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ASX Announcement

Injection Treatment of Degenerative Disk Disease (DDD), chronic lower back pain and maybe osteoarthritis (OA)

Medigard Ltd has recently announced an exclusive worldwide license agreement with Kunovus Pty Ltd under which Medigard will commercialise the patented KT009 injectable product to treat intervertebral disc degeneration (IVDD), debilitating Degenerative Disk Disease (DDD), chronic lower back pain and maybe osteoarthritis (OA).

The Board of Medigard sees this transaction as important for shareholders, and more information will be made available at the AGM to be held later this month.

Meanwhile, the following will answer some questions that shareholders have.

Medigard's role in this development program will be to bring KT009 towards a later pharmaceutical company transaction, potentially combining the KT009 biologic within a custom syringe product as a prefilled syringe product.

Medigard has in licensed granted US patents 8,828,941 and 9,480,819, another patent application and extensive know-how on attractive commercial terms and in a deal which does not require the issuing of any shares to the Licensee.

The Medigard team is presently obtaining quotations for the conduct of the development program – making clinical grade recombinant KT009, conducting preclinical testing of the clinical grade agent and then running a small scale human trial in Australia in patients suffering intervertebral disc degeneration or degenerative disc disease. Medigard will need to invest into this development program over the next 3 years.

The Board of Medigard looked carefully at the biology behind this program before taking it on. A recent 2018 publication (Bioscience Reports (2018) 38 BSR20181176 <https://doi.org/10.1042/BSR20181176>) by Jiao et al entitled "Nucleus pulposus cell apoptosis is attenuated by CDMP-2 through regulating oxidative damage under the hyperosmotic environment" further explains the biology of KT009 and how KT009 could potentially halt or even reverse degeneration in the nucleus pulposus (NP) cells within the intervertebral disc.

If successful, treatment with KT009 could involve a simple day surgery administration requiring only local anaesthesia. Existing study data in animals suggests that regeneration and repair of damaged discs also increases mobility and alleviates pain.

The costs of back pain treatment, absenteeism and disablement exceed all other musculoskeletal conditions. The potential market for KT009 is around 30 million patients in the USA alone.

Once we demonstrate that KT009 is safe and patients benefit from its injection – we would anticipate approaches from Pharmaceutical companies active in the spinal/orthopaedic fields. A future partnering transaction with a Pharmaceutical company could involve Medigard receiving significant upfront fees, milestone fees and royalties on sales for many years.

Please feel free to contact me any time at ian.dixon@medigard.com.au.

Yours sincerely

Ian Dixon

Executive Director

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