



PROSPECTUS  
MEDI GARD LIMITED ACN 090 003 044 (COMPANY)

A renounceable rights issue to existing shareholders of 74,046,091 New Shares at an issue price of 6.5 cents per New Share to raise approximately \$4.8 million on the basis of one New Share for every Share held together with one (1) Attaching Option for each New Share applied for exercisable at 9.5 cents on or before 30 June 2011.

CLOSING DATE: 5.00pm Brisbane time on 25 August 2010

# CORPORATE DIRECTORY

## DIRECTORS AND EXECUTIVE

Mr. Donald Julian Channer (Non-Executive Chairman)  
Dr. Peter William Clark (Executive Director)  
Dr. Christopher Bishop (Non-Executive Director)  
Mr. Peter Mark Emery (Chief Executive Officer)  
Mrs. Patricia Mary Boero (Chief Financial Officer and Alternate for Donald Channer)

## SOLICITORS TO THE OFFER

HopgoodGanim Lawyers  
Level 8 Waterfront Place  
1 Eagle Street  
Brisbane Qld 4000

## SHARE REGISTER

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Sydney NSW 2000

Registries Limited  
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Sydney NSW 2001

Ph (02) 9290 9600  
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## ADMINISTRATION AND REGISTERED OFFICE

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A NUMBER OF TERMS AND ABBREVIATIONS USED IN THIS PROSPECTUS HAVE DEFINED MEANINGS, WHICH ARE EXPLAINED IN THE GLOSSARY. MONEY AS EXPRESSED IN THIS PROSPECTUS IS IN AUSTRALIAN DOLLARS OR ELSE AS INDICATED.

## KEY DATES FOR INVESTORS

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	2 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.

## OFFER STATISTICS

Maximum number of New Shares to be Issued:	74,046,091
Issue Price:	6.5 cents
Maximum number of Attaching Options to be issued:	74,046,091
Exercise Price:	9.5 cents

## HOW TO ACCEPT ENTITLEMENT TO NEW SHARES

Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which is attached to this Prospectus in accordance with the instructions set out below and on the Entitlement and Acceptance Form. This Prospectus is available in electronic form on the Internet at [www.medigard.com.au](http://www.medigard.com.au). If you wish to obtain a free copy of this Prospectus, please contact the Company on +61 7 5528 0370.

### IMPORTANT NOTICE

This Prospectus is dated 27 July 2010 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. Neither the ASIC nor the Australian Securities Exchange (ASX) take any responsibility for the contents of this Prospectus. No securities will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

No offer is made by this Prospectus in any jurisdiction outside of Australia and New Zealand. The distribution of this Prospectus within jurisdictions outside Australia and New Zealand may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions.

In making this offer to Shareholders in New Zealand, the Company is relying on the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ), by virtue of which this Prospectus is not required to be registered in New Zealand.

No person named in this Prospectus, nor any other person, guarantees the performance of Medigard, the repayment of capital or the payment of a return on the New Shares.

Please read this document carefully before you make a decision to invest. An investment in the Company has specific risks which you should consider before making a decision to invest.

## CHAIRMAN'S LETTER

Dear Shareholder,

On behalf of the Directors I am pleased to invite you to take up your entitlement to New Shares and Attaching Options in Medigard (the Issue).

Medigard is making a renounceable rights issue of 74,046,091 New Shares at six and a half (6.5) cents per share. For every Share held, Shareholders will be offered one (1) New Share together with one (1) Attaching Option for every Share held at the Record Date to raise up to approximately \$4,800,000. The full terms of the Attaching Options issued under this Prospectus are contained in Section 8.3 of this Prospectus. The Rights Issue is made to all Medigard shareholders registered as a Shareholder on the Record Date.

Medigard is now transitioning from a pure research and development company to a market-driven operating company offering innovative product solutions that address the critical safety needs of healthcare workers and their patients.

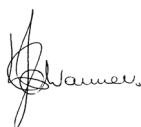
Medigard has signed significant manufacturing license and distribution agreements with two important healthcare and medical device manufacturing and distribution companies in the USA. These companies specialise in innovative medical devices including sharps safety solutions by continuing to deliver a broad range of clinically focused, innovative products. These companies have the capacity to produce and distribute large scale volumes of product to the USA and Canadian markets.

These strategic partners are looking to enhance their product range of venipuncture devices by including Medigard's third generation "passive" blood collection tube holder and syringes. This represents a major step forward for Medigard, and enables the Company to penetrate the extensive medical device markets with the aid of significant strategic partners.

The money raised through this Issue will enable the Company to fund the manufacture and distribution of the Medigard Blood Collection Device, for further product development of Medigard's suite of products and for working capital.

Please read the Prospectus carefully before deciding whether or not to invest. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional advisor.

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



Donald Julian Channer  
CHAIRMAN

# 1. INVESTMENT SUMMARY

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Prospectus.

## 1.1 The offer

This Prospectus is for the renounceable rights issue of 74,046,091 New Shares at an issue price of 6.5 cents on the basis of one (1) New Share for every Share held by Shareholders as at the Record Date, together with one (1) Attaching Option exercisable at 9.5 cents each on or before 30 June 2011.

The Company intends to apply for listing of the New Shares and Attaching Options on the ASX as soon as practicable following their allotment.

## 1.2 Minimum subscription

There is no minimum subscription to the Issue.

## 1.3 New Share terms

Each New Share will rank equally with all existing Shares then on issue.

## 1.4 Attaching Option Terms

Each Attaching Option shall be exercisable at 9.5 cents each on or before 30 June 2011. On exercise, each resulting Share shall rank equally with all existing Shares then on issue. For full terms of the Attaching Options, please refer to Section 8.3 of this Prospectus.

## 1.5 Acceptance of entitlement to New Shares and Attaching Options

Number of New Shares and Attaching Options to which each Shareholder is entitled is shown on the Entitlement and Acceptance Form accompanying this Prospectus. This Prospectus is for the information of Shareholders who are entitled and may wish to apply for the New Shares and the Attaching Options.

As the Issue is renounceable, you may also transfer all or part of your Entitlement. Refer to Section 2 for further details.

## 1.6 Additional shares

Each Shareholder on the Record Date may apply for additional New Shares (Additional Shares), in addition to their Entitlement, at an issue price of 6.5 cents per New Share. In the event that there is a Shortfall in subscriptions under the Issue, the Directors reserve the right to allocate any Shortfall of New Shares to subscribers for Additional Shares at their absolute discretion. The Company may reject any application for Additional Shares or allocate fewer New Shares than applied for by subscribers for Additional Shares. The Additional Shares will also have Attaching Options.

The ability for the Company to issue Additional Shares is dependant upon the extent of any Shortfall to the Issue. Applications for Additional Shares must be made in the Additional Shares section on the Entitlement and Acceptance Form accompanying this Prospectus. In the event that there is a Shortfall in subscriptions (including any shortfall existing after taking into account applications for Additional Shares) under the Issue, the Directors reserve the right, as contemplated within the Listing Rules, to allocate any shortfall of New Shares (and corresponding Attaching Options) in their discretion for a period of 3 months, so as to ensure a maximum amount of funds are raised.

As the issue is renounceable you may also transfer all or part of your Entitlement. Refer to Section 2 for further details.

# 1. INVESTMENT SUMMARY CONT.

## 1.7 Purpose of the issue

The Directors intend to apply the proceeds from the Issue to produce the initial tooling and assembly equipment for the manufacture of Medigard's Blood Collection Device and 3mL Safety Syringe, to further develop its range of syringes, to prototype and develop its flash back needle, and to complete the design and development of its intravenous valve which is summarised as follows:

### Proposed Use of Funds

<b>Proposed Use of Funds 2011-2012</b>	<b>\$</b>
BCD Tooling for Production and Assembly	1,570,000
Syringe AR 3mL Tooling for Production and Assembly	1,750,000
Prototyping and R&D for the Company's suite of automatic retractable syringes, the Flash Back Needle and Intravenous Valve, product, testing and simulated clinical trials	330,000
Regulatory Compliance	100,000
Marketing Expenses	80,000
Patent Expenses	80,000
Working Capital	740,000
Capital Raising Expenses	150,000
<b>Total</b>	<b>\$4,800,000</b>

The proposed use of funds is on the basis that the Issue is fully subscribed. If the Issue is not fully subscribed then the funds raised under the Issue will be directed towards the tooling and assembly equipment for the Blood Collection Device (BCD), working capital and capital raising expenses.

The Company must raise approximately \$1,570,000 in order for the BCD production to take place. Accordingly, if less than this amount is raised, the Company will need to raise further funds to commence production of the BCD and, as a consequence, the money raised will be used to partially fund the BCD manufacturer and working capital expenses and to discharge capital raising expenses made under the Issue. Refer to Section 7.13 within the Risk Factors section for further details.

In the event that circumstances change or other better opportunities arise, the Directors' reserve the right to vary the proposed uses to maximise the benefit to Shareholders.

## 1.8 Underwriting

The Issue is not underwritten.

## 2. DETAILS OF THE OFFER

### 2.1 Offer to shareholders

The Directors of Medigard have approved a renounceable rights issue of 74,046,091 New Shares at 6.5 cents per New Share to raise approximately \$4.8 million before costs of the Offer together with one (1) Attaching Option for each New Share allotted exercisable at 9.5 cents each on or before 30 June 2011. Shareholders of Medigard are entitled to subscribe for one (1) New Share for every share held on the Record Date. Only those Shareholders shown on the share register at 7.00 pm (Brisbane time) on the Record Date will be entitled to participate in the Issue.

### 2.2 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
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## 2. DETAILS OF THE OFFER CONT.

### **2.3 Additional shares**

Each Shareholder on the Record Date may apply for Additional Shares, in addition to their Entitlement, at an issue price of 6.5 cents per share. In the event that there is a Shortfall in the subscriptions under the Issue, the Directors reserve the right to allocate any Shortfall of New Shares to subscribers for Additional Shares at their absolute discretion. The Company may reject any application for Additional Shares or allocate fewer New Shares than applied for by subscribers for Additional Shares. The Additional Shares will also have Attaching Options. Applications for Additional Shares must be made in the Additional Shares section on the Entitlement and Acceptance Form accompanying this Prospectus. The ability for the Company to issue Additional Shares is dependant upon the extent of any Shortfall to the Issue. Applications for Additional Shares must be made in the Additional Shares section on the Entitlement and Acceptance Form accompanying this Prospectus.

### **2.4 Placement of Shortfall**

In the event that there is a Shortfall in subscriptions (including any Shortfall existing after taking into account applications for Additional Shares under Section 2.3 of this Prospectus) under the Issue, the Directors reserve the right, as contemplated within the Listing Rules, to allocate any Shortfall of Additional Shares (and corresponding Attaching Options) in their discretion so as to ensure a maximum amount of funds are raised. The Directors will allocate any shortfall to those Shareholders who have applied for Additional Shares.

### **2.5 How to accept your entitlement**

Sections 2.5 to 2.13 inclusive DO NOT apply to Shareholders with registered addresses outside Australia or New Zealand. Such Shareholders should refer to Section 2.21 of this Prospectus.

The number of New Shares and Attaching Options to which you are entitled under this Prospectus (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

You may:

- (a) take up all of your Entitlement to New Shares;
- (b) sell all of your Entitlement;
- (c) take up part of your Entitlement and sell the balance on the ASX;
- (d) take up part of your Entitlement and allow the balance to lapse;
- (e) transfer your Entitlement to another person other than on the ASX; or
- (f) not take up any of your Entitlement and allow it to lapse.

### **2.6 If you wish to take up all of your Entitlement**

If you wish to take up your Entitlement in full, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form.

### **2.7 If you wish to sell all of your Entitlement**

If you wish to sell all of your Entitlement, complete the section on the back of the accompanying Entitlement and Acceptance Form entitled Instructions to Your Stockbroker and lodge the Entitlement and Acceptance Form with your Stockbroker. Trading of Rights will commence on the ASX on 30 July 2010. Shareholders wishing to sell their entitlements must do so by close of trading on ASX on 18 August 2010, when Rights trading will cease.

## 2. DETAILS OF THE OFFER CONT.

### **2.8 If you wish to take up part of your Entitlement and sell the balance of the Rights**

If you wish to take up part of your Entitlement and sell the balance, complete the accompanying Entitlement and Acceptance Form for that part of your Entitlement that you wish to accept, and also complete the section on the back of the accompanying Entitlement and Acceptance Form entitled Instructions to Your Stockbroker for the balance that you wish to sell on the ASX.

The completed Entitlement and Acceptance Form should be lodged with your Stockbroker together with your payment in respect of New Shares you intend to take up (being the number of New Shares you wish to accept multiplied by \$0.065) to reach the Registry no later than 5.00 pm (EST) on 25 August 2010.

Trading of Rights will commence on the ASX on 30 July 2010. If you wish to sell part of your Entitlement which you do not intend to take up, you must do so by close of trading on the ASX on 18 August 2010 when Rights trading ceases.

### **2.9 If you wish to take up part of your Entitlement and allow the balance to lapse**

If you wish to accept part of your Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for that part of your Entitlement that you wish to accept in accordance with the instructions set out on the form. Forward your completed form together with your payment in respect of New Shares you intend to take up (being the number of New Shares you wish to accept multiplied by \$0.065) to reach the Registry no later than 5.00 pm (EST) on 25 August 2010.

The balance of your Entitlement that is not taken up by 25 August 2010 will lapse and will form part of the Shortfall.

### **2.10 If you wish to transfer your Entitlement to another person other than on the ASX**

If you wish to transfer all or part of your Entitlement to another person other than on the ASX, forward a completed standard renunciation form (obtainable from your sharebroker or from the Registry) together with your Entitlement and Acceptance Form and the applicable transferee's payment for the acceptance money to reach the Registry no later than 5.00 pm (EST) on 25 August 2010.

### **2.11 If your Entitlement is not taken up**

If you do nothing, your Entitlement that is not taken up by 25 August 2010 will lapse and will form part of the Shortfall.

## 2. DETAILS OF THE OFFER CONT.

### 2.12 Payment

Shareholders may accept their Entitlement either in whole or in part, and may apply for additional New Shares. The number of New Shares and Attaching Options to which Shareholders are entitled is shown on the Entitlement and Acceptance Form which accompanies this Prospectus. If Shareholders take no action in respect of their Entitlement they will have no right to subscribe for the New Shares pursuant to this Offer. Entitlements to New Shares can be accepted in full or in part by completing and returning the Entitlement and Acceptance Form which accompanies this Prospectus in accordance with the instructions set out on the Entitlement and Acceptance Form and forwarding the completed Form together with your cheque or bank draft for the full amount payable so as to reach the Share Registry by no later than 5.00pm (Brisbane time) on the Closing Date. Payment can also be made by using BPAY®.

Payment will only be accepted in Australian currency and cheques, bank drafts, money orders and BPAY® payments must be drawn on an Australian bank. The Issue Price of 6.5 cents per New Share is payable in full on acceptance of part or all of your Entitlement.

Cheques should be in Australian currency and made payable to "Medigard Limited - Rights Issue" and crossed "not negotiable". No brokerage or handling fees are payable by the Applicant for New Shares offered by this Prospectus. Completed Forms and accompanying cheques should be lodged at or forwarded to the following address:

#### Postal Delivery:

Medigard Limited – Rights Issue  
C/- Registries Limited  
GPO Box 3993  
SYDNEY NSW 2001

#### Hand Delivery:

Medigard Limited – Rights Issue  
C/- Registries Limited  
Level 7, 207 Kent Street  
SYDNEY NSW 2000

No brokerage or stamp duty is payable by Applicants in respect of their applications for New Shares under this Prospectus. The amount payable on acceptance will not vary during the period of the Offer and no further amount is payable on allotment. Acceptance Monies will be held in trust in a subscription account until allotment of the New Shares and Attaching Options.

The subscription account will be established and kept by the Company on behalf of the Applicants. Any interest earned on the Acceptance Monies will be retained by the Company irrespective of whether allotment takes place.

### 2.13 Allotment and allocation policy

Medigard will proceed to allocate New Shares and Attaching Options as soon as possible after the Closing Date and receiving ASX permission for Official Quotation of the New Shares and Attaching Options.

Successful Applicants will be notified in writing of the number of New Shares and Attaching Options allocated to them as soon as possible following the allocation being made.

It is the responsibility of Applicants to confirm the number of New Shares and Attaching Options allocated to them prior to trading in these securities. Applicants who sell New Shares or Attaching Options before they receive notice of the number of New Shares allocated to them do so at their own risk. No New Shares or Attaching Options will be allotted or issued on the basis of this Prospectus later than thirteen (13) months after the date of issue of this Prospectus.

## 2. DETAILS OF THE OFFER CONT.

### 2.14 ASX listing

Within seven (7) days after the date of issue of the Prospectus, Medigard intends to apply for the listing and quotation of the New Shares and Attaching Options on the ASX. If granted, quotation of the New Shares and Attaching Options will commence as soon as practicable after allotment of the New Shares and Attaching Options to Applicants. It is the responsibility of the Applicants to determine their allocation of New Shares and Attaching Options prior to trading. Should the New Shares and Attaching Options not be granted official quotation on the ASX within three (3) months after the date of this Prospectus, none of the New Shares offered or Attaching Options under this Prospectus will be issued and all acceptance money will be refunded without interest to Applicants within the time prescribed by the Corporations Act.

### 2.15 Investment risks

Investors should carefully read the section on Risk Factors outlined in Section 7. An investment of this kind involves a number of risks, a number of which are specific to Medigard and the industry in which it operates.

### 2.16 CHESS

Medigard will apply to the ASX for the New Shares and Attaching Options to participate in the Securities Clearing House Electronic Subregister System known as CHESS. CHESS is operated by the ASX's Securities Clearing House (SCH) in accordance with the ASX Listing Rules and the SCH Business Rules. After allotment of the New Shares and Attaching Options, those who are issuer sponsored holders will receive a transaction confirmation statement and those who are CHESS holders will receive an allotment advice. The CHESS statements, which are similar in style to bank account statements, will set out the number of New Shares and Attaching Options allotted to each successful applicant pursuant to this Prospectus. The statement will also advise holders of their holder identification number. Further statements will be provided to holders which reflect any changes in their holding in Medigard during a particular month.

### 2.17 Rights trading

Entitlements to New Shares pursuant to the Issue are renounceable and accordingly will be traded on the ASX. Please refer to Sections 2.5 to 2.13 and the attached Entitlement and Acceptance Form for details regarding the various options available to Shareholders in dealing with their Entitlement.

### 2.18 Minimum subscription

There is no minimum subscription to the Issue.

### 2.19 Underwriting

The Issue is not underwritten.

### 2.20 Optionholders

Existing Optionholders will not be entitled to participate in the Issue unless they:

- (a) have become entitled to exercise their Existing Options under the terms of their issue and do so prior to the Record Date; and;
- (b) participate in the Issue as a result of being a holder of Shares registered on the share register at 7.00pm (EST) on the Record Date.

### 2.21 Fractional entitlements

Any fractional entitlements will be rounded to the next whole number.

## 2. DETAILS OF THE OFFER CONT.

### **2.22 Foreign Shareholders**

No offer is made by this Prospectus in any jurisdiction outside of Australia and New Zealand. The Company has decided it unreasonable to make the offer outside Australia and New Zealand having regard to:

- (a) number of holders and the place where the offer will be made;
- (b) number and value of the securities the holders would be offered; and
- (c) the cost of complying with legal requirements in those outside jurisdictions.

The Company will appoint a nominee to arrange for the sale of the entitlements to New Shares held by those foreign shareholders and, if they are sold, for the net proceeds to be sent to those foreign holders.

### **2.23 Electronic Prospectus**

An electronic version of this Prospectus is available on the Internet at [www.medigard.com.au](http://www.medigard.com.au).

The Entitlement and Acceptance Form may only be distributed attached to a complete and unaltered copy of the Prospectus. The Company will not accept a completed Entitlement and Acceptance Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of the Prospectus or if it has reason to believe that the Entitlement and Acceptance Form or electronic copy of the Prospectus has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Issue period the electronic version of the Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case.

Any investor in doubt concerning the validity or integrity of an electronic copy of the Prospectus ought to immediately request a paper copy of the Prospectus directly from the Company or a financial advisor.

## 3. MEDIGARD AND ITS OPERATIONS

### 3.1 Overview of operations

#### Introduction

Medigard is an innovative international medical device company. Medigard's speciality is the design and development of retractable safety medical devices including safety retractable syringes, safety retractable blood collection device, and a positive pressure intravenous valve for the global market.

Based in South East Queensland, Australia, Medigard was established in 1999. It listed on the Australian Stock Exchange on the 5th February 2004.

The directors and executives have extensive business and commercialisation experience at senior levels and are supported by an award winning design and production team. Medigard's strategy is to enter into manufacturing and/or distribution license agreements with strategic medical device Original Equipment Manufacturers (OEMs) and distribution partners who have a major presence in the main target market regions of North America and Europe.

### 3.2 Summary of Manufacturing and Distribution Agreements

Medigard has signed two separate agreements for the manufacture and distribution of its blood collection device (BCD). One is an exclusive manufacturing agreement with a significant US manufacturer (who will remain confidential under the agreement) of safety medical devices (Manufacturer). This is for a period of five years, and is for Medigard's blood collection device. The Manufacturing Agreement will commence upon the Company and the Manufacturer entering into a separate Product Making Equipment Agreement which is anticipated to occur following the close of the Issue.

Medigard has also signed an exclusive distribution agreement with a prominent US medical device distributor, Outcome Solutions (a related entity of device company Ventlab Corporation), and provides for an exclusive license to market and distribute in the USA and Canada. This agreement is also for a period of five years, with the first right of refusal over Medigard's other products including its retractable syringes.

Summaries of these agreements are set out in greater detail in Sections 8.5 and 8.6 of this Prospectus.

### 3.3 Accidental needle stick injuries

Needles for hypodermic syringes, phlebotomy sets, intravenous catheters, safety steel needles and specialty medical needles are necessary to inject drugs and other fluids into the body and for drawing blood and other fluids from the body. Hypodermic needles are used for the injection of drugs.

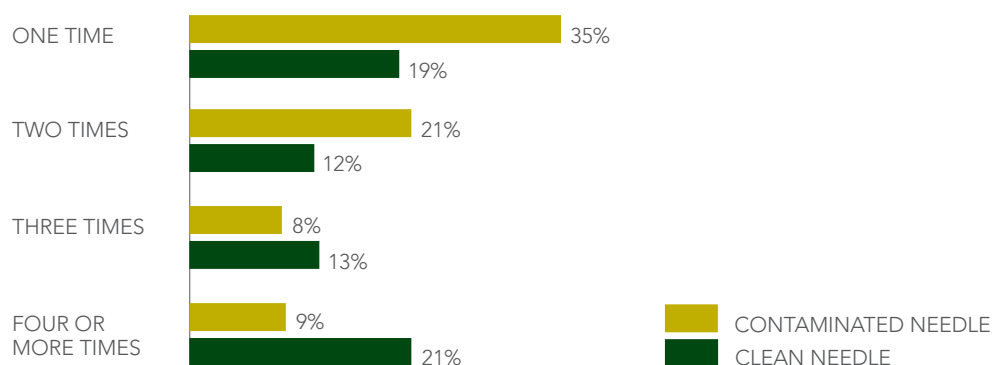
Phlebotomy sets are used for the drawing of blood. Catheters, butterfly needles and specialty needles are used for access to patient vessels. There is an increasing awareness of the potential danger of infections and illnesses to healthcare workers that result from accidental needle-sticks and of the need for safer needle devices to reduce the number of such accidents.

According to the 2006 Study of Needlestick Injuries and Safety Devices, the majority of U.S. nurses surveyed report being accidentally stuck by a needle while working; nearly half (47%) of all nurses in the survey were stuck by a contaminated needle. Of the nurses reporting needlesticks, some were stuck multiple times.

### 3. MEDIGARD AND ITS OPERATIONS CONT.

Eighty-six percent of nurses in the 2006 study believe needlestick injuries are underreported, further pointing to a need for needlestick safety education.

The following graph sets out the percentage of nurses surveyed reporting needlestick injuries.



#### 3.4 The Cost of Needlestick Injuries

The precise cost of needlestick injuries is difficult to quantify because it can include the inestimable pain and suffering of the injured healthcare worker. The worker's emotional trauma, as well as the impact on family and friends can be devastating. In the case of Hepatitis C, a silent epidemic that can lead to liver failure.

In the United States, one case of serious infection by bloodborne pathogens is estimated to cost \$1 million in expenses for testing, lost work time and disability payments. The estimated direct costs associated with initial follow-up and treatment of healthcare workers who sustain a needlestick injury range from US\$500 to US\$3000 depending on the treatment.

#### 3.5 Legislative Response

National safety regulations in the United States have enhanced the demand for safety medical devices in that market.

The U.S. Needle-stick Safety and Prevention Act was signed into federal law in November 2000, and became effective in April 2001. Other parts of the world are following in the steps of the USA. The provinces in Canada have passed similar legislation, Spain and Nigeria have banned the use of non-safety devices, while other countries and regions (UK, Europe, Australia) are promoting the use of safety devices.

The recent US federal and state legislation in conjunction with increased awareness of these statistics will spur significant growth in the safety needle and syringe market, as sales are converted from the traditional disposable needle and syringe market. It is expected that government regulations will continue to increase conversions to safety products in the future, the greatest obstacle to conversion in certain product categories may be availability of well designed and cost-efficient safety products.

Pressure is increasing from the government and private sectors for the healthcare industry to develop medical devices that will provide a safer working environment for healthcare and related workers and patients. Medigard's products are intended to address the demand for medical devices that reduce the risk of accidental exposure to blood-borne diseases.

## SIX YEARS OF ACHIEVEMENT

Research and development lies at the core of Medigard's operations. The company's goal is to continually extend our R&D program to produce safer, more effective, more efficient devices for the medical industry.

5 FEB 04

Medigard lists on ASX at 135% premium.  
A\$3.4m raised.

23 JUL 04

Medigard receives Queensland Industry Development Scheme (QIDS) grant from the State Government.

26 APR 05

Medigard receives Australian Design Award for its Blood Collection Device (BCD).

2 AUG 05

Medigard receives second QIDS grant.

9 JUL 08

Medigard appoints Genomic Research Centre (GRC), Griffith University, to perform simulated clinical trials on BCD.

27 AUG 08

Simulated clinical trials are 100% successful and GRC praise Medigard for safety and ease of use.

24 SEPT 08

Grant of Australian patent for BCD.

19 JAN 09

Approval granted by Food and Drug Administration (FDA) in US for BCD.

11 FEB 09

Medigard announces Share Purchase Plan (SPP) and loyalty options.

10 MAR 09

Product evaluations begin in major US hospitals.

2 APR 09

SPP raises A\$360,000 and Medigard issues 6,000,055 additional shares.

2 APR 09

Issue of prospectus for 24,583,352 loyalty options free to all shareholders.

10 JUNE 09

Grant of US patent for BCD.

11 DEC 2009

Signing of MOU for manufacturing in the US.

26 MAY 2010

Manufacturing and distribution agreements signed.

## 4. MEDIGARD PRODUCTS

### 4.1 Product Overview

Medigard has designed and developed safety devices and accessory products which include:

- (a) auto-retractable syringes in sizes from 1 mL to 10 mL;
- (b) a manual retractable syringe;
- (c) an auto-retractable blood collection device (BCD);
- (d) a positive pressure IV valve; and
- (e) a flash back needle

Medigard's platform technology, based upon a vacuum retractable device, has led to the creation of a number of single use medical devices that are safer, affordable and more efficient than alternative devices currently available.

### 4.2 Competitive differentiation

Medigard's safety medical devices aim to compete effectively on four critical dimensions for this sector.

These are:

#### (a) Medigard's products are passive devices

The operation of Medigard's safety syringes and blood collection device do not require active intervention by the healthcare worker to protect the sharps. In all of its products, the sharp is retracted under the influence of a vacuum at the end of the normal operation by the healthcare worker.

#### (b) Medigard's products minimise aerosoling

Medigard's products minimise aerosoling (blood spatter) during the retraction procedure. This is in stark contrast to some of the competitors' products which use a spring mechanism for retraction.

#### (c) Medigard's products are price competitive

Because of fewer parts in general, no spring, and ease of manufacturing, Medigard's products are very price competitive.

#### (d) Medigard's products have interchangeable needle capability

Medigard's products use the international standard Luer connection, thereby enabling the interchange of needles. As an added feature, the Medigard BCD is specifically designed to take either the BD or Terumo blood collection needle with the desired gauge.

### 4.3 Quality Assurance

All of Medigard's products will be manufactured under strict quality control conditions in accordance with international medical devices standard ISO 13485.

### 4.4 Patent protection

Medigard has a number of granted patents and patent applications covering the design aspects of our products. Specifically, Medigard's patent applications are in countries and regions which are commercially sensitive for our products.

The Company has applied a rigorous approach to its applications, and all Intellectual Property (IP) reports and research strongly indicate that Medigard's IP for its blood collection device and its safety retractable syringe is robust and that the claims are both inventive and novel.

## 4. MEDIGARD PRODUCTS CONT.

### 4.5 Medigard's products

#### 4.5.1 Blood Collection Devices (BCDs)

Currently, in the USA, approximately 500 million BCD units are sold annually. The price for the safety BCD varies from about US30c to US\$1.00 per unit. In dollar terms, the world-wide market for safety BCD collection sets is approximately US\$600 million.

Medigard's BCD features a unique design. Using vacuum technology, the BCD captures the needle after the blood collection is complete. This prevents needle stick injury by eliminating human contact with the used needle and avoiding potential aerosoling. In June 2002, the OSHA issued a directive forbidding the reuse of blood-tube holders.

In comparison with other Blood Collection Devices used in the US market, product evaluations of the Medigard BCD at a number of US hospitals indicate that the Medigard device is favoured for its safety, ease of use, seamless activation, and affordability. Independent US patent attorney written opinion indicates that the possibility of patent infringement is remote. Regulatory approval (FDA 510[k]) for the BCD has been granted, meaning that Medigard has approval to market its product in the US.



#### 4.5.2 Flash Back Needle

Medigard has designed a Flash Back Needle as a complementary product for the BCD. The Flash Back Needle is expected to be bundled with the BCD from 2012. It is expected about 50 percent of Medigard's BCDs will be bundled with our Flash Back Needle. Flash back needles allow healthcare workers immediate visual confirmation of a successful venipuncture and are expected to become standard attachment for BCDs.



## 4. MEDIGARD PRODUCTS CONT.

### 4.5.3 Safety Auto-Retractable Syringe

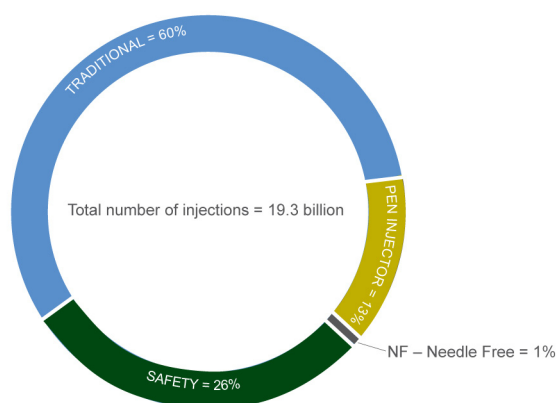
Medigard has fully designed and tested its safety 3mL retractable syringe. This product has also undergone very favourable US product market evaluations at a number of US hospitals. Medigard's retractable syringe features leading edge designs and will be available in a range of sizes including 1 ml, 3ml, 5ml and 10ml. The innovative design aims not only to be the best, but also the most economical on the market.

Medigard's unique passive retraction design uses vacuum to retract the needle into the syringe plunger. The vacuum mechanism is far less cumbersome than competitors' spring and sheath methods and its simplicity of design and manufacture will result in significant savings in production costs. The auto-retractable syringe has been specifically designed for the USA safety syringe market.

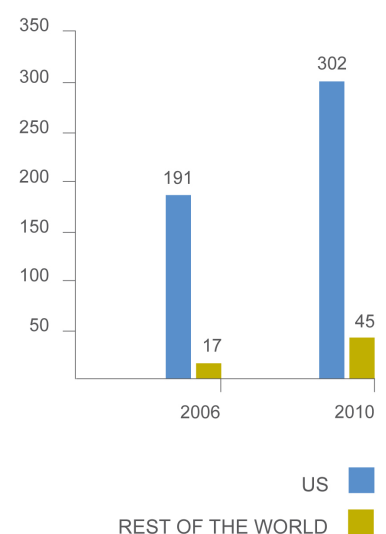
Currently, there are about 18 billion syringe units sold per year in the World. The USA is by far the largest consumer of these products (47%) compared to Europe with approximately 24%. In the USA, the safety syringe market is about 8 -10 billion units, valued at approximately USD3 - 4 billion. The US market has largely converted to safety syringes due to the needle stick legislation.



### WORLDWIDE INJECTIONS BY METHOD (2005)



### RETRACTABLE SYRINGES IN USD\$M



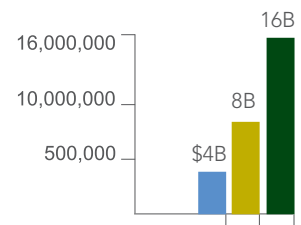
## 4. MEDIGARD PRODUCTS CONT.

### 4.5.4 Safety Manual Retractable Syringe

Medigard has also design a safety manual retractable syringe. At the end of the injection stage, the plunger connects with the luer and retraction pulls the needle back inside the barrel of the syringe. The plunger can then be snapped off, while the luer and needle are firmly locked into place inside the barrel. The safe device can then be easily disposed of in a sharps container or medical waste. Although the manual retractable syringe is suitable for the US market, it will have a much wider market appeal in developing and 3rd World countries where price is important, and where safety is not mandated.



SYRINGE MARKET SIZE AND VALUE (USD\$ MILLION)



### 4.5.5 Intravenous (IV) Valves

The market for IV Access Valves (connectors, ports etc) is quite universal. IV access valves are used extensively with catheters where catheters are inserted into the body for an extended period of time. IV access valves, connectors and ports are used as access points via the catheters in preference to a syringe. This gives needleless access, and hence reduces the potential for needle-stick injury. They are used in connections for fluid delivery, administering drugs, and for taking blood samples.

Needleless connectors, valves and ports, used today as integral components of an infusion system, evolved in response to demands for enhanced healthcare worker safety and as part of the continuing development of infusion technology. Examples include split-septum, luer-activated and positive displacement luer connectors which are currently commercially available and commonly used in intravenous systems. There is a potential market for IV access valves wherever catheters are used. Currently, the worldwide market for IV access valves, connectors and ports is approximately USD200 million.

Advantages of the intravenous value include:

- Two way valve for introduction of liquids or withdrawal of blood;
- Syringe insertion with or without a Luer lock;
- Effective design incorporating positive flow that prevents backward flow and the possibility of blood clotting.

## 5. MEDIGARD PEOPLE

### **Don Channer - Non Executive Chairman B.Eng.**

Don Channer has over 30 years of experience as a director and advisor to numerous private and public companies, both nationally and internationally, distinguishing himself in recognizing opportunities and delivering successful outcomes.

A graduate in Civil Engineering, Mr Channer opened his own consulting engineering practice in the 1960's later investing private capital and skills in major national and international contracting, property development and tourism with personal holdings in a diverse range of properties and businesses.



### **Dr Peter Clark - Executive Director B.Sc., Ph.D., M.B.A**

Dr Clark's qualifications include a Doctorate majoring in Chemistry from the University of Indiana and a Master of Business Administration from the University of Queensland.

Dr Clark's career within the medical and scientific industries has focused on commercialization and business planning - particularly for innovative products. He has developed strong contacts and networks encompassing not only the government but also universities and corporate Australia.

His studies and practical experience in business administration provides a strong base for Medigard's strategic planning.



## 5. MEDIGARD PEOPLE CONT.

**Dr Chris Bishop - Non Executive Director**  
**B.Sc (U.Auk); Ph.D (UQ)**

Dr Chris Bishop is the co-founder and managing director of IntelliDesign Pty Ltd, an electronic design and manufacturing company based in Brisbane. Established in 1997, IntelliDesign specialises in the development and manufacture of sophisticated electronic products, from precision medical instruments to compact mobile wireless communication devices, across a range of markets both national and international.

Originally trained in cell biology, Dr Bishop went on to undertaking medical research at the Queensland Institute of Medical Research.

His former positions include Research and Development Coordinator at Cook Australia where he established and managed a research and development group involved in IVF procedures.



**Peter Emery - Chief Executive Officer**  
**B.A.; LLB; Grad Dip Mgt; FAICD; FFin; FAIM**

Peter Emery has over thirty years experience in the management of businesses as a lawyer, investment banker, consultant and company director.

Mr Emery's career includes senior and general management positions with the NatWest group. He later became a director of NatWest Markets Australia Limited and its various subsidiaries. His past directorships also include RiverCity Motorway Management Limited. He is currently a member of several boards and committees.

In addition, he is a presenter for the Australian Institute of Company Directors, specialising in the fields of governance and director responsibilities.

As a former convenor for the Mentoring for Growth program and has been actively involved in innovation and commercialisation for several years.



## 5. MEDIGARD PEOPLE CONT.

### **Patricia Boero - Chief Financial Officer B.Bus. FCA**

Patricia Boero is the former Principal of a successful accounting practice.

Mrs Boero has a variety of interests and continues to work with clientele comprising a range of companies and industries. Mrs Boero is a member and advisor to several Not for Profit organisations.

Mrs Boero serves as an alternate for the Chairman Mr Don Channer on the board.



### **Ross Cali - Product Development Coordinator**

Ross has an extensive background in mechanical devices and brings very real and mechanical skills to bear any problem in the design and development area.

He is responsible for product assembly, testing and analysing devices and assists with initial and ongoing design changes to Medigard products.

Ross is actively involved in Intellectual Property and Patent analysis, claims examination and research and assists with website announcements, other internal IT requirements, market analyses, shareholder communications and shareholder updates.

Ross is in charge of purchasing, accounts payable in local and foreign currencies and end of month reporting.

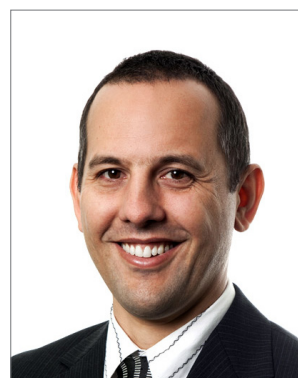


### **Aaron Rodd - Product Design Technical Consultant**

Aaron Rodd is the company's design technical consultant. He holds Diplomas in both Civil and Mechanical Engineering with expertise in 'Computer Aided Design' software.

Mr Rodd has over 20 years experience in the Engineering Industry including international experience in Florida, USA, designing and fabricating complex injection moulded devices.

Mr Rodd has been instrumental not only in Medigard's design process, but in assisting in all aspects of product development.



## 6. EFFECT OF ISSUE ON MEDIGARD

### 6.1 Financial position

To illustrate the effect of the issue on Medigard, the proforma consolidated statement of financial position has been prepared based on 31 December 2009 statement of financial position which has been subject to review by the Company's auditors. The statement of financial position shows the effect of the Offer as if the Offer under this Prospectus had been made on 31 December 2009. The proforma assumes that the Offer is fully subscribed. The accounting policies adopted in preparation of the proforma consolidated statement of financial position are consistent with the policies adopted and as described in Medigard's financial statements for the half year ended 31 December 2009. The financial statements for the half year ended 31 December 2009 were prepared in accordance with the same policies.

	31 December 2009	With Full Subscription
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	140,931	4,803,927
Trade and other receivables	8,725	8,725
Financial assets	150,795	150,795
Other current assets	8,794	8,794
<b>TOTAL CURRENT ASSETS</b>	<b>309,245</b>	<b>4,942,241</b>
<b>NON-CURRENT ASSETS</b>		
Financial Assets	171,882	171,882
Property, plant and equipment	9,387	9,387
Intangible assets	219,557	219,557
Other non-current assets	10,560	10,560
<b>TOTAL NON-CURRENT ASSETS</b>	<b>411,386</b>	<b>411,386</b>
<b>TOTAL ASSETS</b>	<b>720,631</b>	<b>5,383,627</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	26,397	26,397
Interest Bearing Liabilities	106,906	106,906
<b>TOTAL CURRENT LIABILITIES</b>	<b>133,303</b>	<b>133,303</b>
<b>TOTAL LIABILITIES</b>	<b>133,303</b>	<b>133,303</b>
<b>NET ASSETS</b>	<b>587,328</b>	<b>5,250,324</b>
<b>EQUITY</b>		
Issued Capital	3,865,963	8,498,959
Reserves	519,837	519,837
Retained earnings	(3,798,472)	(3,798,472)
<b>TOTAL EQUITY</b>	<b>587,328</b>	<b>5,250,324</b>

## 6. EFFECT OF ISSUE ON MEDIGARD CONT.

### 6.2 Capital structure

Assuming full subscription under the Prospectus, the share capital structure of Medigard immediately following the Issue will be as follows:

	Shares
Ordinary Shares on issue at the date of this Prospectus	74,046,091
Maximum number of New Shares under Prospectus	74,046,091
<b>TOTAL</b>	<b>148,092,182</b>

As at the date of this Prospectus, the Company has options on issue as follows:

No. of Options	Exercise Price	Option Details	Expiry Date
Options on issue at the date of this Prospectus - 7,600,000	\$0.20	6,750,000 unlisted	17/08/12
	\$0.20	850,000 unlisted	17/01/11
Maximum number of Options issued under Prospectus - 74,046,091	9.5 cents	74,046,091 listed	30/06/11
<b>TOTAL</b>		<b>81,646,091</b>	

## 7. RISK FACTORS

### 7.1 Overview of operations

#### Introduction

Activities of Medigard, as in any business, are subject to risks which may impact on its future performance. Medigard has put in place appropriate actions, systems and safeguards for known risks, however some are outside its control. The principal risk factors are described below. You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to accept New Shares.

### 7.2 General Risks

An investment in New Shares and Attaching Options should be considered speculative due to the nature of the Medical Device industry generally. Designing, developing and commercialising medical devices involve many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There can be no assurance that any future medical devices that Medigard will develop will be commercially viable. Investors should be aware that there are market and other risks associated with any share investment and that the share price of the Company may be above or below the issue price for the New Shares offered under this Prospectus. The trading price of the New Shares may be volatile and subject to wide fluctuations in response to various factors such as significant movements in world equity markets, additions or departures of key personnel, litigation, media reports, the results of competitive activity, and variations in the Company's operating result. The New Shares allotted under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX.

The operations of the Company may be affected by a range of factors including design risks, commercialisation risks, competitive factors, and changes in legislation.

### 7.3 Market Acceptance

Market acceptance of Medigard's products is not guaranteed. Competitive forces, consumer acceptance, legislative requirements will all have an impact upon the market acceptance of the Company's products. There are a number of injection safety devices on the market, and while the Company believes that its products have definite competitive advantages, there are a number of competitive issues that the Company will face in introducing its products to the market, including price competition and effective manufacturing and distribution. There can be no assurance that the consumer and end user (e.g. the healthcare worker) will accept the products, 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, except for the BCD which already has Food & Drug Administration approval.

### 7.4 Competition

The safety medical device industry is a rapidly growing immature industry and can be highly competitive. There are several companies in the world market offering a safety syringe alternative to hypodermic syringes (as well as other 'safety' products). There are several key players in the global medical device industry, and these companies are very much larger than Medigard and have competed in the medical device 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 market place. 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 existing products which may be under development or in the market place.

## 7. RISK FACTORS CONT.

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

### **7.5 Contractual Risks**

The manufacturing and distribution of the Company's BCD is subject to the Manufacturing License Agreement and Distribution License Agreement. Full details of these agreements are set out in Sections 8.5 and 8.6 of this Prospectus. In order for the manufacturing of the BCD to occur, the Company and Manufacturer and Distributor must attend to certain matters including entry into a separate Product Making Equipment Agreement (PMA) for the purposes of the Company, amongst other things, providing the required capital expenditure to install the initial tooling and equipment assembly for the BCD manufacturer. Whilst the Company has no reason to believe that the prescribed matters will not be attended to or that the separate PMA will not be entered into, if the PMA is not entered into on terms satisfactory to the Company (or those other matters are not discharged), this will affect the Company's proposed manufacture of the BCD which in turn can affect the operation and financial performance of the Company.

The manufacturing and distribution of the Company's other products are subject to the Deed of Right of First Refusal and Distribution Licence Agreement, the terms of which are summarised in Section 8.7 of this Prospectus. Accordingly, as in any contractual relationship, the ability for the Company to manufacture and distribute its products pursuant to the above agreements is dependent upon the other party complying with its contractual obligations. To the extent that the other party defaults in their obligations under these agreements, it may be necessary for the Company to approach a US Court to seek a legal remedy. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

### **7.6 Exchange Rate Risk**

The revenues, earnings, assets and liabilities of Medigard may be exposed adversely to exchange rate fluctuation. In particular all, or the majority, of the capital requirement production tooling for initially the BCD and any subsequent Company product will be contractually expressed and therefore need to be paid in US dollars. On commencement of production and commercial exploitation of its products, it is likely that all of Medigard's income from its licence fees will be US dollars. Any shift in those exchanges against the Australian dollar could affect the financial performance and results generally of Medigard Limited.

### **7.7 Dependence on Key Personnel**

Medigard is dependant on the skills of its key management and design personnel and the ability of key strategic alliances to develop and facilitate the manufacture and distribution of Medigard's products. The loss of key executives and design 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.

### **7.8 Risks related to the Particular Business of Medigard**

Because Medigard depends on a single technology and has a narrow focus on a particular technology (safety medical products), 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 technology is created, the demand for Medigard's product could greatly diminish.

## 7. RISK FACTORS CONT.

### **7.9 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 device companies can be highly uncertain and frequently involve complex legal and factual questions, neither the breadth of claims allowed in medical device technology 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, although Medigard is not aware of any action or threatened action.

### **7.10 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 impact all material prices including production tooling costs.

### **7.11 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.

### **7.12 Government Policy**

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes, and Government policies in Australia and any other market the Company may enter into, may have an adverse affect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities.

## 7. RISK FACTORS CONT.

### **7.13 Financing**

The Company is seeking to raise funds under the Issue for the development of its BCD and other products. Accordingly, the Company's ability to carry out its activities such as BCD tooling for production and assembly and hospital trials (for details of the proposed use of funds see Section 1.7) is dependent on raising sufficient funds under the Issue. There is no guarantee that the Company will be able to raise sufficient funds under the Issue to carry out its activities and may need to raise further funds in the future. In order to expand its activities the Company may be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise capital when it is required or that the terms associated with providing such capital will be satisfactory to the Company.

### **7.14 Insurance Arrangements**

The Company intends to maintain insurance within ranges of coverage the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that the Company will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

### **7.15 General Economic Conditions**

Any prolonged economic slowdown of the United States of America economy as well as fluctuations between the Australian dollar and the currency of countries in which the Company will have operations, may have an adverse impact on financial performance.

## 8. ADDITIONAL INFORMATION

### 8.1 Transaction specific prospectus

Medigard is a disclosing entity and therefore subject to regular reporting and disclosure obligations under the Corporations Act. Under those obligations, Medigard is obliged to comply with all applicable continuous disclosure and reporting requirements in the Listing Rules.

This Prospectus is issued under Section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to securities in a class of securities which has been quoted by ASX at all times during the twelve (12) months before the date of the Prospectus or options to acquire such securities. Apart from formal matters this Prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the New Shares and Attaching Options.

Copies of the documents lodged by Medigard with ASIC may be obtained from, or inspected at an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to this Prospectus:

- (a) audited financial statements for the Company for the year ended 30/6/09;
- (b) half-yearly financial statements for the Company for the period ending 31/12/09; and
- (c) any other financial statements lodged in relation to Medigard with ASIC and any continuous disclosure notices given by Medigard to ASX, in the period starting immediately after lodgement of the half-yearly financial statements of Medigard and ending on the date of lodgement of this Prospectus with ASIC.

The highest and lowest prices of shares in the Company on the ASX in the 6 month period before the date of this Prospectus and the respective dates of those sales were 16.5c on 27 May 2010, and 7.5c on 2 March 2010.

### 8.2 Rights and Liabilities Attaching to New Shares

The rights attaching to ownership of the New Shares (and the Shares issued upon the exercise of the Attaching Options) are set out in the Company's Constitution, a copy of which is available for inspection at the registered office of the Company during business hours. The following is a summary of the principal rights of holders of the New Shares, subject to any special rights attaching to any class of share at a future time. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's Shareholders.

#### Voting

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

#### Dividends

The New Shares will rank equally with all other issued shares in the capital of the Company and will participate in dividend out of profits earned by the Company from time to time. Subject to the rights of holders of shares of any special preferential or qualified rights attaching thereto, the profits of the Company are divisible amongst the holders of Shares in proportion to the Shares held by them irrespective of the amount paid up or credited as paid up thereon. The Directors may from time to time pay to Shareholders such interim dividends as in their judgment the position of the Company justifies.

## 8. ADDITIONAL INFORMATION CONT.

### Transfer of the Shares

#### Uncertificated System

Transfer of Shares may be effected by an instrument of transfer in accordance with any system recognised by the ASX Listing Rules and effected in accordance with the Securities Clearance House Business Rules approved under the Corporations Act or by an instrument of transfer in any usual form or by another form approved by the Directors or recognised by the Corporations Act or the ASX Listing Rules.

#### Certificated system

Subject to the Constitution and the Corporations Act, a Shareholder's share may be transferred by instrument in writing in any form authorised by the Corporations Act and the ASX Listing Rules or in any other form authorised by the Corporations Act and the ASX Listing Rules or in any other form that the Directors approve. No fee shall be charged by the Company on the transfer of any Shares.

#### Refusal to register

The Directors, may, in their absolute discretion, refuse to register any transfer of Share or other securities where permitted to do so by the Corporations Act, the ASX Listing Rules or the SCH Business Rules. The Directors must refuse to register any transfer of Shares or other securities when required to do so by the Corporations Act or the ASX Listing Rules. If the Directors decline to register a transfer, the Company must within 5 business days after the date of lodgement of such transfer give to the lodging party written notice of the refusal and the reasons for it.

#### Winding up

Upon accepting the Entitlement to New Shares and paying the Acceptance Monies, Shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

#### Future increases in capital

The allotment and issue of any new shares is under the control of the Directors. Subject to the Listing Rules, the Company's Constitution and the Corporations Act, the Directors may allot or otherwise dispose of new shares on such terms and conditions as they see fit.

#### Variation of rights

At present, the Company has only ordinary shares on issue. If the shares of another class were issued, the rights and privileges attaching to ordinary shares could only be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three quarter majority of such holders or the written consent of the holders of at least three quarters of the ordinary shares.

#### General meeting

Each holder of Shares will be entitled to receive notice of and to attend and vote at general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

For more particular details of the rights attaching to ordinary shares in the Company, investors should refer to the Constitution of the Company.

## 8. ADDITIONAL INFORMATION CONT.

### 8.3 Rights Attaching to Options

The Attaching Options will be exercisable at 9.5 cents each on or before 30 June 2011 and in accordance with the following terms and conditions:

- (a) the Attaching Options are exercisable on or before 30 June 2011;
- (b) the Attaching Options may be exercised by notice in writing to the Company on or before 30 June 2011 by delivering a duly completed form of notice of exercise together with a cheque for the exercise price of 9.5 cents per option to the Company at any time prior to the expiry date;
- (c) the exercise price for each Attaching Option will be 9.5 cents;
- (d) the Attaching Options may be transferred at any time;
- (e) the Company intends to seek listing of the Attaching Options on ASX;
- (f) prior to any new issue of shares or other securities in the Company to shareholders, the holders of Attaching Options issued under this Prospectus will be notified by the Company and will be afforded ten (10) Business Days before the books closing date (to determine entitlements to the issue) to exercise the Attaching Options;
- (g) holding statements will be issued for the Attaching Options. In addition, accompanying the new option holding statement there will be endorsed a notice that is to be completed when exercising the Attaching Options. Both the option holding statement and the Notice of Exercise of Option Form are required to be duly completed and sent to the Company or the Company's Share Registry when exercising the Attaching Options. If there is more than one Option on a holding statement and prior to the expiry date those Attaching Options are exercised in part the Company will issue another holding statement for the balance of the options held and not yet exercised; and
- (h) on a reorganisation of capital, the rights of the Option holder will be changed to comply with the Listing Rules then applying to a reorganisation of capital.
- (i) if there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = \frac{O - E [P - (S + D)]}{N + 1}$$

**Where:**

- $O^n$  = the new exercise price of the Option;
- $O$  = the old exercise price of the Option;
- $E$  = the number of underlying securities into which one Option is exercisable;
- $P$  = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
- $S$  = the subscription price for a security under the pro rata issue;
- $D$  = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- $N$  = the number of securities with rights or entitlements that must be held to receive a right to one new security;

## 8. ADDITIONAL INFORMATION CONT.

- (j) if there is a bonus issue to the holders of shares in the Company, the number of shares over which the Attaching Option is exercisable may be increased by the number of shares which the Attaching Option holder would have received if the Option had been exercised before the record date for the bonus issue; and
- (k) the terms of the Attaching Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such change. However, the terms of the Attaching Options shall not be changed to reduce the exercise price or change any period for exercise of the Attaching Options.

### 8.4 Director's Interests

The nature and extent of the interest (if any) that any of the Directors of the Company holds, or held at any time during the last two (2) years in:

- (a) the formation or promotion of the Company;
- (b) property acquired or to be acquired by the company in connection with:
- (1) its formation or promotion; or
  - (2) the Offer;

is set out below.

Other than as set out below or elsewhere in this Prospectus, no one has paid or agreed to pay any amount, and no one has given or agreed to give any benefit to any director or proposed director:

- (a) to induce them to become, or to qualify as, a Director of the Company; or
- (b) for services provided by a director in connection with the:
- (1) formation or promotion of the Company; or
  - (2) the Offer

Set out below are details of the interest of the Directors in the securities of the Company immediately prior to lodgement of the Prospectus with the ASIC. Interest includes those securities held directly and indirectly. The table does not take into account any New Shares the directors may acquire under the Offer.

Director	Number of Shares	Number of Options
Donald Julian Channer	31,683,696	Nil
Peter William Clark	7,410,346	Nil
Christopher Jan Bishop	283,334	Nil

## 8. ADDITIONAL INFORMATION CONT.

### 8.5 Manufacturing Licence Agreement

Under a Manufacturing Licence Agreement dated 26 May 2010 Medigard has granted to the Manufacturer an exclusive licence to use their intellectual property to manufacture and sell within the United States of America and Canada for a term of five (5) years (with an option for a further five (5) year term), a blood collection device consisting of two parts being a blood collection tube holder and vacuum needle retraction tube (Product).

The consideration for the grant of the licence is made up of the following:

- (a) the occupation of the licensee's premises for the Product making equipment of Medigard; and
- (b) the cost of insuring the Product making equipment.

Ownership of the Product making equipment vests with Medigard from and after the date that Medigard satisfies all of its obligations under the Product Making Equipment Agreement which the parties will enter into separately. The Manufacturer is required to enter into a supply agreement with the distributor of the Product.

The term will commence upon the last to occur of:

- (a) The Company and the Manufacturer entering into the Deed of Right of First Refusal (the terms of which are summarised in the section below);
- (b) The Company and the Manufacturer entering into a Product Making Equipment Agreement;
- (c) The Company entering into the Distribution Licence Agreement with Outcome Solutions LLC (Distributor) (the terms of which are summarised in the section below);
- (d) The Manufacturer and the Distributor entering into a separate Supply Agreement;
- (e) The Manufacturer's provision of saleable Product in a quantity of at least 100,000 units to the Distributor.

Paragraphs (a) and (c) above have been satisfied.

Either party can terminate the Manufacturing Licence Agreement by notice to the other party if the other party commits a material breach of the Manufacturing Licence Agreement and has failed to remedy such a breach within forty-five (45) days of receipt of written notice. Medigard can also terminate the Manufacturing Licence Agreement immediately by notice in writing on certain events occurring including:

- (a) the Manufacturer becoming insolvent or making attempted assignments for the benefit of its creditors;
- (b) a change of control in the Manufacturer;
- (c) the Manufacturer fails to make available the Product to the distributor within three (3) months after its receipt of a reasonable purchase order from the distributor; or
- (d) The Manufacturer failing to provide at least 100,000 individual units of the Product within 12 months from the date of the Agreement as a consequence of a breach or failure by the Manufacturer;
- (e) If the Product Making Equipment Agreement and Supply Agreement are not entered into by the relevant parties (see above) within 3 months from the date of the Manufacturing Licence Agreement; or
- (f) The termination of the Supply Agreement.

## 8. ADDITIONAL INFORMATION CONT.

The Manufacturer indemnifies Medigard against any losses arising out of the improper manufacture of the Product and the sale of the Product to the distributor. However, the Manufacturer shall have an obligation to indemnify Medigard for any matters in which the Manufacturer may seek indemnification from Medigard under the Manufacturing Licence Agreement. Medigard indemnifies the Manufacturer from any losses arising out of any breach by Medigard of its representations and warranties in the Manufacturing Licence Agreement or any product liability claim for defective design or malfunction if the Products in question were manufactured by the Manufacturer in accordance with all of the specifications provided to it by Medigard.

The Manufacturer must not assign its rights under the Manufacturing Licence Agreement without the prior written consent of Medigard which may be granted in Medigard's absolute discretion. Medigard may assign its rights under the Manufacturing Licence Agreement provided that this does not relieve Medigard of its obligations under the Manufacturing Licence Agreement and that the assignee agrees to be bound by the terms of the Manufacturing Licence Agreement.

The Manufacturing Licence Agreement is to be governed by the laws of the state of New York in the United States.

### **8.6 Distributor Licence Agreement**

The Company has entered into a Distribution License Agreement dated 26 May 2010 with Outcome Solutions LLC (Distributor). From the Commencement Date, Medigard grants to the Distributor an exclusive licence to distribute in the United States of America and Canada for a term of five (5) years (with an option for renewal for a further five (5) years) for a blood collection device consisting of two (2) parts being a blood collection tube holder and vacuum needle retraction tube (Product). The licence fee is to be calculated based on a price set out in the Distribution Licence Agreement. The Distributor is required to meet certain sales targets under the Distribution Licence Agreement.

The term will commence upon the last to occur of:

- (a) the date that the Distribution Licence Agreement is signed by all parties;
- (b) the date that the Distributor provides a marketing plan satisfactory to the Company's requirements;
- (c) the date when the Company entered into a binding Manufacturing Licence Agreement with the Manufacturer (the terms of which are summarised in Section 8.5 above);
- (d) the date when the Supply Agreement between the Distributor and the Manufacturer becomes binding;

Paragraphs (a) and (c) above have been satisfied.

## 8. ADDITIONAL INFORMATION CONT.

Failure to meet the sales targets may result in termination or the conversion of the interest of the Distributor to a non-exclusive interest. Either party can terminate the Distribution Licence Agreement by written notice to the other party if the other party has committed any breach of the Distribution Licence Agreement and have failed to remedy such a breach within forty-five (45) days of receipt of written notice requiring it to do so. Medigard can also immediately terminate the Distribution Licence Agreement by notice under a number of circumstances including:

- (a) the Distributor becoming insolvent or making an assignment or attempted assignment for the benefit of creditors;
- (b) a change of control of the Distributor;
- (c) failure by the Distributor to meet sales targets set under the Distribution Licence Agreement.
- (d) if the Distributor fails to provide a satisfactory marketing plan to the Company; or
- (e) the Supply Agreement is not entered into within 3 months from the date of the Distribution Licence Agreement;
- (f) the termination of the Supply Agreement.

The Distributor indemnifies Medigard against any losses arising out of any misrepresentation or negligent actions of the Distributor in the sale of the Product.

### **8.7 Rights of First Refusal**

#### **Deed of Right of First Refusal - Distribution**

In consideration for \$1, Medigard grants to the Distributor a right of first refusal to enter into a further Distribution Licence Agreement should Medigard, within five (5) years from the Deed of Right of First Refusal dated 26 May 2010, decide to distribute any or all of 1ml syringe, 3ml syringe, 5ml syringe, 10ml syringe, intravenous valve, cannula catheter inserter and flashback needle (Other Products) in the United States of America and Canada (Territories).

#### **Deed of Right of First Refusal – Manufacturing**

In consideration for \$1, Medigard grants to the Manufacturer a right of first refusal to enter into a further Manufacturing Licence Agreement should Medigard within five (5) years from the Deed of Rights of First Refusal dated 26 May 2010, decide to manufacture any or all of the Other Products in the Territories.

## 8. ADDITIONAL INFORMATION CONT.

### 8.8 Limitation on foreign ownership

The only limitations under Australian law on the rights of non-Australian residents to hold or vote the shares of an Australian company are set forth in the Foreign Acquisitions and Takeovers Act (the FATA). The FATA regulates acquisitions giving rise to ownership of substantial amounts of a company's shares. The FATA prohibits:

- (a) any natural person not ordinarily resident in Australia; or
- (b) any corporation in which either a natural person not ordinarily resident in Australia or a foreign corporation (as defined in the FATA) holds a substantial interest (defined below); or
- (c) two or more such persons or corporations which hold an aggregate substantial interest (defined below), from entering into an agreement to acquire shares if after the acquisition such person or corporation would hold a substantial interest in a corporation, without first applying in the prescribed form for approval thereof by the Australian Treasurer and receiving such approval or receiving no response in the 40 days after such application was made.

A holder will be deemed to hold a substantial interest in a corporation if the holder alone or together with any associates (as defined in the FATA) is in a position to control not less than 15 percent of the voting power in the corporation or holds interests in not less than 15% of the issued shares in that corporation. Two or more holders hold an aggregate substantial interest in a corporation if they, together with any associates (as so defined), are in a position to control not less than 40% of the voting power in that corporation or hold not less than 40 % of the issued shares in that corporation. The Constitution of the Company contains no limitations on a non-resident's right to hold or vote the Company's Shares.

### 8.9 Subsequent events

There has not arisen, at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

### 8.10 Litigation

The Company is not engaged in any litigation which has or would be likely to have a material adverse effect on either the Company or its business.

## 8. ADDITIONAL INFORMATION CONT.

### 8.11 Interests of experts and advisers

This section applies to persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoters of the Company and stockbrokers or arrangers (but not sub-underwriters) to the Offer (collectively Prescribed Persons).

Other than as set out below or elsewhere in this Prospectus, no Prescribed Person has, or has had in the last two (2) years, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired in connection with the formation or promotion of the Company or the Offer; or
- (c) the Offer of New Shares under this Prospectus.

Other than that as set out below or elsewhere in this Prospectus, no benefit has been given or agreed to be given to any Prescribed Person for services provided by a Prescribed Person in connection with the:

- (a) formation or promotion of the Company; or
- (b) offer of New Shares under this Prospectus.

HopgoodGanim Lawyers has acted as solicitors to the Offer and has performed work in relation to the Prospectus and in relation to preparing the due diligence and verification program and performing due diligence required on legal matters, however, they do not make any statement in this Prospectus. In respect of this work, the Company estimates that it will pay approximately \$25,000 (excluding disbursements and GST) to HopgoodGanim Lawyers. Further amounts may be paid to HopgoodGanim Lawyers in accordance with its normal time based charges.

### 8.12 Expenses of the offer

All expenses connected with the Offer are being borne by the Company. Total expenses of the Offer are estimated to be in the order of \$150,000.

### 8.13 Consents and disclaimers

Written consents to the issue of this Prospectus have been given and at the time of this Prospectus have not been withdrawn by the following parties:

Registries Limited has given and has not withdrawn its consent to be named in this Prospectus as the share registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Prospectus other than recording its name as share registrar to the Company.

It takes no responsibility for any part of the Prospectus other than the references to its name  
HopgoodGanim Lawyers has given and has not withdrawn its consent to be named in this Prospectus as lawyers to the Offer in the form and context in which it is named. It takes no responsibility for any part of the Prospectus other than references to its name.

### 8.14 Directors' statement

This Prospectus is issued by Medigard Limited. Each director has consented to the lodgement of the Prospectus with ASIC.

Signed on the date of this Prospectus on behalf of Medigard Limited by Director.

## 9. DEFINITIONS & GLOSSARY

### Terms and abbreviations used in this Prospectus have the following meaning:

Acceptance	An acceptance of Entitlements
Acceptance Monies	The Issue Price multiplied by the number of New Shares accepted for
Additional Shares	Those Shares which Eligible Participants may apply for under this Prospectus in excess of their Entitlement, in the event that there is a Shortfall
Applicant	A person who submits an Entitlement and Acceptance Form
Attaching Option	An option to subscribe for an ordinary share in Medigard exercisable at 9.5 cents each on or before 30 June 2011 to be issued on the basis of one (1) Attaching Option for each New Share allotted under the Issue
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited
ASX Approval	The ASX agreeing to quoting of the New Shares and Attaching Options issued under this Prospectus on the official list of the ASX
BCD	Blood Collection Device
Board	The board of directors of Medigard
Business Day	A day, other than a Saturday or Sunday, on which banks are open for general banking business in Brisbane
Closing Date	The date by which valid Acceptances must be received by the Share Registry being 5pm Brisbane time on 25 August 2010 or such other date determined by the Board
Company or Medigard	Medigard Limited ACN 090 003 044
Constitution	The Constitution of the Company
Corporations Act	Corporations Act 2001 (Cth)
Directors or Board	The board of directors of Medigard from time to time
Distributor	The distributor with whom Medigard has entered into the Distribution Licence Agreement summarised in Section 8.6
Eligible Participant	A shareholder of the Company that holds Shares in the Company on the Record Date
Entitlement and Acceptance Form	An entitlement and acceptance form in the form attached to this Prospectus
Entitlements	The entitlement to accept New Shares under this Prospectus on the basis of one New Share for every Share held on the Record Date

## 9. DEFINITIONS & GLOSSARY CONT.

Foreign Shareholder	A shareholder of the Company whose address, as shown in the register of the Company, is a place outside Australia or its external territories or New Zealand
Hard Copy Prospectus	Paper version of this Prospectus
Issue or Offer	The issue of New Shares and Attaching Options in accordance with this Prospectus
Issue Price	Six and a half (6.5) cents for each New Share applied for
Law	The Corporations Act or any relevant and applicable law in Australia
Listing Rules	The official listing rules of the ASX
Manufacturer	The manufacturer with whom Medigard has entered into the Manufacturing Licence Agreement summarised in Section 8.5
Material Contracts	The material agreements referred to in this Prospectus namely the Manufacturing Licencing Agreement and Distribution Agreement
New Shares	The Shares in the Company to be issued pursuant to the Offer under this Prospectus
Official List	The official list of entities that ASX has admitted and not removed
Official Quotation	Quotation on the Official List
Online Prospectus	The electronic version of this Prospectus which can be viewed at <a href="http://www.medigard.com.au">www.medigard.com.au</a>
Opening Date	The date of commencement of the Offer in respect of the Ordinary Shares, expected to be 10 August 2010
Option Holders	The holders of the Existing Options
Options	Options on issue in Medigard from time to time
Prospectus	This prospectus dated <b>Tuesday 27 July 2010</b> as modified or varied by any supplementary prospectus made by the Company and lodged with the ASIC from time to time and any electronic copy of this prospectus and supplementary prospectus
R&D	Research & Development
Record Date	6 August 2010
Register	Company register of Medigard
SCH Business Rules	Securities Cleaning House Business Rules
Securities	Has the same meaning as in Section 9 of the Corporations Act
Share Registry	Registries Limited
Shares	The ordinary shares on issue in Medigard from time to time
Shareholders	The holders of Shares from time to time
Shortfall	Those New Shares for which the Entitlement lapses

## ENTITLEMENT AND ACCEPTANCE FORM

A number of terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary. Money as expressed in this Prospectus is in Australian dollars or else as indicated.