers on a pre-Consolidation basis.
25 August 2011	First day to register transfers on a post-Consolidation basis.
26 August 2011	Latest date for Company to send notice to each Security holder of pre and post Consolidation holdings.

5.6 Directors' Recommendation

After considering all relevant factors, the Directors unanimously recommend the Shareholders vote in favour of Resolution 2.

6. Resolution 3 – Issue of Shares and Options pursuant to Converting Loans

6.1 General

The Company has entered into Converting Loans with various clients of Patersons Securities Limited (each of whom "professional" or "sophisticated" investors pursuant to section 708 of the Corporations Act) for an aggregate value of \$750,000 for the purposes of supplying immediate working capital for the Company.

The Converting Loans are convertible, post Consolidation, to 150,000,000 Shares at 0.5 cents per Share and 150,000,000 Options exercisable at 0.5 cents each on or before 31 March 2012 (**Converting Securities**). For every option exercised on or before the expiry date, the Company will issue an additional option exercisable at 1.5 cents each on or before 30 June 2015.

Resolution 3 seeks Shareholder approval for the issue of the Converting Securities the subject of the Converting Loans. The issue of the Converting Securities will occur following the Consolidation.

The Directors note that if Shareholder approval of Resolutions 1 to 4 (inclusive) are not obtained, the Converting Loans will become immediately redeemable and the underwriting agreement for the Rights Issue will be subject to termination. The Converting Loans will be redeemable in full, together with interest payable at the rate of 15% per annum for the period from 15 April 2011 to the date of redemption. In addition, a redemption fee equivalent to 20% of the Converting Loans amount will become due and payable. In these circumstances the Directors do not expect to have sufficient available funds to meet all obligations to the Company's creditors there is therefore a likelihood that the Company will be required to enter into voluntary administration. In this situation the Directors can give no assurance that there would be any recoverable value for Shareholders.

Any Shareholder that is also a Converting Loan Holder will be precluded from voting in respect to Resolution 3.

6.2 Listing Rule 7.1

Listing Rule 7.1 requires Shareholder approval for the issue of the Converting Securities. Listing Rule 7.1 provides, subject to certain exceptions, that Shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

Resolution 3 is an ordinary resolution.

6.3 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3 information regarding the Converting Loans is provided as follows:

- (a) the maximum number of securities the Company will issue on conversion of the Converting Loans is 150,000,000 Shares and 150,000,000 Options (post Consolidation);
- (b) the Company will issue the Converting Securities no later than three (3) months after the date of the Meeting (or such longer period of time as ASX may, in its discretion, allow pursuant to a waiver of the Listing Rules);
- (c) the Converting Securities will be issued on conversion of the Converting Loans;
- (d) the Shares will be issued to the Convertible Loan Holders on conversion of the Converting Loans who are:
 - (i) professional and sophisticated investors (or otherwise investors that does not require a disclosure document);
 - (ii) clients of Patersons; and
 - (iii) not related parties of the Company;
- (e) the Shares to be issued will be fully paid ordinary shares in the capital of the Company;

- (f) the Options will have an exercise price of 0.5 cents each exercisable on or before 31 March 2012 and are subject to the further terms and conditions as contained in Schedule 1;
- (g) the Company will raise no funds from the issue of the Converting Securities as they are being issued as consideration for the Converting Loans;
- (h) the Converting Securities will be allotted progressively; and
- (i) a voting exclusion statement is included in the Notice.

6.4 Directors' Recommendation

After considering all relevant factors, the Directors (with the exception of Dr Mark Scott) unanimously recommend the Shareholders vote in favour of Resolution 3. Dr Mark Scott, a Director, has excluded himself from this recommendation as he has a relevant interest in Resolution 3.

7. Resolution 4 – Approval of Rights Issue

7.1 General

Resolution 4 seeks Shareholder approval pursuant to Listing Rule 7.11.3 to enable the Company to offer Shares pro-rata on the basis of three (3) Shares for every two (2) Shares held by Shareholders with any fractional entitlement to be rounded down. In addition, for every one (1) Share issued under the Rights Issue, the Shareholder will be granted one (1) Option exercisable at 0.5 cents on or before 31 March 2012. For every option that is exercised on or before the expiry date, the Company will issue an additional Option exercisable at 1.5 cents on or before 30 June 2015.

The Rights Issue will be undertaken following the Consolidation. The Rights Issue will be underwritten by Patersons, subject to the passing of Resolutions 1 to 4 (inclusive).

Listing Rule 7.11.3 provides an exemption for pro-rata offers that is expressed to be renounceable. The Company does not consider a renounceable offer appropriate in the current circumstances.

Listing Rule 7.11.3 provides generally that a company may not, under a pro rata issue, offer securities to Shareholders at a ratio greater than one new security for each existing security held. Strict compliance with this rule would prevent the Company from undertaking a pro-rata offer of sufficient scale for the purposes of raising sufficient capital to recapitalise the Company.

The Company obtained from ASX a waiver of Listing Rule 7.11.3 to the extent required to enable the Company to make the offer under the Rights Issue non-renounceable. A waiver was sought because the ratio on which Shares would be offered under the Rights Issue is three (3) Shares for every two (2) existing Shares held.

While Shareholder approval is not normally required for a pro rata non-renounceable entitlements issue (as most are completed on a 1:1 basis), ASX granted the waiver of Listing Rule 7.11.3 on the condition that Shareholder approval is obtained. In addition, ASX requires that any person that proposes to underwrite or sub-underwrite the Rights Issue is excluded from voting.

Approval is sought from Shareholders for the issue of Shares on the following terms:

- (a) the maximum number of securities to be issued under Resolution 4 is 390,842,307 Shares and 390,842,307 Options (post Consolidation and subject to rounding);

- (b) the Securities will be allotted and issued in accordance with the Rights Issue timetable;
- (c) the Shares will be issued at a price of 0.5 cents per Share with the Options being free-carried;
- (d) The Shares will be offered to all registered Shareholders as at the Record Date;
- (e) The Shares to be issued pursuant to the Rights Issue are ordinary fully paid shares. The Options are free carried and will be issued for nil consideration exercisable at 0.5 cents each on or before 31 March 2012
- (f) The intended use of the funds raised under Rights Issue include working capital requirements and to explore potential investment opportunities aimed at increasing Shareholder value; and
- (g) A voting exclusion statement has been included in this notice which precludes any Substantial Holder, Patersons (as the Underwriter of the Rights Issue) and any sub-underwriter, or their associates from voting.

Resolution 4 is an ordinary resolution.

7.2 Indicative Rights Issue Timetable

Lodgement of Prospectus with ASIC and the ASX	31 August 2011
Notification sent to Shareholders	1 September 2011
"Ex date"	5 September 2011
Record Date	9 September 2011
Prospectus dispatched to eligible Shareholders	13 September 2011
Closing Date	27 September 2011
ASX notified of under subscriptions	29 September 2011
Anticipated date for allotment and issue of the Shares and dispatch of Shareholder statements	3 October 2011

Note: The above timetable is indicative only and subject to change.

7.3 Directors' Recommendation

After considering all relevant factors, the Directors (with the exception of Dr Mark Scott) unanimously recommend the Shareholders vote in favour of Resolution 4. Dr Mark Scott, a Director, has excluded himself from this recommendation as he has a relevant interest in Resolution 4.

8. Resolution 5 – Re-election of Mr Nigel Blaze as a Director

Mr Nigel Blaze was appointed as a Director of the Company on 23 March 2011 in accordance with Article 13.4 of the Constitution.

Article 13.4 of the Constitution allows at any time the appointment by the Directors of a person to be a Director to fill a casual vacancy. Any Director so appointed holds office

until the next general meeting of members of the Company and is then eligible for re-election at that meeting.

In accordance with Article 13.4 of the Constitution, Mr Blaze will retire from office at the General Meeting and, being eligible for re-election, submits himself for re-election as a Director of the Company.

Mr Blaze is a Fellow of the Institute of Chartered Accountants and has practised as a Chartered Accountant for approximately 25 years.

Mr Blaze commenced his professional accounting career with Ernst & Young in 1982 and over a 7 year period worked firstly in the Business Services area subsequently moving into a management role in their Specialist Taxation Advisory division.

Since leaving Ernst & Young in 1989, Mr Blaze has acted as a director of the Chartered Accounting firms Griffiths and Co and McLean Manuell before establishing his own firm in January 2000.

Mr Blaze is currently the managing director of Blaze BMD Pty Ltd, Accountants and Business Advisors and has extensive commercial advisory experience including specialisation in the medical services sector, property sector, agri-business sector and the retail and manufacturing sectors.

Mr Blaze was, until June 2003, a director of the Blaxland Rural Investments Ltd a company that successfully raised capital and managed a number of agri-business projects prior to the sale of its operations to a predecessor of Seven Fields Management Limited. He has also acted and continues to act as a director on many private company boards and has successfully managed a number of investment projects.

Mr Blaze has acted as Chairman of the Company since 23 March 2011.

Mr Blaze holds a Bachelor of Business (Accounting) degree, a Graduate Diploma of Taxation Law from Monash University, and a Certified Financial Planning qualification.

The Board unanimously supports the re-election of Mr Blaze.

Resolution 5 is an ordinary resolution.

9. Resolution 6 – Re-election of Mr Paul Quarrell as a Director

Mr Paul Quarrell was appointed as a Director of the Company on 23 March 2011 in accordance with Article 13.4 of the Constitution.

Article 13.4 of the Constitution allows at any time the appointment by the Directors of a person to be a Director to fill a casual vacancy. Any Director so appointed holds office until the next general meeting of members of the Company and is then eligible for re-election at that meeting.

In accordance with Article 13.4 of the Constitution, Mr Quarrell will retire from office at the General Meeting and, being eligible for re-election, submits himself for re-election as a Director of the Company.

Mr Quarrell has extensive business experience, specialising in mergers, acquisitions as well as corporate strategy, advice and governance. He has held senior executive positions with NAB/MLC and Ipac (now owned by Axa) as well as a self-employed Consultant working with companies such as Tauro Capital, Challenger, Q Invest, Strategic Capital Management and Seaview Consulting. Mr Quarrell was the

managing director of Techdrill Services Pty Ltd, an exploration drilling company which grew its revenue and profit by 700% under his leadership and was a founding partner and director of Lachlan Group Pty Ltd (now known as Westoria Capital), a boutique resource investment company.

After beginning his career as a financial adviser, Mr Quarrell was appointed acquisitions manager by Ipac and successfully completed the foundation transactions that were aggregated into the significant operation that it has become today. Subsequently Mr Quarrell acted as the principal of his own consulting business and worked on a number of successful advisory projects highlighted by his involvement in the Challenger acquisition and integration team that successfully negotiated and integrated the acquisition of Associated Planners for \$100 million.

Mr Quarrell holds a Master of Business Administration (MBA), Bachelor of Economics (Honours), Diploma of Financial Planning (DFP) and Certified Financial Planner (CFP).

The Board unanimously supports the re-election of Mr Quarrell.

Resolution 6 is an ordinary resolution.

10. Resolution 7 – Re-election of Mr Richard Wadley as a Director

Mr Richard Wadley was appointed as a Director of the Company on 23 March 2011 in accordance with Article 13.4 of the Constitution. Mr Wadley was also appointed as the company secretary of the Company.

Article 13.4 of the Constitution allows at any time the appointment by the Directors of a person to be a Director to fill a casual vacancy. Any Director so appointed holds office until the next general meeting of members of the Company and is then eligible for re-election at that meeting.

In accordance with Article 13.4 of the Constitution, Mr Wadley will retire from office at the General Meeting and, being eligible for re-election, submits himself for re-election as a Director of the Company.

Mr Wadley FCCA specialises in providing financial and company secretarial services to mainly earlier stage life science companies. He has had extensive experience in the areas of financial management, tax planning, investor relations, technology licensing and capital raisings. He was formerly CFO and company secretary of Biota Holdings Limited and is currently the CFO and company secretary for ASX listed BioDiem Limited. Mr Wadley is also a director of Origin Capital Limited (a pooled development fund) and the company secretary of Relevare Pharmaceuticals Limited. Mr Wadley has practised as a chartered accountant and has worked in both stock broking and for the ASX. Mr Wadley was named Chief Financial Officer of the Year in 1998 by C.F.O. Magazine.

The Board unanimously supports the re-election of Mr Wadley.

Resolution 7 is an ordinary resolution.

11. Definitions

In this Explanatory Memorandum and the Notice of General Meeting and Proxy Form:

Article means an article of the Constitution.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

Capitol Health means Capitol Health Limited ACN 117 391 812.

Company or **IMI** means IM Medical Limited ACN 009 436 908.

Consolidation has the meaning in Section 3.

Constitution means the constitution of the Company.

Converting Loan Holder means a person who has provided a Converting Loan to the Company each of whom is a non-related party of the Company, a professional or sophisticated investor (as defined in the Corporations Act) and a client of Patersons Securities Limited.

Converting Loans means the loans of an aggregate amount \$750,000 convertible into the Converting Securities.

Converting Securities means the Shares and Options being issued in accordance with Resolution 3.

Corporations Act means the Corporations Act 2001 (Cth).

Director(s) mean the directors of the Company.

Effective Date has the meaning in Section 5.5.

EST means eastern standard time.

General Meeting means the general meeting of the Shareholders to be held at The Quest Beaumont Kew, 7 Studley Park Road, Kew on Monday August 15, 2011 at 2.pm (EST)

Listing Rules means the official listing rules of ASX.

Notice means the Notice of General Meeting which this Explanatory Memorandum accompanies.

Option means an option to acquire a Share.

Patersons means Patersons Securities Limited.

Proxy Form means the proxy form attached to the Notice.

Radiology Business means the Company's radiology services business.

Restructure and Recapitalisation has the meaning in Section 3.

Rights Issue has the meaning in Section 3.

Sale Agreement has the meaning in Section 4.1.

Security means a Share or Option.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Substantial Shareholder has the meaning given to Substantial Holder in Chapter 19 of the Listing Rules.

In this Explanatory Memorandum and the Notice of words importing the singular include the plural and vice versa.

Schedule 1 – Option Terms and Conditions

1. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price and Expiry Date

The Options have an exercise price of \$0.005 (Exercise Price) and an expiry date of 31 March 2012 (Expiry Date).

3. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date.

4. Notice of Exercise

The Options may be exercised by notice in writing to the Company (Notice of Exercise) and payment of the Exercise Price for each Option being exercised. Any Notice of Exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt.

5. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then shares of the Company.

6. Issue of Further Options

For each Option exercised prior to the Expiry Date the Company will grant one further Option with an exercise price of \$0.015 and an expiry date of 30 June 2015.

7. Quotation of Shares on exercise

Application will be made by the Company to ASX for quotation of the Shares issued upon the exercise of the Options.

8. Timing of issue of Shares

After an Option is validly exercised, the Company must, within, 15 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Option:

- (a) issue and allot the Share; and
- (b) do all such acts, matters and things to obtain the grant of official quotation of the Share on ASX no later than 5 Business Days after issuing the Shares.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least ten business days after the issue is announced. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E[P - (S + D)]}{N + 1}$$

- O = the old Exercise Price of the Option.
- E = the number of underlying Shares into which one Option is exercisable.
- P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the subscription price of a Share under the pro rata issue.
- D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).
- N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

12. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the Listing Rules which apply to the reconstruction at the time of the reconstruction.

13. Quotation of Options

The Options will be unlisted Options. The Company may, subject to compliance with the Listing Rules, make an application for quotation of the Options. Should the ASX accept the application for quotation of the Options then the Options will be listed Options from the time that the ASX accepts such application.

14. Options transferable

- (a) Until the ASX accepts an application for quotation of the Options then the Options are transferable provided that the transfer of Options complies with section 707(3) of the Corporations Act.
- (b) Following the ASX accepting an application for quotation of the Options then the Options are freely transferable.

15. Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for shares on exercise of the Options with the appropriate remittance should be lodged at the Company's Registry.

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

REGISTERED OFFICE:
LEVEL 1
117 CHURCH STREET
HAWTHORN VIC 3122

IM MEDICAL LTD

ACN 009 436 908

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
All Correspondence to:
PO BOX 535,
APPLECROSS WA 6953 AUSTRALIA
770 Canning Highway,
APPLECROSS WA 6153 AUSTRALIA
T: +61 8 9315 2333 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code: Holder Number: **SECTION A: Appointment of Proxy**

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐

OR

The meeting Chairperson
(mark with an "X")

The name of the person you are appointing
(if this person is someone other than the Chairperson of the meeting).

or failing the person named, or if no person is named, the Chairperson of the Meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 2.00pm (EST) on Tuesday 16 August 2011 at The Quest Beaumont Kew, 7 Studley Park Road, Kew VIC and at any adjournment of that meeting.

SECTION B: Voting Directions to your Proxy

Please mark "X" in the box to indicate your voting directions to your Proxy.

Resolution**For Against Abstain***

1. Authorise Sale of Radiology Business

☐☐☐

2. Approval of Share Consolidation

☐☐☐

3. Issue of Shares and Options pursuant to Converting Loans

☐☐☐

4. Approval of Rights Issue

☐☐☐

5. Re-election of Mr Nigel Blaze as a Director

☐☐☐

6. Re-election of Mr Paul Quarrell as a Director

☐☐☐

7. Re-election of Mr Richard Wadley as a Director

☐☐☐**If no directions are given my proxy may vote as the proxy thinks fit or may abstain.**

* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Please Sign Below**This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.**

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director and Sole Company Secretary

Director

Director / Company Secretary

1984170459Reference Number:

1

IMI

1

My/Our contact details in case of enquiries are:

NAME

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TELEPHONE NUMBER

(			)																
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NOTES

1. Name and Address

This is the name and address on the Share Register of IM Medical Limited. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. Appointment of a Proxy

If you wish to appoint the Chairperson of the Meeting as your Proxy please mark "X" in the box in Section A. Please also refer to Section B of this proxy form and ensure you mark the box in that section if you wish to appoint the Chairperson as your Proxy.

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a Shareholder of IM Medical Limited.

3. Directing your Proxy how to vote

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. Appointment of a Second Proxy

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by telephoning the Company's share registry +61 8 9315 2333 or you may photocopy this form.

To appoint a second Proxy you must:

- (a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- (b) Return both forms in the same envelope.

5. Signing Instructions

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. Lodgement of Proxy

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Registrars Pty Ltd no later than 2.00pm (EST) on Sunday 14 August 2011, being 48 hours before the time for holding the meeting. Any Proxy form received after that time will not be valid for the scheduled meeting.

Security Transfer Registrars Pty Ltd
PO BOX 535
Applecross, Western Australia 6953

Street Address:
Alexandrea House, Suite 1
770 Canning Highway
Applecross, Western Australia 6153

Telephone +61 8 9315 2333

Facsimile +61 8 9315 2233

Email registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Registrars Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Registrars Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.