



29 October 2019

Corey Lian

Adviser, listings Compliance (Sydney)

Australian Securities Exchange

By email - ListingsComplianceSydney@asx.com.au

Dear Sir

Response to Appendix 4C Query

In response to your letter of 24 October 2019 regarding the Company's Appendix 4C quarterly report to 30 September 2019 we provide the following information with our reply immediately below each of your numbered questions and the paragraph following the numbered questions.

1. Does MGZ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

Negative operating cashflows are expected to continue and as is usual for a company in the bio-medical development field are intended to be funded by raising capital, loans or other sources of funding. Please refer to the response below to the paragraph which followed the numbered questions in your letter for further information about the Company's intentions and expectations regarding seeking further funding including being of the view that it will be better positioned to identify and pursue funding opportunities after the 2019 Annual General Meeting ("the AGM") which is to be held on 13 November 2019.

2. Has MGZ taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes, the Company would intend to raise further funds via the issue of shares or loans. Those steps are not yet able to be confirmed. The Company maintains close contact with our Intellectual Property Licensor regarding developments and timing of payments to be made under the licence which were included in the September Quarter Appendix 4C section 9; projected outflows. For the reasons noted in the response below to the paragraph which followed the numbered questions in your letter, the Company is of the view that it will be better positioned to identify and pursue funding opportunities after the AGM.

3. Does MGZ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, the Company expects to be able to pursue its owned and licensed intellectual property projects toward commercialization based on past experience, managing its cash flows and the potential to be better positioned to identify and pursue funding opportunities after the AGM as noted in the response below to the paragraph which followed the numbered questions in your letter.

4. Please confirm that MGZ is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.

Yes, the Company is fully compliant with its disclosure obligations under Listing Rule 3.1

5. Please confirm that MGZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MGZ with delegated authority from the board to respond to ASX on disclosure matters.

Yes, the responses have been duly authorised and approved.

For personal use only

Please also provide any other information that MGZ considers may be relevant to ASX forming an opinion on whether MGZ is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

The Company is acutely aware of its obligations under the Listing Rules and the Corporations Act. Before and after suspension of trading in the Company's securities, the Company has been working to achieve major steps toward positioning itself to improve its prospectus for identifying and pursuing funding opportunities. This has principally involved eliminating legacy debt.

On 28 August 2019 the Company announced it had eliminated A\$615,000 of convertible note debt. At the same time the Company announced that directors had agreed to convert loans made to the Company to shares subject to shareholder approval.

The convertible note debt elimination has been completed (refer to the Appendix 3B released on 10 September 2019).

Shareholder approval for the conversion of \$450,347.94 of directors' loans is being sought at the AGM. The difference between the figure in the 28 August 2019 announcement and the total for which shareholder approval for conversion to shares is being sought comprises conversion of subsequent advances of \$50,000 and a reduction of \$95,700 for interest which has been agreed by the applicable directors to be written off assuming the conversion of the remainder of the debts to shares is approved by shareholders.

Subject to shareholders approving the conversion of debt to shares at the AGM, the elimination of legacy debt is expected to be complete following the AGM on 13 November 2019. The net effect would be anticipated to be an improvement in the balance sheet position of the Company of approximately \$1,000,000 in net assets (unaudited). This is anticipated to put the Company in a better position to pursue recapitalisation opportunities, with funds raised in future being able to be largely directed at the Company's development projects and minimal administration costs without the potential concern by investors that new funds would be directed to paying or servicing old debt. While there is no certainty that any potential funding opportunities will necessarily be able to be identified or secured at any particular time or at all, based on past experience including management of its cash flows, the Company anticipates it will be better positioned to identify and pursue funding opportunities after the AGM and in the 2020 calendar year to advance its business objectives and to seek to put itself in a financial and operational condition suitable for ending the present suspension.

The Company will announce the result of the AGM on the day of the meeting as required by the listing rules, and will continue to make further announcements as developments occur.

I trust the above addresses your query. Please contact me if you have any questions or require any further information.

Yours faithfully



PATRICIA BOERO

(Company Secretary)

For personal use only



24 October 2019

Reference: 09505

Ms Patricia Boero
Company Secretary
Medigard Limited
Suite 14, 30 Tedder Avenue
Main Beach QLD 4217

By email: tboero@medigard.com.au

Dear Ms Boero

Medigard Limited ('MGZ'): Appendix 4C Query

ASX refers to MGZ's Appendix 4C quarterly report for the period ended 30 September 2019 lodged with the ASX Market Announcements Platform and released on 23 October 2019 (the 'Appendix 4C').

ASX notes that MGZ has reported:

- negative net operating cash flows for the quarter of \$72,000;
- cash at the end of the quarter of \$23,000; and
- estimated cash outflows for the next quarter of \$242,000.

It is possible to conclude, based on the information in the Appendix 4C, that if MGZ were to continue to expend cash at the rate indicated by the Appendix 4C, MGZ may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks MGZ to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does MGZ expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has MGZ taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does MGZ expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that MGZ is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that MGZ's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MGZ with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that MGZ considers may be relevant to ASX forming an opinion on whether MGZ is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **5:00 PM AEDT Tuesday, 29 October 2019**.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MGZ's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to MGZ's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that MGZ's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

Corey Lian
Adviser, Listings Compliance (Sydney)