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Cover Story



Australian-based Medigard Limited (ASX: MGZ) is an innovative international company that specialises in retractable safety medical devices for the global market.

This year, Medigard has entered into formal manufacturing and distribution agreements that will commercialise its Blood Collection Device in the lucrative American market.

In the past week the company has announced that it will offer its existing shareholders a Renounceable Rights Issue to support its expansion into the US. Medigard will offer existing shareholders 74,046,091 new shares at an issue price of 6.5 cents.

On July 27 the company announced it was hoping to raise approximately \$4.8 million from the issue and must raise approximately \$1.57m in order for US production to take place. Additional funds will go to support additional R&D, tooling, compliance, patenting and working capital.

gThis is an exciting next phase for Medigard and the Rights Issue will provide the necessary means to help get our products to market,h CEO Peter Emery commented.

Medigard designs and develops a pipeline of safety medical devices and associated products, instrumental in the medical industry for transforming the safety of disposable medical devices and associated equipment.

Mr Emery says one competitive advantage of the Medigard products is the simplicity in design with minimal parts that enable inexpensive production.

gOur leading edge design uses the power of vacuum and our design is unique to us,h he commented.

gThe products are easy to use, technologically superior to competitorfs products; and being vacuum operated means lower cost of production which leads to a lower market retail price.h

In December last year Medigard executed a Heads of Agreement with an American medical device manufacturer to produce its patented blood collection device that aims to eliminate needle stick injury.

Since then, Medigard has executed formal manufacturing and distribution agreements in the USA. The fiveyear agreements (with an option for a fiveyear extension) cover Medigardfs Blood Collection Device and can extend to its other devices that include retractable safety syringes, intravenous valves and other products.

The agreements provide the US manufacturer (who will remain confidential under the agreement) and the distributor, Outcome Solutions (a related company of Ventlab Corporation sharing common executive leadership), with an exclusive license to manufacture and distribute in the US and Canada.

Mr Emery on their new partnership; □gWe like them because we believe in them and they believe in us, □h he said.

□gAnd we believe there is plenty of upside to these agreements. □h

Medigard expects initial revenues from the agreements to flow within 18 months. Within 5 years, the deals could deliver up to USD\$40m in annual revenue to Medigard.

□gThe decision to go with an American manufacturer was deliberate, □h Emery explained.

□gWe wanted a manufacturing partner that would provide consistent, high-quality and cost-effective devices and offer continuing interest and support of our planned new products. □h

Mr Emery told the Australian Investor that the agreement opened doors for Medigard and future products in their pipeline.

□gThis alliance lets us tap into the manufacturer's knowledge and expertise. It also gives us additional depth in product design and could potentially expedite production, □h he commented.

□gShould the first performance be okay then we would extend the relationship. □h

According to Mr Emery, the US medical device market is one of the biggest and best in the world.

Growing at an annualised rate of seven to ten per cent, there are up to 700 million blood collection devices used in America each year and the US market for safety blood collection device sets is about US\$350 million a year.

□gThe U.S is our first, but we plan to sell to other markets as well, □h Mr Emery advised.

□gIt is an ageing population like ours, so there is increased demand for medical devices, □h

Mr Emery added that Obama's Healthcare Bill, which will provide health insurance to an additional 32 million Americans, will result in increased demand for safety medical devices.

□gIt's going to create more access to health care, □h he commented.

□gSo we believe it's a good and growing market. □h

Mr Emery said that most nations in the developed world were following the same growth pattern as the U.S, with a worldwide market for blood collection devices of about 1,400 million units per year, and growing at an annualised rate of about 10 percent.

In many countries such as the UK, Europe, Australia and Canada, safety blood collection devices are replacing traditional devices.

Mr Emery explained that Medigard wanted to start in North America and Canada, then expand to Europe and eventually back home to Australia, then Asia and other developing nations.

□gGlobal is where we want to be. □h

Mr Emery told the Australian Investor the company's ultimate objective was to keep designing and producing the most cost effective and best safety medical products in the world.

□gWe're still in the early stages but we've got great potential to be much larger, □h he advised.

□gWe've got leading edge products and a vision to grow to be a notable player in the world. □h

The Rights Issue offer opens on 10 August 2010 and closes on 25 August 2010. Trading of Rights will commence on the ASX on 30 July 2010 and cease on 18 August 2010. New shares are expected to commence trading on 2 September 2010.

It's an attractively priced issue that puts us on the path to commercialising our products and fulfilling our dream, h Mr Emery concluded.

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