

**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 2018

Previous corresponding period

Half-year ended 31 December 2017

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	down	52%	to	\$13,231
Profit (loss) from ordinary activities after Income tax	up	40%	to	\$(705,870)
Net profit (loss) for the period attributable To members	up	40%	to	\$(705,870)

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 2018.

The result for the half-year was significantly impacted by the non-cash share-based payment expense of \$381,000 representing the estimated fair value of options issued to a Director.

Income is from royalties on the sales of the Blood Collection Device and the return on invested capital. The Company conducted a new Technology Management and Commercialisation Program which involved the assessment of over seventy projects. As a result the Company has secured an exclusive worldwide license agreement with Kunovus Pty Ltd under which Medigard plan on commercialising a patented, injectable biological material, referred to as KT009, for the treatment of intervertebral disc degeneration and disease, chronic lower back pain and maybe osteoarthritis, potentially delivered using a prefilled syringe.

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

Current Period	Previous Corresponding Period
(0.006)	(0.005)

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HALF-YEARLY FINANCIAL STATEMENTS

ENDED 31 DECEMBER 2018



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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 2018.

Directors

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

C Bishop
D Channer
C Cameron
I Dixon
P Boero (alternate for D Channer)

Review of Operations

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

	2018	2017
	\$	\$
Revenue / Income	13,231	27,633
Expenses	(719,101)	(531,921)
Loss before income tax	(705,870)	(504,288)
Income tax expense	-	-
Net loss after income tax	(705,870)	(504,288)

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

As previously advised, the royalties from the sales of the Blood Collection Device are slower than originally budgeted but Sol Millennium, the licensee, is continuing to develop enhancements to the device and pursue additional sales. All existing patents have been maintained.

The Company has conducted a new Technology Management and Commercialisation Program which involved the assessment of over seventy projects. From the assessment two projects of particular merit were identified and the Company has secured an exclusive worldwide license agreement with Kunovus Pty Ltd under which Medigard plans to commercialise a patented, injectable biological material, referred to as KT009, for the treatment of intervertebral disc degeneration and disease, chronic lower back pain and maybe osteoarthritis, potentially delivered using a prefilled syringe.

Matters subsequent to the end of the half-year

The maturity date of the three convertible notes issued by the Company has been extended from 9 January 2019 to 30 April 2019.

On 31 January three Directors of the Company advanced a total of \$95,000 to the Company. The advances are unsecured, attract 7.5%pa interest and have no fixed repayment date.

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:



Director

Dated: 27 February 2019

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MEDIGARD LIMITED
ABN 49 090 003 044
AUDITOR'S INDEPENDENCE DECLARATION



Tel: +61 7 3237 5999
Fax: +61 7 3221 9227
www.bdo.com.au

Level 10, 12 Creek St
Brisbane QLD 4000
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the half-year ended 31 December 2018, 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.

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

A J Whyte
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2019

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MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Profit or Loss & Other Comprehensive Income
For the Half-Year Ended 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
Revenue		13,231	27,633
Convertible Note Fair Value Movement	6	(28,648)	(139,776)
Depreciation and amortisation expenses		(5,044)	(9,133)
Finance costs		(10,673)	(50,505)
Share-based payment (Director's options)	7	(381,000)	-
Licence fees		(31,818)	-
Other expenses	8	(261,918)	(332,507)
Profit/(loss) before income tax expense		(705,870)	(504,288)
Income tax expense		-	-
Net profit/(loss) for the half-year after income tax expense		(705,870)	(504,288)
Other comprehensive income		-	-
Total comprehensive income for half-year		(705,870)	(504,288)
		Cents	Cents
Basic earnings per share		(0.522)	(0.471)

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

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MEDIGARD LIMITED
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Statement of Financial Position
as at 31 December 2018

	31 December	30 June
	2018	2018
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	44,194	376,927
Trade and other receivables	34,556	11,250
Other current assets	8,178	6,846
TOTAL CURRENT ASSETS	<u>86,928</u>	<u>395,023</u>
NON-CURRENT ASSETS		
Property, plant and equipment	530	4,024
Intangible assets	21,724	26,350
Other non-current assets	10,560	10,560
TOTAL NON-CURRENT ASSETS	<u>32,814</u>	<u>40,934</u>
TOTAL ASSETS	<u>119,742</u>	<u>435,957</u>
CURRENT LIABILITIES		
Trade and other payables	42,635	70,785
Borrowings - unsecured loans	288,541	452,868
Convertible notes at fair value through profit or loss (Note 6)	598,516	569,868
TOTAL CURRENT LIABILITIES	<u>929,692</u>	<u>1,093,521</u>
TOTAL LIABILITIES	<u>929,692</u>	<u>1,093,521</u>
NET ASSETS	<u>(809,950)</u>	<u>(657,564)</u>
EQUITY		
Issued capital	5,807,996	5,635,512
Share-based payments reserve	381,000	-
Accumulated losses	(6,998,946)	(6,293,076)
TOTAL EQUITY	<u>(809,950)</u>	<u>(657,564)</u>

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

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MEDIGARD LIMITED
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Statement of Cash Flows
For the Half-Year Ended 31 December 2018

	31 December	31 December
	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,985	55,899
Payments to suppliers and employees	(341,868)	(193,733)
Interest received	600	143
Interest & other costs of finance	-	(40,601)
GST refunded	4,066	17,548
Net cash outflow from operating activities	(330,217)	(160,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of issue of shares	-	488,000
Costs of share issue	(2,516)	(21,208)
Proceeds of borrowings	-	175,000
Net cash inflow from financing activities	(2,516)	641,792
NET INCREASE (DECREASE) IN CASH HELD	(332,733)	481,048
Net cash at beginning of period	376,927	78,721
NET CASH AT END OF PERIOD	44,194	559,769

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

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Statement of Changes in Equity
For the Half-Year Ended 31 December 2018

	Issued Capital	Share-based Payments Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2017	4,953,560	-	(5,678,427)	(724,867)
Comprehensive income				
Profit (loss) for the half-year	-	-	(504,288)	(504,288)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(504,288)	(504,288)
Transactions with owners, in their capacity as owners				
Shares issued (Note 9)	706,700	-		706,700
Transaction costs	(21,208)	-		(21,208)
Total transactions with owners	685,492	-		685,492
Balance at 31 December 2017	5,639,052	-	(6,182,715)	(543,663)
Balance at 1 July 2018	5,635,512	-	(6,293,076)	(657,564)
Comprehensive income				
Profit (loss) for the half-year	-	-	(705,870)	(705,870)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(705,870)	(705,870)
Transactions with owners, in their capacity as owners				
Shares issued (Note 9)	175,000	-	-	175,000
Issue of options to a Director (Note 7)	-	381,000	-	381,000
Transaction costs	(2,516)	-	-	(2,516)
Total transactions with owners	172,484	381,000	-	553,484
Balance at 31 December 2018	5,807,996	381,000	(6,998,946)	(809,950)

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 2018

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 2018 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 \$809,950 and had net operating cash outflows of \$332,733 for the half year ended 31 December 2018. As at 31 December 2018 the Company has cash of \$44,194.

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

- the ability of the Company to raise further funds as required;
- negotiating a settlement of the convertible notes expiring on 30 April 2019.
- deriving future cash flows from royalty income from the sale of blood collection devices;
- deriving future cash flows from the successful commercialisation of the current KT009 project or other medical technologies and
- the continued support from a major shareholder and Directors.

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 intends to raise additional funds as required to meet outgoings;
- Directors injected \$95,000 loan funds on 31 January 2019 with no fixed repayment date as detailed in note 5 and
- the Company continues to receive support from a major shareholder and Directors.

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.

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 2018 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 except for the following:

Note 1 (Continued) Basis of Preparation of Half-Year Financial Statements

- AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers were applicable for the first time for the current reporting period. The adoption of these new standards did not have an impact on these half-year financial statements and did not require retrospective adjustments.

Note 2. Segment Information

The Company's operations are the development of innovative medical technologies wholly within Australia. Reports reviewed by the executive management committee (the chief operating decision maker) do not differ from that of the Company as a whole. As such the Company is considered one operating segment being research and development.

Note 3. Licence commitments

	31 December 2018	31 December 2017
	\$	\$
Licence fees payable under an intellectual property licence not recognised in the financial statements		
Minimum licence payments		
– not later than 12 months	175,000	-
– between 12 months and 5 years	100,000	-
– later than 5 years	500,000	-

In addition to the minimum payments under the licence agreement, which expires in 2043, additional milestone payments are contingent upon the completion of phases of clinical testing and regulatory approval of the treatment which is the subject of the licence. Those payments could total a further \$1,450,000 if all milestones are met. Royalties on sales of the treatment become payable by the Company if the treatment is commercialised.

Note 4. Contingent Liabilities and Contingent Assets

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

Note 5. Events Subsequent to the end of the reporting period

The maturity date of the three convertible notes issued by the Company has been extended from 9 January 2019 to 30 April 2019.

On 31 January three Directors of the Company advanced a total of \$95,000 to the Company. The advances are unsecured, attract 7.5%pa interest and have no fixed repayment date.

Note 6. 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 was 36 months with an interest rate of 8% compounding daily.
- The notes are unsecured and were 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.

Note 6. (Continued) Fair Value Measurement

- On 25 November 2016, 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
- On 30 October 2017 Deeds of Variation were executed for the \$100,000 and \$200,000 convertible notes. These Convertible Notes will accrue no interest from 1 September 2017 until the amended maturity date of 6 January 2019.
- 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.

Valuation Technique

- The value of the convertible notes was determined as the sum of the debt and option components 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 2018 \$0.028
 - Volatility of 85.4%
 - Risk free rate of 2.02%

Fair Value Movement

- During the period a fair value loss was recorded of \$28,648 based on a valuation of the Notes at 31 December 2018.

Sensitivity to Valuation inputs

At the end of the half-year the maturity date of the convertible notes was 8 January 2019 and changes in inputs to the fair value estimation produced no material change in the fair value amount. The maturity date of the convertible notes has since been extended to 30 April 2019.

Note 7. Share-based payments

On 31 July 2018 the Company, pursuant to shareholder approval, issued Executive Director Ian Dixon a total of 80,000,000 unlisted, non-transferable options to acquire shares in the Company as follows. The options vested immediately upon grant and the total expense has been recognised in the profit or loss for the half-year.

Quantity	Expiry date	Exercise price	Share price at grant date	Expense recognised in profit or loss
40,000,000	31 July 2023	\$0.10	\$0.016	\$227,000
40,000,000	31 July 2023	\$0.20	\$0.016	\$154,000
			Total	\$381,000

Fair value of options

The fair value of the options granted has been arrived at using the Black Scholes methodology and applying the following inputs.

Interest free rate	1.7%
Volatility	85.4%
Discount for non-transferability	25%

Note 8. Other Expenses

	31 December 2018	31 December 2017
	\$	\$
Consulting fees	(93,386)	(157,950)
Employee benefits	(71,652)	(79,015)
Other expenses	(96,880)	(95,542)
Total other expenses	(261,918)	(332,507)

Note 9. Equity Movement Reconciliation

	For the half year ended 31 Dec 2018		For the year ended 30 June 2018	
	Number of shares	\$	Number of shares	\$
Movements in ordinary fully paid shares on issue				
Balance at the beginning of the period	125,300,329	5,635,512	91,007,472	4,953,560
Issue of shares in the period:				
Equity Raising (a)	9,999,998	175,000	7,142,857	125,000
Share Purchase Plan	-	-	18,150,000	363,000
In lieu of salary and fees	-	-	9,000,000	218,700
Transaction costs	-	(2,516)	-	(24,748)
Balance at the end of the	135,300,327	5,807,996	125,300,329	5,635,512

a) On 31 July 2018 the Company issued 9,999,998 fully paid ordinary shares at \$0.0175 per share in a placement pursuant to approval by a general meeting of shareholders held that day. The \$175,000 subscription money for these shares was received prior to 30 June 2018 pending shareholder approval for the issue of the shares.

MEDIGARD LIMITED
ABN 49 090 003 044

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 2018 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:



Director

Dated 27 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Medigard limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Medigard Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Company is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the company's financial position as at 31 December 2018 and of its financial 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 Company's ability to continue as a going concern and therefore the Company 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.

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 Company's financial position as at 31 December 2018 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 the Company, 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd



Anthony J Whyte

Director

Brisbane, 27 February 2019

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