



28 July, 2010

Manager of Company Announcements
Australian Stock Exchange Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

By e-lodgement

No of pages: 10 inclusive

LETTER TO SHAREHOLDERS

Please find attached a letter to shareholders to be sent later today.

Peter Emery
Chief Executive Officer

For further information contact:
Peter Emery, Telephone (07) 5528 0370

MEDIGARD LIMITED
Office 14A, Tedder Terraces, 26-30 Tedder Avenue, Main Beach QLD 4217
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E-mail office@medigard.com.au www.medigard.com.au
ABN 49 090 003 044

28 July 2010

Dear Shareholder,

Medigard is entering an exciting new phase in its life as we transition from a pure research and development company to a market-driven operating company.

We plan for our innovative products, designed to address critical safety needs of healthcare workers and their patients, to be distributed throughout the US and Canada.

In May, Medigard signed five-year production and manufacturing agreements for its blood collection device with a US manufacturer (who remains confidential under the agreement) and distributor, Outcome Solutions (a related entity of device company Ventlab Corporation), for an exclusive license to manufacture and distribute in the US and Canada.

While initially for Medigard's blood collection device, the agreements can extend to Medigard's other devices including our retractable safety syringes and intravenous valves.

Medigard will earn up to US15 cents from each unit sold of its blood collection device. Across the full range of products Medigard could earn up to US\$40 million per year in the years ahead. Initial revenues from the agreements are expected within 18 months.

These agreements are the culmination of six years of hard work since Medigard was floated on the ASX. The Board and myself are confident that we can achieve strong market share in the competitive US market for several reasons:

- Medigard has superior products to those currently on offer in the US at a more competitive price.
- US healthcare legislation mandates the use of safety devices like Medigard's and recent health care legislation in the US will see an additional 32 million Americans able to access the health care system for the first time.
- Our US manufacturing and distribution partners have the capacity and experience with large scale production and distribution of medical devices in the US and Canadian markets.
- Product testing has found that frontline healthcare workers in the US unequivocally prefer Medigard's BCD and syringe to other products on the market.

To pay for production and assembly of its suite of devices and to facilitate further R&D and prototyping, Medigard needs to raise further capital.

Accordingly, Medigard is making a renounceable rights issue of 74,046,091 New Shares at six and a half (6.5) cents per share to raise up to \$4,800,000. For every Share held, Shareholders will be offered one New Share together with one Attaching Option.



Shareholders can also choose to subscribe for additional shares under this offer that may be allocated in the event of a shortfall in subscriptions under the issue. The Attaching Options are exercisable at 9.5 cents on or before 30 June 2011.

The Rights Issue is made to all Medigard shareholders registered as a Shareholder on the Record Date which will be Friday 6 August, 2010.

Attached for your information is a copy of the Appendix 3B New Issue Announcement which sets out the terms of the issue.

Also below is an indicative timetable for the issue. You will notice in particular that rights trading commences on 30 July, 2010 and ceases on 18 August, 2010.

The rights are renounceable which means that you can transfer or trade them on the ASX. On or after 10 August you should receive your copy of the Prospectus with the offer opening on that day. The offer closes at 5pm Brisbane time on 25 August 2010.

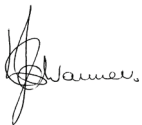
The Prospectus has been lodged with the ASX and is available on the ASX website. It is also available on the Medigard website, www.medigard.com.au/investor-centre.

Please read your copy of the Prospectus carefully when you receive it. Should you have any questions about the Prospectus, please contact our CEO, Mr Peter Emery or our Executive Director, Dr Peter Clark on (07) 5528 0370.

The Board's decision to undertake a rights issue is deliberate. It is only proper that Medigard's many long-term, loyal shareholders be given the opportunity to share in the benefits that will flow from Medigard's transition to commercialisation.

The Directors believe the issue to be attractively priced and look forward to your continued support.

On behalf of the Directors, I commend this investment to you.



Don Channer

PROPOSED RENOUNCEABLE RIGHTS ISSUE INDICATIVE TIMETABLE

Shares commence trading on an ex rights basis	30 July 2010
Rights trading commences	30 July 2010
Record Date for the Offer	6 August 2010
Prospectus and Entitlement and Acceptance Form despatched to Shareholders	10 August 2010
Opening Date of Offer	10 August 2010
Rights trading ends	18 August 2010
Share quoted on a deferred settlement basis	19 August 2010
Closing Date of Offer	5pm Brisbane time 25 August 2010
Expected date of despatch of New Shares and Attaching Options holding statements	2 September 2010
Commencement of trading of New Shares and Attaching Options on ASX on a normal basis	3 September 2010

ALL DATES ARE SUBJECT TO CHANGE AND ACCORDINGLY ARE INDICATIVE ONLY. IN PARTICULAR, THE COMPANY HAS THE RIGHT TO VARY THE DATES OF THE OFFER, WITHOUT PRIOR NOTICE. INVESTORS ARE ENCOURAGED TO SUBMIT THEIR ENTITLEMENT AND ACCEPTANCE FORMS AS SOON AS POSSIBLE.

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

MEDIGARD LIMITED

ABN

49 090 003 044

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|---|
| 1 | +Class of +securities issued or to be issued | (a) Ordinary shares
(b) Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | (a) 74,046,091 ordinary shares
(b) 74,046,091 options |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Renounceable rights issue on a 1 for 1 basis:
(a) Fully paid ordinary shares
(b) Options exercisable at 9.5 cents on or before 30 June 2011

Opening date of Offer: 10 August 2010
Closing date of Offer: 25 August 2010 |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>						
<p>5 Issue price or consideration</p>	<p>(a) Issue price of 6.5 cents per share (b) Options issued for nil consideration</p>						
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Funds raised will be used for:</p> <ul style="list-style-type: none"> • BCD tooling for production and assembly • Syringe AR 3ml tooling for production and assembly • Prototyping and R&D for automatic retractable syringes, flashback needle and intravenous valve, product testing and simulated clinical trials • Regulatory compliance • Marketing expenses • Working capital • Capital raising expenses 						
<p>7 Dates of entering ⁺securities into uncertificated holdings or despatch of certificates</p>	<p>Expected to be 2 September 2010</p>						
<p>8 Number and ⁺class of all ⁺securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Number</th> <th style="text-align: left;">⁺Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">148,092,182</td> <td style="text-align: left;">Ordinary shares</td> </tr> <tr> <td style="text-align: left;">74,046,091</td> <td style="text-align: left;">9.5 cents Options expiring 30 June 2011</td> </tr> </tbody> </table>	Number	⁺ Class	148,092,182	Ordinary shares	74,046,091	9.5 cents Options expiring 30 June 2011
Number	⁺ Class						
148,092,182	Ordinary shares						
74,046,091	9.5 cents Options expiring 30 June 2011						

⁺ See chapter 19 for defined terms.

9	Number and ⁺ class of all ⁺ securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	Number	⁺ Class
		2,750,000	Options expiring 17/08/12 exercise at \$0.20
		1,500,000	Options expiring 17/08/12 exercise at \$0.20
		2,500,00	Options expiring 17/08/12 exercise at \$0.20
		850,000	Options expiring 17/01/11 exercise at \$0.20
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Unchanged	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	Renounceable
13	Ratio in which the ⁺ securities will be offered	1 for 1 basis, plus 1 attaching option for each new share
14	⁺ Class of ⁺ securities to which the offer relates	Ordinary shares
15	⁺ Record date to determine entitlements	6 August 2010
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	Rounded up
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	Offer is not being extended to any shareholders whose registered address is outside of Australia and New Zealand

⁺ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

19	Closing date for receipt of acceptances or renunciations	25 August 2010
20	Names of any underwriters	Offer is not underwritten
21	Amount of any underwriting fee or commission	Nil
22	Names of any brokers to the issue	None
23	Fee or commission payable to the broker to the issue	Nil
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	Nil
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	10 August 2010
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	22 July 2010
28	Date rights trading will begin (if applicable)	30 July 2010
29	Date rights trading will end (if applicable)	18 August 2010
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	By completing the relevant section in the entitlement and acceptance form to be sent to each shareholder. See lodging instructions on page 2 of the entitlement and acceptance form.
31	How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	By completing the relevant section in the entitlement and acceptance form to be sent to each shareholder. See lodging instructions on page 2 of the entitlement and acceptance form.
32	How do ⁺ security holders dispose of	By completing the relevant section in the

+ See chapter 19 for defined terms.

their entitlements (except by sale through a broker)?

entitlement and acceptance form to be sent to each shareholder. See lodging instructions on page 2 of the entitlement and acceptance form.

33 +Despatch date

2 September 2010

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders **TO BE PROVIDED FOLLOWING DESPATCH**

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories

1 - 1,000

1,001 - 5,000

5,001 - 10,000

10,001 - 100,000

100,001 and over

TO BE PROVIDED FOLLOWING DESPATCH

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

40 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

42 Number and ⁺class of all ⁺securities quoted on ASX (*including* the securities in clause 38)

Number	⁺ Class

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX’s absolute discretion. ASX may quote the ⁺securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those ⁺securities should not be granted ⁺quotation.
 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that

⁺ See chapter 19 for defined terms.

no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
Company Secretary

Date: 27 July, 2010

Print name: Peter M. Emery