



7 July, 2009

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

By e-lodgement

No of pages: 3 inclusive

LETTER TO SHAREHOLDERS

Please find attached a letter to shareholders to be sent tomorrow, 8 July, 2009.

Peter Emery
Chief Executive Officer

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



Market Update

7 July, 2009

Dear Shareholder,

US Hospital Evaluations

Product evaluations in the USA have been highly successful. Shareholders' attention is drawn to the company's announcement of 10 March, 2009, in which we advised that we had signed an agreement with Smith Associates to undertake product test marketing of our blood collection device (BCD) in a number of US hospitals and pathology laboratories.

To date, five hospitals have participated in the BCD product evaluation. As part of the evaluations, participants tested Medigard's blood collection device, completed a survey form about the operation of our device and compared our device with competitor products.

The institutions selected reflect a variety of medical institutions all of whom are extensive users of blood collection devices. They included one of the largest hospitals in the Washington/Baltimore area, a county hospital, a community hospital, an urgent care facility and an occupational services facility which handles the medical needs of employees and dependants of the Health Care System. There are over 8000 urgent care centres in the United States with the majority owned by physicians.

Our device proved itself to work efficiently and effectively in regular normal hospital conditions. Over 90% of respondents answered that the Medigard BCD provided a better alternative to traditional recapping, that the safety feature operated reliably, that minimal training was required to operate our device, and that the retraction mechanism was easy to activate. Approximately three quarters of all respondents would recommend the purchase of the Medigard BCD in preference to their current blood collection device, a majority even if the Medigard device was more expensive.

Our US agents are now extending this product evaluation to other hospitals and pathology laboratories to provide further information to potential distributors.

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United States Patent

With the granting of a United States patent for our BCD on 9 June 2009, there has been increased interest from US based manufacturers and distributors. The granting of a US patent means that Medigard has exclusive right to market this product in the United States until 23 January 2024.

Issue of Options

All Medigard shareholders were issued with loyalty options in April 2009 on the basis of one option for every three ordinary shares held. These options have an expiry date of 31 March 2010, with an exercise price of 12 cents. The options are listed on the ASX under the code of MGZO, and can be traded on the ASX should shareholders wish to buy or sell these options.

Syringe

Medigard has completed the prototyping of its 3mL retractable syringe and is now moving forward with standards testing and clinical trials. Medigard expects to submit an FDA 510(k) application for the retractable syringe later in the year.

Future Developments

Concurrent with pursuing the remainder of the product evaluations, Medigard is in active discussions with both manufacturers and distributors for both the BCD and the range of our syringes. There has been strong interest from those with whom we have been speaking and we are working towards preliminary heads of agreement over the next couple of months.

We look forward to your continued support and will keep you updated as developments occur.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Peter M. Emery".

Peter M. Emery
Chief Executive Officer

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