

# MEDIGARD LIMITED

[ABN 49 090 003 044]

(the Company)

## CLEANSING PROSPECTUS

For an issue of up to 1,000 new shares (**New Shares**) at an issue price of 1.4 cents (\$0.014) per share to raise \$14 before costs of the issue (**the Offer**).

The Offer is only made to and able to be accepted by invitees determined by the Company who receive a Personalised Application Form.

This Prospectus has been prepared primarily for the purpose of 708A(11) of the Corporations Act 2001 (Cth) to facilitate secondary trading of Consideration Shares issued prior to the Closing Date.

### **THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY**

It is important that you read this Prospectus carefully before deciding to accept the Offer. If you do not understand the contents of this Prospectus you should consult your stockbroker, accountant or other professional adviser.

**The securities offered under this Prospectus are considered highly speculative**

**CORPORATE DIRECTORY**

**Medigard Limited**

[ABN 49 090 003 044]

**Directors and alternate Director**

Chris Bishop - Chairman

Ian Dixon - Executive Director

Craig Cameron - Director

Donald Channer - Director

Patricia Boero – Alternate Director, CFO

**Company Secretary**

Patricia Boero

**Registered Office**

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**ASX Code**

MGZ

**Web Site**

[www.medigard.com.au](http://www.medigard.com.au)

## IMPORTANT NOTICES

This prospectus (**Prospectus**) is dated 4 September 2019. A copy of this Prospectus was lodged with the Australian Securities & Investments Commission (**ASIC**) on the same date. Neither ASIC nor ASX Limited (**ASX**) nor their respective officers take any responsibility as to the contents of this Prospectus.

This Prospectus has been issued by, and the Offer in this Prospectus is being made by, Medigard Limited (**MGZ** or the **Company**).

Subject to the Corporations Act, the ASX listing rules and other applicable laws, the Company reserves the right to close the Offer early, to extend the closing date and/or any other dates, or not to proceed with the Offer described in this Prospectus.

**The Offer under this Prospectus closes at 5pm (Brisbane time) on 10 September 2019, which date may change without notice.**

This Prospectus is for an offer of continuously quoted securities and accordingly is not required by the Corporations Act to contain all the information normally required to be set out in a document of this type.

The Prospectus incorporates by reference certain information contained in documents lodged with ASIC. A document incorporated in the Prospectus in this manner may be obtained free of charge from the Company during the application period.

No person is authorised to give any information or make any representation in connection with this Prospectus that is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia should consult their professional advisers as to whether any governmental or other consents are required or whether formalities need to be observed to enable them to acquire Shares, and observe such restrictions and requirements. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Return of a duly completed Personalised Application Form will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No action has been taken to register or qualify the Offer or the New Shares, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA.

No account has been taken of particular objectives, financial situation or needs of recipients of this Prospectus. Recipients of this Prospectus should have regard to their own objectives, financial situation and needs. Recipients of this Prospectus should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and risks associated with investing. Independent expert advice should be sought before any decision is made to apply for New Shares.

All monetary amounts in this Prospectus are in Australian dollars unless otherwise stated.

The securities offered under this Prospectus are considered speculative.

## TIMETABLE

Lodgement of Prospectus	4 September 2019
Offer Period opens	4 September 2019
Closing Date	10 September 2019 at 5pm

*The above dates should be regarded as **indicative only and may change without notice**. All dates and times are Brisbane, Queensland,, Australia time. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company reserves the right to change the above dates, close the Offer before the date stated above, extend the Closing Date and subsequent dates or not proceed with the Offer.*

*No securities will be issued on the basis of this Prospectus after 3 October 2020, being the expiry date of this Prospectus.*

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### KEY INVESTMENT RISKS – SUMMARY

Please read and consider this Prospectus in full and in conjunction with any matters which have or may be referred to in the Company's ASX announcements before deciding to apply for New Shares, exercising existing options or otherwise investing in the Company.

Section 4 of this Prospectus contains a summary of some of the key risks associated with investment in the Company. Those risk include specific business risks of the Company, a selection of which are set out below:

- Risks associated with the suspension of the securities of the Company from official quotation on the ASX;
- The Company may not be able to improve its financial conditions and/or raise funds in future;
- Product development and market acceptance
- Competition and contract risks;
- Technology and intellectual property risks.
- Potential product liability risks;
- The risk that the Company may undergo a change in strategy;
- Dependence of Medigard on its key personnel and the effect of management actions;
- Exchange rates; and
- Share price fluctuations.

In addition to the above, there are other risks of a more general nature, such as general economic and market conditions, that are applicable to the Company.

### ABOUT THE OFFER - SUMMARY

The following summary provides only a limited overview of the Offer. Further detail is set out in this Prospectus. Please read and consider this Prospectus in full before making any decision regarding applying for New Shares, exercising existing options or making an investment in the Company.

Topic	Summary	For more information see:
What is the Offer?	An offer of ordinary shares to invitees determined by the Company to apply for and receive New Shares (called the <b>Offer</b> ).	Section 1.1
What is the purpose of the Offer?	To facilitate secondary trading of Consideration Shares issued prior to the Closing Date.	Section 2.1
What are the terms of the New Shares?	All New Shares issued pursuant to the Offer will be fully paid ordinary shares that rank equally in all respects with the Company's shares already on issue.	Section 1.1 and Section 8.
What is the Offer price?	Each New Share has an issue price of 1.4 cents (\$0.014).	Section 1.1
Am I eligible to apply for New Shares?	You will only be eligible to apply for and receive New Shares under the Offer if you receive a written invitation to apply for New Shares under the Offer and a Personalised Application Form from the Company.	Section 1.1
What if I am not invited to participate in the Offer?	If you do not receive a written invitation from the Company to participate in the Offer and a Personalised Application Form then you will be unable to apply for and receive New Shares.	Section 1.1
How much will be raised by the Offer?	The Offer will raise \$14 (before costs) if fully subscribed.	Section 1.1
How will the funds raised be used?	Funds raised will be used for general working capital purposes.	Section 2.2
Is the Offer underwritten?	The Offer is not underwritten.	Section 1.2
Is there a minimum subscription?	There is no minimum subscription amount.	Section 1.4
Are there risks associated with investment in the Company?	<p>There are risks associated with investment in the Company. These include risks relating to the Company and risks associated with financial investment generally.</p> <p>Please carefully consider the risks and the information contained in this Prospectus in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding applying for or acquiring shares or otherwise making an investment in the Company.</p>	Page 5 and Section 4

Topic	Summary	For more information see:
How do I accept the Offer?	<p>Only recipients of a written invitation and Personalised Application Form from the Company may apply for New Shares.</p> <p>If you have received a written invitation from the Company to participate in the Offer then you can apply for New Shares by either:</p> <p>(a) paying the amount for the New Shares set out in the Personalised Application Form in accordance with details included in the Personalised Application Form, so payment is received by no later than 5pm on the Closing Date; or</p> <p>(b) complete and return the Personalised Application Form to the Share Registry together with payment by cheque, bank draft or money order so the form and payment are received by the Share Registry by no later than 5pm on the Closing Date.</p>	Section 5
What are the taxation implications of participating in the Offer?	Taxation implications will vary depending upon the specific circumstances of the investor. You should obtain professional advice as to the taxation treatment applicable to you.	Section 10
How and when will I know if my application was successful?	<p>Holding statements confirming issue of New Shares (if any) are anticipated to be dispatched on 11 September 2019.</p> <p>Anyone who trades New Shares before receiving holding statements does so at their own risk.</p>	Section 5
Where can I find more information about the Company?	For more information on the Company please see the Company's website ( <a href="http://www.medigard.com.au">www.medigard.com.au</a> ) or refer to the Company's ASX announcements (available on the ASX's website <a href="http://www.asx.com.au">www.asx.com.au</a> under the code "MGZ").	Sections 6 and 7
What if I have questions about the Offer or how to apply?	<p>You should consult your stockbroker, accountant, solicitor or other professional adviser before making any decision regarding applying for New Shares.</p> <p>If you have any questions regarding how to complete and return the acceptance form, contact details will be included in the form.</p> <p>Questions concerning the Offer can be directed to the Company Secretary, Patricia Boero, on +61 7 5528 5640.</p>	Section 16

## **1. Details of the Offer**

### **1.1 The Offer**

Medigard Limited (**MGZ** or the **Company**) provides the opportunity to invited investors to apply for up to 1,000 fully paid ordinary shares (**New Shares**) at an issue price of 1.4 cents (\$0.014) per share to raise \$14 before costs (the **Offer**).

The Offer is only made to and capable of acceptance by investors determined by the Company who receive an invitation to participate in the Offer with an accompanying Personalised Application Form (**Invitees**).

The Offer closes on 10 September 2019 at 5pm (unless closed early or extended).

### **1.2 No Underwriting**

No, the Offer is not underwritten.

### **1.3 ASX Listing**

The Company will apply to ASX for admission of the Consideration Shares and/or New Shares to official quotation within 7 days of the date of this Prospectus. The fact that ASX may grant official quotation to the Consideration Shares and/or New Shares is not to be taken in any way as an indication of the merits of the Company or those securities.

If ASX does not grant permission for the official quotation of the Consideration Shares and/or New Shares within 3 months after the date of issue of this Prospectus (or such period as is permitted by the Corporations Act), the Company, in its absolute discretion, will either repay the application monies to Invitees who apply for New Shares without interest or (subject to any necessary ASIC or ASX waivers or consents being obtained) issue a supplementary or replacement Prospectus and allow Invitees who apply for New Shares one month to withdraw their application and be repaid their application monies without interest.

### **1.4 Minimum subscription**

There is no minimum subscription for New Shares under the Offer.

### **1.5 Issue of New Shares after Closing Date**

The Board reserves the right to issue New Shares in response to applications received after the Closing Date.

### **1.6 Issue of Consideration Shares**

As announced to ASX on 28 August 2019, the Company has agreed terms for the cancellation of all the Company's convertible notes (**Notes**). The Notes are held by Shanghai Sol-Millennium Medical Products Co., Ltd and Sol-Millennium Medical HK Limited (collectively **Sol-M**). As part of the consideration for the cancellation of the Notes, the Company will issue Sol-M (and/or its nominee(s)) 5,000,000 fully paid ordinary shares (**Consideration Shares**). The Consideration Shares will have a deemed issue price of 1.4 cents (\$0.014) each. .

The Consideration Shares are proposed to be issued during the open period of this Prospectus.

## **2. Purpose and effect of the Offer and the Prospectus**

### **2.1 Purpose of this Prospectus and the Offer**

The purpose of this Prospectus and the Offer made under it is to comply with section 708A(11) of the Corporations Act so that certain fully paid ordinary shares issued prior to the lodgement of, or to be issued during the open



period of, this Prospectus can be offered for sale within 12 months of issue. Specifically, this Prospectus will facilitate the secondary trading of the Consideration Shares.

Subject to certain exceptions, Section 707(3) of the Corporations Act requires a prospectus to be issued for an entity to whom securities were issued without disclosure under Part 6D of the Corporations Act to offer those shares for sale within 12 months of issue. One exception to section 707(3) is where an entity issues a notice in accordance with section 708A(5) of the Corporations Act.

The Company has been suspended from trading on ASX for more than five (5) days in the last 12 month period and is therefore precluded from issuing a notice in accordance with section 708A(5) of the Corporations Act.

Section 708A(11) of the Corporations Act provides a further exemption from the general requirement of section 707(3) of the Corporations Act where:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) a prospectus is lodged with ASIC:
  - (i) on or after the day on which the relevant securities were issued, but before the day on which the sale offer is made; or
  - (ii) before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities are issued; and
- (c) the prospectus referred to in (b) above is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

This Prospectus has therefore been prepared to facilitate the secondary trading of the Consideration Shares which will be issued during the open period of this Prospectus.

## **2.2 Use of the proceeds of the Offer**

If all New Shares under the Offer are issued a maximum of \$14 will be raised. These funds (if any) will be used for general working capital purposes.

The estimated costs of the Offer and the issue of Consideration Shares are set out in detail in section 3.4.

No funds will be raised from the issue of Consideration Shares, which are being issued to Sol-M as part of the consideration for the cancellation of all the Company's convertible notes as set out in section 1.6.

### 3. Effect on the Capital Structure of the Company

#### 3.1 Capital Structure

The tables below set out the existing capital structure of the Company and the effect on the capital structure of the Company caused by the issue of New Shares and Consideration Shares in combination.

##### SHARES

Existing fully paid ordinary shares	135,300,327
New Shares under the Offer	1,000
Consideration Shares	5,000,000
<b>Total shares</b>	<b>140,301,327</b>

##### UNLISTED OPTIONS

Number of options	Expiry Date	Exercise price
40,000,000	31 July 2023	10 cents (\$0.10)
40,000,000	31 July 2023	20 cents (\$0.20)

#### 3.2 Dilution and control

The percentage shareholding in the Company of shareholders will be diluted through the issue of New Shares and Consideration Shares in combination.

The dilutive effect of the issue of New Shares and Consideration Shares in combination outlined below does not consider New Shares and/or Consideration Shares applied for and received by a shareholder (if any).

Examples of the impact of dilution on existing shareholders of the issue of the New Shares and Consideration Shares in combination are set out below:

Shareholder (example)	Example share holding	Existing shares % (135,300,327 shares)	% of total if all New Shares and Consideration Shares are issued (total 140,301,327 shares)
A	1,000,000	0.74%	0.71%
B	2,500,000	1.85%	1.78%
C	5,000,000	3.70%	3.56%
D	10,000,000	7.39%	7.13%
E	20,000,000	14.78%	14.26%

*Note to table: all percentages are rounded up to two decimal places.*

**3.3 Financial effect - Pro-Forma Statement of Financial Position of the Company**

	<b>30 June 2019 (Audited)</b>	<b>Adjustments</b>	<b>Note</b>	<b>Pro forma after the Transaction (Unaudited)</b>
	\$	\$	1	\$
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	31,190	(10,500)	2	20,690
Trade and other receivables	9,204	-		9,204
Other current assets	22,675	-		22,675
<b>Total Current Assets</b>	<b>63,069</b>	<b>(10,500)</b>		<b>52,569</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	471	-		471
Intangible assets	17,097	(16,989)	3	108
Other non-current assets	10,560	-		10,560
<b>Total Non-Current Assets</b>	<b>28,128</b>	<b>(16,989)</b>		<b>11,139</b>
<b>TOTAL ASSETS</b>	<b>91,197</b>	<b>(27,489)</b>		<b>63,708</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Trade and other payables	41,379	-		41,379
Borrowings - unsecured loans	503,994	-		503,994
Convertible notes at fair value through profit or loss	615,000	(615,000)	4	-
<b>Total Current Liabilities</b>	<b>1,160,373</b>	<b>(615,000)</b>		<b>545,373</b>
<b>TOTAL LIABILITIES</b>	<b>1,160,373</b>	<b>(615,000)</b>		<b>545,373</b>
<b>NET ASSETS</b>	<b>(1,069,176)</b>	<b>587,511</b>		<b>(481,665)</b>
<b>EQUITY</b>				
Issued capital	5,807,996	59,500	5	5,867,496
Share-based payments reserve	270,000	-		270,000
Accumulated losses	(7,147,172)	528,011	6	(6,619,161)
<b>TOTAL EQUITY</b>	<b>(1,069,176)</b>	<b>587,511</b>		<b>(481,665)</b>

Notes to the Pro-Forma Statement of Financial Position:

- The pro-forma unaudited consolidated statement of financial position at 30 June 2019 has been adjusted to reflect the following post 30 June 2019 adjustments:
  - The cancellation all the Company's convertible notes and extinguishment of the associated debt of \$615,000;
  - The transfer to Sol-M of the intellectual property ("IP") covered by an existing Licence Agreement (being IP items known as the blood collection device and blood flash needle);
  - The issue of 5,000,000 fully paid ordinary shares in the Company to Sol-M or nominee; and
  - Cancellation of the Licence Agreement and associated purchase option;
  - Anticipated costs of the Offer and the issue of the Consideration Shares ("the Transaction").

The Transaction was included in the Company's Annual report for the year ended 30 June 2019 on page 10, under "Matters subsequent to the end of the Financial Year".

2. The anticipated costs of the Offer and the issue of the Consideration Shares.
3. Book value at 30 June 2019 of the Intellectual Property being transferred to Sol-M.
4. Book value at 30 June 2019 of the convertible notes being extinguished.
5. 5 million shares being issued to Sol-M (\$70,000) less the estimated costs of the issue (\$10,500).
6. Net result of the extinguishment of the \$615,000 convertible note debt less disposal of the Intellectual Property (\$16,989), cancellation of the licence (nil value), and the value of the shares issued to Sol-M as consideration (\$70,000).

### 3.4 Costs of the Offer and issue of the Consideration Shares

The estimated anticipated costs of the Offer and the issue of Consideration Shares in combination are as follows:

Particulars	Amount (\$)
Legal, printing and postage	\$5,500
ASIC and ASX Fees	\$5,000
<b>TOTAL</b>	<b>\$10,500</b>

## 4. Risk Factors

The Company's business activities are subject to a range of risks that may in the future affect the performance of the Company and the value of its securities.

The summary below represents some of the major risk factors to be aware of in evaluating the Company's business and the risks of an investment in the Company before making any decision regarding New Shares or any other securities of the Company. The summary is not exhaustive in this section 4.

The Company will make announcements regarding its activities and proposals in accordance with its obligations as a continuously disclosing entity. Shareholders should therefore also refer to and consider announcements made by the Company to ASX after the date of this Prospectus.

All information contained in this Prospectus should be considered, in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements, and professional advisors consulted before making any decision regarding the New Shares or any other securities of the Company.

### 4.1 Company Specific Risks

#### (A) Suspension of securities

On 8 March 2019, ASX determined that the operations and financial conditions of the Company were not adequate to warrant the continued quotation of its securities. Accordingly, ASX suspended the securities of the Company from quotation on this date. The Company has been actively seeking the reinstatement of its securities to official quotation on the ASX, including by undertaking those activities set out in its announcement released to ASX on 30 April 2019.

Consideration Shares are to be issued as part of the consideration for the cancellation of the Notes held by Sol-M as set out in section 1.6. The Company is of the view that the cancellation of the Notes will assist it in seeking reinstatement of its securities to official quotation on the ASX. Further details of the proposed cancellation of the Notes were announced by the Company to ASX on 28 August 2019.

Notwithstanding the efforts of the Company and its Board, there is a risk that the securities of the Company will not be reinstated to official quotation on the ASX in the short term, if at all. If the securities of the Company remain suspended for an extended period of time, there is also a risk that ASX could delist the Company and remove it from the official list of the ASX.

(B) Financial conditions and access to funding

As announced on 30 April 2019, the Company is seeking to improve its overall financial condition, including by cancelling the Notes held by Sol-M in the Company (further details of which are set out in the announcement on 28 August 2019) and the conversion of existing loans made by the Directors and their associates to the Company (approximately \$521,000 at the date of this prospectus) to fully paid ordinary shares in the Company, subject to viable recapitalisation and shareholder approval.

There is a risk that one or both of these measures will not be successful and that the Company will not be able to improve its financial conditions. In addition, there is a risk that, if the Company requires further funding in future, it will be unable to raise such addition funds through the issue of equity securities (or at all), or that the terms on which the Company is able to raise such funds are prohibitive.

There is also no guarantee that any future fundraising of the Company will be sufficient to fund its activities for an extended period in time, if at all and the Company may therefore be required to scale back its operations. There is also a risk that, if sufficient funding is not received, the Company will not be able to meet its financial obligations as and when they fall due.

(C) Product development and market acceptance

The development of innovative medical products requires extensive trials and is subject to achieving efficacy, safety and a viable delivery method to gain regulatory approvals, manufacturing capability and distribution. There is no guarantee that the Company will be able to develop and or commercialise products to generate revenue either through licencing or sale of the intellectual property or through direct marketing.

Market acceptance of Medigard's product(s) is not guaranteed. Competitive forces, consumer acceptance, legislative requirements will all have an impact upon the market acceptance of the Company's products. While the Company believes that it has the potential to develop and commercialise innovative medical products, there are a number of competitive issues that the Company will face in introducing its product(s) to the market, including price competition and effective manufacturing and distribution.

There can be no assurance that the consumer and end user will accept the product(s), and there can be no assurance that the products will comply with the requirements of agencies such as the Therapeutic Goods Administration and Food & Drug Administration.

(D) Competition

The medical products industry can be highly competitive. There are several key players in the global industry, and these companies are much larger than Medigard and have competed in the medical industry for a long period of time. The industry depends upon the rapid development of new and/or innovative products which can have a very short life cycle. Products can become obsolete very quickly, and hence there is reliance upon further research and development for the Company to maintain its competitive position in the marketplace. More established participants have greater financial resources, larger and more established sales and marketing and distribution organisations and greater market influence.

These competitors may be able to use these resources to improve their products through research and acquisitions or develop new products, which may compete more effectively with Medigard products. The emergence of more innovative products can have the effect of reducing the net worth of products which may be under development or in the marketplace.

There is also a risk that others may, over time, attempt to duplicate Medigard's strategy thereby creating the emergence of competitors.

Because Medigard currently depends on medical technology development, the Company's success is vulnerable to the development of superior competing products and to changes in technology which could eliminate or reduce the need for Medigard's products. If a superior product is created, the demand for Medigard's product could greatly diminish.

(E) Contractual risks

The Company has entered into contractual arrangements with various third parties. There is a risk that the Company or these third parties may fail to meet their respective obligations under these arrangements. This may cause the Company to become exposed to disputes and possible litigation, which may have an adverse impact on the operations, financial performance and financial position of the Company.

(F) Technology and Intellectual Property Rights

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology to avoid Medigard's patented technology. Medigard's success depends, in large part, on its ability to obtain patents, obtain and protect its pending patent applications, maintain trade secret protection and operate without infringing the propriety rights of third parties or have third parties circumvent Medigard's rights.

Because the patent positions of medical product companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in medical product patents nor their enforceability can be predicted. There can be no assurance that any patents which Medigard may own or control will afford Medigard commercially significant protection of its technology or its products or have commercial application.

There is a risk that the protection provided by these patents will not be broad enough to prevent competitors from introducing similar products or that the courts of any jurisdiction, if challenged, will uphold these patents. Patent infringement litigation would be expensive.

(G) Product Risks and Liability

Even if the Company was successful in development of its product and obtains all required regulatory approvals, there is no assurance that adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims in litigation, potentially results in any regulatory approvals (when/if obtained) being removed and damages being awarded against the Company. In such an event, the Company's liability may exceed the Company's insurance cover (if any).

(H) Change in Strategy

The Company's plans and strategies may evolve over time due to review and assessment of, amongst other things, the rate of success in commercialising its products, market trends, changes in policy or regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new technologies or improvements in existing technology. As a result the current strategies, approaches and plans of the Company may not reflect the strategies, approaches and plans at a later date. Any such changes have the potential to expose the Company to additional risks.

(I) Dependence on Key Personnel

Medigard is dependent on the skills of its key management and development personnel and the ability of key strategic alliances to develop and facilitate the development, manufacture and distribution of Medigard's products. The loss of key executives and development personnel could impact on Medigard's ability to maintain the growth of its business activities. To address this risk, Medigard has in place contracts with senior

management and key development personnel. Should it become necessary for the Company to enforce its rights under any or all of these agreements, Medigard would necessarily incur costs to pursue legal action in this regard. There can be no assurance that should it become necessary for the Company to take such action, that it would be possible to fully obtain the legal remedies that are being sought.

(J) Management Actions

The Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and its securities.

(K) Exchange Rate Risk

The revenues, earnings, assets and liabilities of Medigard may be exposed adversely to exchange rate fluctuation. On commencement of production and commercial exploitation of its products, it is likely that all or part of Medigard's income will be in foreign currencies. Changes in exchange rates against the Australian dollar could affect the financial performance and results generally of Medigard Limited.

(L) Share Price Fluctuations

The market price of the Company's Shares will be subject to varied and often unpredictable influences in the share market. Both domestic and world economic conditions may affect the performance of the Company. Factors such as the level of industrial production, inflation and interest rates may impact material prices including production costs.

#### **4.2 General Risks**

(A) Market conditions

Share market conditions may affect the value of the New Shares, Consideration Shares and other securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- i) general economic outlook;
- ii) introduction of tax reform or other new legislation;
- iii) interest rates and inflation rates;
- iv) changes in investor sentiment toward particular market sectors;
- v) the demand for, and supply of, capital; and
- vi) terrorism or other hostilities.

The market price of shares and other securities of the Company can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology related stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company, payment of dividends or any return on an investment in the Company.

(B) Economic and government risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the technology industry including, but not limited to, the following:

- i) general economic conditions in jurisdictions in which the Company operates;
- ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;

- iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the medical technology sector;
- iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

(C) Insurance coverage

The Company faces various risks in conducting its business and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company holds insurance coverage for its employees and third party liability insurance. It may arrange professional indemnity and product liability insurance, however it does not currently propose to arrange business interruption insurance or insurance against claims for certain property damage. The Company will need to review its insurance requirements periodically. If the Company incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected.

(D) Litigation

The Company is exposed to possible litigation risks including, but not limited to, intellectual property and patent claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

(E) Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company, including labour unrest, civil disorder, war, subversive activities or sabotage, malicious cyber hacking, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(F) Unforeseen risk

There may be other risks which the Directors and alternate Director are unaware of at the date of this Prospectus which may impact on the Company, its operation and/or the valuation and performance of the shares and other securities of the Company.

(G) Combination of risks

The Company may not be subject to a single risk. A combination of risks, including any of the risks outlines in this Section could affect the performance valuation, financial performance and prospects of the Company.

(H) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(I) Growth

There is a risk that the Company may be unable to manage its future growth successfully. The ability to hire and retain skilled personnel and third party personnel may also be a significant obstacle to growth.

(J) Investment Highly Speculative

Acquiring or dealing with shares and other securities involves risks. An investment in the Company involves risks that may be higher than the risks associated with an investment in other companies. The above list of risk



factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the shares and other securities of the Company.

No guarantee can be given about the market value or price of the shares or other securities of the Company (which may be less than the issue price) and the shares and other securities of the Company carry no guarantee with respect to the payment of dividends, returns of capital or the market value of the shares and other securities.

#### **4.3 Above risk factors not exhaustive**

The above risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Prospectus.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisors before making any decision regarding applying for New Shares, exercising existing options or investing in the Company.

### **5. Acceptance Instructions**

#### **5.1 Completing an application form**

Any applications for New Shares under the Offer contained within this Prospectus must be made on the Personalised Application Form accompanying this Prospectus in accordance with the instructions set out in the Personalised Application Form. Payment may be made in accordance with the instructions set out in the form.

Prior to lodging a completed Personalised Application Form, ensure you have read this Prospectus and the Personalised Application Form in their entirety and seek professional advice if necessary.

An application for New Shares may not be effective if received after the time specified in the Personalised Application Form on the Closing Date (or by such later time or date the Company may specify), in which case no New Shares would be issued to you in respect of your application, and any payment received will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

The amount payable will be deemed not to have been received until receipt of cleared funds. Payments in cash will not be accepted.

If payment received is insufficient to pay in full for the number of New Shares you have applied for you may be taken to have applied for such whole number of New Shares which is covered in full by your payment, or your application may be rejected (without prejudice to any rights of the Company to recover unpaid sums).

If payment exceeds the number of New Shares applied for, you will be taken to have applied for the number of shares outlined on the completed Personalised Application Form that you lodge. In the case of overpayment, the difference between the amount paid and cost of New Shares issued will be refunded to you without interest after the date of allotment in accordance with the Corporations Act.

You should be aware that your financial institution may implement earlier cut off times with regards to electronic payments, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid by electronic transfers. It is your responsibility to check that the amount you wish to pay does not exceed your limit. The Company and the Share Registrar accept no responsibility for unsuccessful, delayed, or incomplete transfers or payments.

To apply for New Shares, you should:

- read this Prospectus and the Personalised Application Form in their entirety and seek appropriate professional advice if necessary; and
- complete the Personalised Application Form which accompanies this Prospectus (instructions for completing and returning the Personalised Application Form are set out on the form); and
- return the completed Personalised Application Form and pay the applicable amount (being the offer price of 1.4 cents (\$0.014) per New Share multiplied by the number of New Shares for which you are applying) to the Company in accordance with the instructions in the Personalised Application Form so that it is received by no later than the time specified in the Personalised Application Form on the Closing Date, or such later date as the Company may specify. The Company accepts no responsibility for delayed or misdelivered application forms.

## **5.2 Further Information**

**If you have any questions about the Offer please contact the Company Secretary, Patricia Boero, on +61 7 5528 5640. Alternatively, contact your stockbroker or other professional adviser.**

The issue of any New Shares is expected to occur after the Offer has closed on or before the dates set out in the timetable on page 4 of this Prospectus (which date may change without notice). Thereafter statements of holdings relating to any issued New Shares will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in New Shares. Recipients trading New Shares before they receive their statements do so at their own risk.

The Company may reject an application where payment of the application amount is not received or a cheque is not honoured, or without prejudice to its rights, issue New Shares in response to the application and recover outstanding application amount from the recipient. If your Personalised Application Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' decision whether to treat a form as valid and how to construe, amend or complete the form is final. The Company accepts no responsibility for failure by your stockbroker or other third parties to carry out your instructions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia should consult their professional advisers as to whether governmental or other consent are required or whether formalities need to be observed for them to acquire new Shares. Return of a Personalised Application Form will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, recipients of this Prospectus should have regard to their own objectives, financial situation and needs.

Recipients of this Prospectus should make their own independent investigations and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Offer, or to acquire New Shares or other securities of the Company.

## **6. Continuous Disclosure Obligations**

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities under that prospectus are continuously quoted securities, or option over continuously quoted securities, within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities, or options over a class of securities, that were quoted enhanced disclosure securities at all times during the 3

months before the date of this Prospectus and other requirements relating to the Company not being subject to various exemptions and orders under the Corporations Act within the last 12 months are met.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

For the purpose of satisfying section 713(5) of the Corporations Act a prospectus must incorporate information that:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
  - the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
  - the rights and liabilities attaching to the securities being offered.

The prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus.

The Company operates an ongoing business and reports regularly on its activities. The Company from time to time may identify potential opportunities and/or seek to engage in discussions in respect of potential opportunities. While the Company may seek to develop opportunities and/or negotiate with third parties in respect of opportunities there is no certainty that any developments will occur and/or that negotiations or arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of opportunities (if any) in accordance with its continuous disclosure obligations as developments or other matters, if any, occur (however no guarantee can be given that such developments or other matters will occur).

As a disclosing entity under the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASX and ASIC in relation to the Company may be obtained from or inspected by accessing the respective web sites.

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the acceptance period of this Prospectus:

- (a) The annual financial report of the Company for the financial year ended 30 June 2019 (released to ASX on 29 August 2019), being the most recent annual financial report of the Company before the lodgement of this Prospectus with ASIC; and
- (b) Any continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report referred to in (a) above before lodgement of this Prospectus. No continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus.

Such documents are also available online from the ASX website at [www.asx.com.au](http://www.asx.com.au).

## 7. ASX Announcements

No continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus.

The Company may make announcements to ASX from time to time. Announcements are released by ASX on its website, [www.asx.com.au](http://www.asx.com.au) under the Company's ASX code "MGZ" and copies of announcements can be obtained from the Company upon request and are available on the Company's website [www.medigard.com.au](http://www.medigard.com.au). Prospective investors are advised to refer to ASX's website for updated releases about events or matters affecting the Company.

In making statements in this Prospectus it is noted that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

## 8. Terms of securities offered

New Shares and Consideration Shares will be fully paid ordinary shares in the capital of the Company, which will rank equally with, and will have the same voting and other rights as existing issued shares of the Company. The rights attaching to the Company's shares are set out in the Company's constitution, the Listing Rules of ASX and the Corporations Act. The Company's constitution has been lodged with ASIC. The constitution contains provisions of the kind common for public companies in Australia and are taken to be included in this Prospectus by operation of Section 712 of the Corporations Act. Any person may request a copy of the constitution during the application period of the Prospectus, which the Company will provide free of charge.

The Offer under this Prospectus and any application concerning the issue of New Shares under this Prospectus, shall be governed and construed in accordance with the laws in the State of Queensland, Australia.

## 9. Directors' and alternate Director's interests

### 9.1 Securities

The Directors' and alternate Director's direct and indirect interests in securities of the Company as at the date of this Prospectus and upon issue of all New Shares and Consideration Shares are set out below. The Directors and alternate Director are not proposed to be issued any New Shares and/or Consideration Shares.

#### SHARES & OPTIONS

Director/Shareholder (and/or associate(s))	Current %		% if all New Shares and Consideration Shares are issued		Existing Options
	Number	%	Number	%	
Chris Bishop	5,497,619	4.06%	5,497,619	3.92%	-
Ian Dixon	1,428,571	1.06%	1,428,571	1.02%	80,000,000
Craig Cameron	1,000,000	0.74%	1,000,000	0.71%	-
Donald Channer	35,112,267	25.95%	35,112,267	25.03%	-
Patricia Boero *	5,704,400	4.22%	5,704,400	4.07%	-
<b>TOTAL:</b>	<b>48,742,857</b>	<b>36.03%</b>	<b>48,742,857</b>	<b>34.75%</b>	<b>80,000,000</b>

*\*Patricia Boero is an alternate Director to Donald Channer*

*Note to table: all percentages are rounded to two decimal places.*

The above does not include shares proposed to be issued to Directors or their associates (or their respective nominees) to cancel loans. Such issues are subject to shareholder approval, and information about the proposed loan conversions would be included in a detailed notice of general meeting sent to all shareholders and released to ASX.

## 9.2 Remuneration & Payments to Directors and alternate Director

### Fees and other remuneration

Directors are entitled to receive directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company.

Patricia Boero, who is an alternate Director to Donald Channer, does not receive fees in connection with her position as an alternate Director.

Details of the remuneration paid or agreed to be paid to Directors and the alternate Director, including consultancy fees and share-based payments to Directors or their associates in the two years prior to the lodgement of this Prospectus (excluding GST if applicable) are as follows:

Director	2017 –2018	2018 –2019
Chris Bishop	\$36,450	-
Ian Dixon <sup>1</sup>	\$156,000	\$366,000
Craig Cameron	\$24,300	-
Donald Channer	-	-
Patricia Boero <sup>2</sup>	\$85,050	-

<sup>1</sup> The table above includes \$56,000 consultancy fees (excluding GST) payable to a related party of Ian Dixon. The amount has not been paid and will, subject to shareholder approval, be included in the loans proposed to be converted to shares (see further below).

<sup>2</sup> Patricia Boero is an alternate Director to Donald Channer and does not receive fees in connection with that position. The fees set out in the above table for Ms Boero are in connection with her role as company secretary.

#### Notes:

- In the past 2 years, Channer Hook Unit Trust, an entity of which Donald Channer is a trustee, has received \$11,187 (plus GST) in connection with premises leased by Channer Hook Unit Trust to the Company. In addition, as at the date of this Prospectus, \$3,600 (plus GST) and remains unpaid and due to Channer Hook Unit Trust in connection with the premises leased to the Company.
- In the past 2 years, Altnia Operations Pty Ltd (**Altnia**), an entity associated with Ian Dixon, has provided consulting services to the Company for aggregate fees of \$56,000 (plus GST). As at the date of this Prospectus, no amount has been paid to Altnia for provision of these consulting services. Altnia has agreed to treat the amount as a loan to the Company and agreed, subject to shareholder approval, to the amount payable to it being included in the loans proposed to be converted to shares as referred to below.
- As set out in the recent announcements of the Company to ASX (including its half year report released to ASX on 27 February 2019, announcements on 30 April 2019 and 28 August 2019 and the Annual Report released on 29 August 2019), the Directors and their associates have provided unsecured loans as a means of meeting the funding requirements of the Company. These loans accrue interest at 7.5% per annum until 30 April 2019 when interest ceased. The loans have no fixed date of repayment. As at the date of this Prospectus, loans from Directors and their associates total an aggregate of \$521,069. The Directors and their associates have agreed, subject to shareholder approval, to receive shares in the Company in settlement of the loans.

## Other

Except as disclosed in this Prospectus:

- (a) no person has paid or agreed to pay any amount to any Director or alternate Director, or has given or agreed to give any benefit to any Director or alternate Director, to induce the Director or alternate Director to become, or to qualify as, a Director or alternate Director of the Company or otherwise for services rendered by the Director in connection with the formation or promotion of the Company or the Offer.
- (b) no Director or alternate Director has, or has had within two years of lodgement of this Prospectus, any interest in:
  - the formation or promotion of the Company; or
  - any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
  - the Offer.

## **10. Taxation**

Recipients of the Offer should seek and obtain their own taxation advice before applying for New Shares so that they may first satisfy themselves of any taxation implications associated with acquiring New Shares.

## **11. Overseas Investors**

This Prospectus does not constitute an offer of securities in any place where, or to any person whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the securities or the Offer or otherwise to permit a public offering of the securities in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. Persons outside Australia who come into possession of this Prospectus should consult their professional advisers as to whether governmental or other consent is required or whether formalities need to be observed for them to acquire, hold or dispose of New Shares or other securities of the Company or whether restrictions may apply, and obtain such consents, and observe any such formalities or restrictions. Any failure to obtain such consents or to comply with such formalities or restrictions may constitute a violation of applicable securities laws. Return of a personalised application form will be taken by the Company to constitute a representation that there has been no breach of such requirements.

The Offer has not been, and will not be, registered under the US Securities Act and have not been made in the United States of America. The securities have not been, and will not be, registered under the United States Securities Act of 1933 and are not to be offered or sold within the USA.

## **12. Privacy**

Personal information is collected on application forms by the Company and the Share Registry for processing applications, maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Acceptances might not be processed efficiently, or at all, if the information requested is not provided. Personal information about recipients may be disclosed to external service providers such as print or mail service providers as required or permitted by law. A recipient who would like details of their personal information held by the Company or its Share Registry, or who would like to correct information that is incorrect or out of date, should contact the Company by email, by telephone or at the address shown in the Corporate Directory. In accordance with the Corporations Act, recipients may be sent material (including marketing material) in addition to general corporate communications. Recipients may elect not to receive marketing material by contacting the Share Registry's Privacy Officer. Recipients can also request access to, or corrections of, personal information held by the Company by writing to the Company.

### **13. Electronic Prospectus**

This Prospectus is available in electronic format via the ASX website, [www.asx.com.au](http://www.asx.com.au) and via the Company's website at [www.medigard.com.au](http://www.medigard.com.au).

Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by contacting Patricia Boero, on +61 7 5528 5640.

Applications for New Shares under the Offer may only be made on a personalised application form which accompanied or was attached to a copy of this Prospectus in its paper copy form or a print-out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing on to another person a personalised application form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the complete and unaltered electronic version of this Prospectus.

### **14. Investment Decisions**

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the Offer pursuant to this Prospectus having regard to their own objectives, financial situation, tax position and needs.

### **15. Future Performance**

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment through applying for and receiving New Shares under the offer made by this Prospectus should be considered speculative.

### **16. Enquiries**

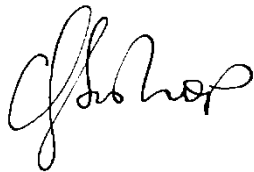
If you have any questions regarding the content of this Prospectus or how to complete the personalised application form, you should contact your stockbroker, accountant or independent professional financial adviser prior to accepting the Offer.

Any questions concerning the Offer should be directed to Patricia Boero, on +61 7 5528 5640.

No person is authorised to give information or make any representation in connection with this Prospectus which is not contained in this Prospectus. Any such information not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

### **AUTHORISATION**

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.



Chris Bishop  
Chairman