

**HALF-YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE
4.2A**

Name of entity

MEDIGARD LIMITED

ABN or equivalent reference #

49 090 003 044

Reporting Period

Half-year ended 31 December 2016

Previous corresponding period

Half-year ended 31 December 2015

The information contained in this report should be read in conjunction with the most recent annual financial report.

Contents	Item
Results for announcement to the market	1.
Net tangible assets per ordinary share	2.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up	29% to	\$ 22,795
Profit (loss) from ordinary activities after Income tax	down	122%to	\$ (41,208)
Net profit (loss) for the period attributable To members	down	122%to	\$ (41,208)

Dividends per share

	Amount per share	Franked amount per Share
Final	0 cents	0 cents
Interim	0 cents	0 cents

It is intended that no dividends will be paid prior to the profitable commercialisation of Medigard's products.

Explanations

The company has not traded during the half-year ended 31 December 2016.

Income is from royalties on the sales of the Blood Collection Device and the return on invested capital. The company's activities have been the continuing research and development of the company's products and working closely with our distributor to maximise sales of products using our licensed intellectual property.

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA BACKING)

Current Period	Previous Corresponding Period
(0.008)	(0.006)



ABN 49 090 003 044

HALF-YEARLY FINANCIAL STATEMENTS

ENDED 31 DECEMBER 2016



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MEDIGARD LIMITED

ABN 49 090 003 044

Directors' Report

Your directors present their report on the company for the half-year ended 31 December 2016.

Directors

The names of persons who were directors of Medigard Limited during the half-year and up to the date of this report are:

D Channer
R Krakowiak – from 1 July 2016 to 25 November 2016
C Bishop
C Cameron – from 25 November 2016 to present
P Boero (alternate for D Channer)

Review of Operations

A summary of the revenues and results are set out below:

	2016	2015
	\$	\$
Revenue / Income	79,781	312,763
Expenses	(120,989)	(122,851)
Profit before income tax	(41,208)	189,912
Income tax expense	-	-
Net profit after income tax	(41,208)	189,912

Comments on the operations and the results of those operations are set out below:

The Company continues to limit expenditure until royalties received from the Blood Collection Device increase. The directors appreciate that the royalties received from the sales of the Blood Collection Device are well behind original predictions. Building the distribution channel has taken longer than planned by Sol Millennium Medical, however sales are increasing every quarter.

The Company, continues to maintain all patents and continues with the progress of those patents not yet granted. The directors also continue to discuss new products with the directors of Sol-Millennium and with other potential distributors and is making modest investments in new intellectual product development.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under section 307C of the Corporations Act 2001 is included on page 5 to this half-year financial report.

This report is made in accordance with a resolution of the Board of Directors and is signed for on behalf of the directors by:

A handwritten signature in black ink, appearing to read "D Channer", with a stylized flourish at the end.

D CHANNER
Director

Dated: 28 February 2017

MEDIGARD LIMITED

ABN 49 090 003 044

AUDITOR'S DECLARATION OF INDEPENDENCE



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DECLARATION OF INDEPENDENCE BY ANTHONY WHYTE TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medigard Limited.

A handwritten signature in black ink, appearing to read 'A J Whyte', is written over a circular scribble.

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane: 28 February 2017

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Profit or Loss & Other Comprehensive Income
For the Half-Year Ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Revenue	22,795	752
Convertible Note Fair Value Movement	56,986	312,011
Depreciation and amortisation expenses	(9,289)	(9,495)
Finance costs	(16,595)	(8,824)
Other expenses	(95,105)	(104,532)
	<hr/>	<hr/>
Profit/(loss) before income tax expense	(41,208)	189,912
Income tax expense	-	-
	<hr/>	<hr/>
Net profit/(loss) for the half-year after income tax expense	(41,208)	189,912
	<hr/>	<hr/>
Other comprehensive income	-	-
	<hr/>	<hr/>
Total comprehensive income for half-year	(41,208)	189,912
	<hr/> <hr/>	<hr/> <hr/>
	Cents	Cents
Basic earnings per share	(0.045)	0.21

The above Statement of Profit or Loss & Other Comprehensive Income should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Financial Position
as at 31 December 2016

	31 December	30 June
	2016	2016
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	184,152	261,678
Trade and other receivables	15,458	8,070
Other current assets	14,885	6,095
TOTAL CURRENT ASSETS	214,495	275,843
NON-CURRENT ASSETS		
Property, Plant and Equipment	5,784	6,480
Intangible Assets	49,497	58,089
Other Non-Current Assets	10,560	10,560
TOTAL NON-CURRENT ASSETS	65,841	75,129
TOTAL ASSETS	280,336	350,972
CURRENT LIABILITIES		
Trade and Other Payables	30,698	19,736
Borrowings - Unsecured Loans	248,465	239,275
Borrowings - Convertible Note (Refer Note 5)	407,329	
TOTAL CURRENT LIABILITIES	686,492	259,011
NON CURRENT LIABILITIES		
Borrowings - Convertible Note (Refer Note 5)	237,230	475,553
Borrowings	-	218,586
TOTAL NON CURRENT LIABILITIES	237,230	694,139
TOTAL LIABILITIES	923,722	953,150
NET ASSETS	(643,386)	(602,178)
EQUITY		
Issued Capital	4,953,560	4,953,560
Accumulated Losses	(5,596,946)	(5,555,738)
TOTAL EQUITY	(643,386)	(602,178)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Cash Flows
For the Half-Year Ended 31 December 2016

	31 December	31 December
	2016	2015
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	18,039	-
Payments to suppliers and employees	(102,055)	(101,046)
Interest received	615	752
GST refunded	5,675	4,557
Net cash outflow from operating activities	(77,726)	(95,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	-	(53,992)
Proceeds of borrowings	-	-
Net cash inflow from financing activities	-	(53,992)
NET INCREASE (DECREASE) IN CASH HELD	(77,726)	(149,729)
Net cash at beginning of period	261,878	164,307
NET CASH AT END OF PERIOD	184,152	14,578

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

MEDIGARD LIMITED
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Statement of Changes in Equity
For the Half-Year Ended 31 December 2016

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	4,953,560	(5,636,757)	(683,197)
Profit for the half-year	-	189,912	189,912
Other comprehensive income	-	-	-
Total comprehensive income	-	189,912	189,912
At 31 December 2015	4,953,560	(5,446,845)	(493,285)
Balance at 1 July 2016	4,953,560	(5,555,738)	(602,178)
Profit (Loss) for the half-year	-	(41,208)	(41,208)
Other comprehensive income	-	-	-
Total comprehensive income	-	(41,208)	(41,208)
At 31 December 2016	4,953,560	(5,596,946)	(643,386)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED

ABN 49 090 003 044

Notes to the Financial Statements For the Half-Year Ended 31 December 2016

Note 1. Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Company had net asset deficiency of \$643,386 and had net operating cash outflows of \$77,726 for the half year ended 31 December 2016. As at 31 December 2016 the Company has cash of \$184,152.

The ability of the Company to continue as a going concern is principally dependent upon one or more of the following:

- deriving future cash flows from royalty income from the sale of blood collection devices;
- continued support of Sol-Millennium Medical Products Co, Ltd as the holder of the convertible note and provider of additional funding;
- reducing its working capital expenditure;
- the successful commercialisation of the Company's products; and
- the continued support from a major shareholder and director.

These conditions give rise to material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

- the Company continues to receive support from Sol-Millennium Medical Products Co, Ltd;
- the Company received royalties of \$22,795 during the half year; and
- the Company continues to receive support from a major shareholder and director.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Company not be able to achieve the matters set out above and thus be able to continue as a going concern. the ordinary course of business.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Medigard Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Company for the current or prior periods.

Borrowings

Convertible Notes can be settled, at the option of the note holder, by making a cash payment to the note holder or by the issue of shares. The liability and embedded derivative components of the convertible note are initially measured at fair value and are subsequently measured at fair value through profit and loss at the end of each reporting period.

Note 2. Segment Information

The company operates within Australia predominantly in one segment – the development of innovative medical instruments. Therefore, reports reviewed by the executive management committee do not differ from that of the company as a whole and no reportable segments exist.

Note 3. Contingent Liabilities and Contingent Assets

There are no known contingent liabilities or contingent assets as at reporting date.

Note 4. Events Subsequent to the end of the reporting period

There have been no events subsequent to the end of the reporting period..

Note 5. Fair Value Measurement

Convertible Notes

- On 13 August 2014 Medigard Limited issued a convertible note for \$100,000
- On 6 January 2015 Medigard Limited issued a convertible note for \$200,000
- The term of the notes is 36 months with an interest rate of 8% compounding daily.
- The notes are unsecured and are redeemable 24 months after issue.
- The notes can be converted into shares at an issue price which is the lower of \$0.05 and a price equal to the 30 day VWAP of the shares provided this is not less than \$0.025.
- The convertible notes are considered to be at level 3 of the Fair Value hierarchy defined in AASB13. Level 3 inputs are generally unobservable inputs for the valuation of the asset or liability.
- On 25 November 2017, debt funding plus accrued interest of \$225,992 was converted to Convertible Notes on the same terms and conditions as the existing Convertible Notes with a maturity date of 6 January 2019

Valuation Technique

- The value of the convertible note was determined as the sum of the debt and option component using standard debt valuation techniques and the Black Scholes option pricing model respectively.
- Key inputs to the valuation include:
 - A debt yield of 19.28%
 - Share price at 31 December 2016 \$0.021
 - Volatility of 150%
 - Risk free rate of 1.86%

Fair Value Movement

- During the period a fair value gain was recorded of \$56,986 based on a valuation of the Note at 31 December 2016.

Sensitivity to Valuation inputs

- Sensitivity of unobservable inputs are as follows:
 - Volatility
 - A 25% increase in volatility would increase the fair value by \$36,771
 - A 25% decrease in volatility would decrease the fair value by \$43,927

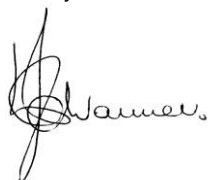
MEDIGARD LIMITED
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Director's Declaration

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, and
 - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the directors by:

A handwritten signature in black ink, appearing to read 'D Channer', is written over a faint, illegible printed name.

D CHANNER
Director

Dated 28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Medigard Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Medigard Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medigard Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Medigard Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medigard Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO Audit Pty Ltd

BDO



A J Whyte

Director

Brisbane, 28 February 2017