



# **Annual Report**

## **2017**



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# CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

I was very pleased to be asked to be Chairman of Medigard, although it will be difficult to follow in the footsteps of our retiring Chairman, Don Channer, who has been the Chairman of Medigard since its incorporation. From the beginning Don has always been a strong advocate for Medigard and has continually worked hard to ensure its success, for which we all owe him a vote of thanks. Like me, Don still believes in and remains excited about the future of Medigard, despite Medigard's relatively slow increase in sales over the past few years, and will remain as a non-executive Director of the Company.

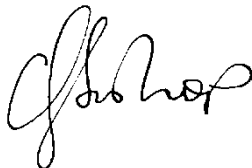
As you know, our blood collection device was launched by Sol Millennium Medical Products in 2015 and we looked forward to steadily increasing royalties that would allow us to develop our other safety technology. Unfortunately, the purchase of relatively high cost safety devices, like our blood collection device, has been seriously influenced by rising cost pressures in the health care system worldwide, and it has been difficult to compete with cheaper but less effective manual safety blood collection devices. Despite this, sales are slowly rising and Sol Millennium have informed us that they are anticipating a 30% increase in sales in 2018.

Limited by our restricted income, Medigard has continued to slowly work on our new blood flash needle, in conjunction with Sol Millennium. We hope that it will be released in 2018 and packaged with the blood collection device, making the combined product more attractive in some markets.

We have also been continuing to investigate a number of potential, exciting new opportunities and I look forward to being able to talk to you about some of these in the near future. I would like to thank everyone on the Board for the amount of time they have expended reviewing these new prospects, particularly Patricia who has spent many hours in conversations with related parties, skillfully assisted by Don and Craig.

Once again I would like to thank you for your patience. While progress over the past few years has been disappointingly slow and far short of our hopes, your Board remains positive about Medigard's future and I look forward to being part of this journey.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Chris Bishop', with a stylized, cursive script.

Chris Bishop  
**Chairman**

# REVIEW OF OPERATIONS

## **Year in Review**

Although sales of the Blood Collection Device have been lower than expected, Sol Millennium Medical Products now have regular customers. There continues to be high user acceptance of the device despite a worldwide tendency to minimize the cost of health delivery. Sol Millennium Medical Products have continued to expand distribution of the Blood Collection Device.

The Company has continued to explore and review other safety medical devices and compatible opportunities.

## **Patents**

During the last year, the patent for the Blood Flash Needle has been granted in the United States. All granted patents have been maintained.

## **Financial Performance**

Again this year, the Company's operating costs have been minimised and the directors and company secretary have not received any payment for their services.

Our financial performance this year has seen a net loss of \$122,690 compared to a profit of \$81,020 in the previous year. Included in the loss was a fair value gain on the Convertible Notes of \$121,673, a recovery from Lehman Brothers Australia Limited (in Liquidation) of \$5,127 and the royalty payments for the Blood Collection Device of \$64,276.

## **The Year Ahead**

The Company continues to enjoy the financial support of Don Channer and Sol Millennium Medical Products Ltd.

The Directors remain enthusiastic about the future of the Company. The company expects to have increased royalties from the sales of the Blood Collection Device and progress towards sales of the Blood Flash Needle in the 2018 calendar year.

The Company is confident that one or more of the opportunities we have been exploring this year will be advanced in the coming year.

# Patents

## Family Group 3

Australian patent application No. 2004900310 entitled “Improvements to Blood Collection Device” with a Priority Date of 23<sup>rd</sup> January 2004 in the name of Medigard Ltd.

This patent application relates to a blood collection device incorporating a syringe element and a vacuum tube for retracting the needle.

PCT/AU2005/000063

This application was completed on 21 January 2005. A Worldwide Patent Co-operation Treaty (PCT) application for the Improvements to a Blood Collection Device was lodged on 21<sup>st</sup> January 2005.

An International Report received on this patent was favorable and considers 9 of the 10 claims to be novel, inventive and all of the claims to have industrial applicability.

This device entered the National Phase on the 21<sup>st</sup> July 2006 in the following countries:-

|               |             |
|---------------|-------------|
| Australia     | 205207079   |
| Canada        | 2552971     |
| United States | 10/587139   |
| Europe        | 05700095-2  |
| Japan         | 2006-549781 |

| Number     | Country  | Status             |
|------------|--|--------------------|
| 2005207079 | Australia  | Granted 11/09/2008 |
| 7544169    | United States  | Granted 09/06/2009 |
| 4653118    | Japan  | Granted 24/12/2010 |
| 2552971    | Canada   | Granted 20/08/2013 |
| 1706032    | Europe – validated in Austria, Belgium, Bulgaria, Switzerland, Cyprus, Czech Republic, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Hungary, Ireland, Iceland, Italy, Lithuania, Netherlands, Poland, Portugal, Romania, Sweden, Slovenia, Slovakia, Turkey | Granted 08/01/2014 |

## Family Group 9

Australian patent application No 2006901267 entitled “A Needle Containing Medical Device with Variable Locking to Needle Holder” with a Priority Date of 13<sup>th</sup> March 2006 in the name of Medigard Limited.

This patent relates to a disposable single use syringe which includes a needle attachment member and a plunger incorporating a piston. This piston is able to incrementally engage to the needle member so it can be retracted into the interior of the plunger by vacuum.

PCT/AU2007/000299

This application was completed on 9<sup>th</sup> March 2007. A Worldwide Patent Co-operation Treaty (PCT) application for “A Needle Containing Medical Device with Variable Locking to Needle Holder” was lodged on 9<sup>th</sup> March 2007.

This device entered National Phase on 13<sup>th</sup> Sep 2008 in the following Countries:-

|               |                 |
|---------------|-----------------|
| Australia     | 2007225005      |
| Canada        | 2642894         |
| United States | 12/293024       |
| Europe        | 07718556.9      |
| Japan         | 2008-558591     |
| India         | 8397/DELNP/2008 |
| China         | 200780008994.X  |
| South Africa  | 2008/08532      |

| Number           | Country       | Status             |
|------------------|---------------|--------------------|
| 2008/08532       | South Africa  | Granted 30/12/2009 |
| 8034024          | United States | Granted 11/10/2011 |
| 2007225005       | Australia     | Granted 08/12/2011 |
| ZL201010598997.7 | China         | Granted 31/10/2012 |
| 5149817          | Japan         | Granted 07/12/2012 |
| 2642894          | Canada        | Granted 16/09/2014 |

#### Family Group 11

Australian patent application No. 2008903652 entitled “A Retractable Syringe” with a priority Date of 17<sup>th</sup> July 2008 in the name of Medigard Limited.

This patent relates to a disposable single use syringe with a fixed needle and is retracted automatically by vacuum when activated; this device also has an auto needle cap ejector.

PCT/AU2009/000918

This application was completed on the 17<sup>th</sup> July 2009. A worldwide Patent Co-operation Treaty (PCT) application for “A Retractable Syringe” was lodged on 17<sup>th</sup> July 2009.

This device entered National Phase on 17<sup>th</sup> January 2011 in the following Countries:-

|               |                 |
|---------------|-----------------|
| Australia     | 2009270343      |
| Canada        | 2731117         |
| United States | 13/054534       |
| Europe        | 09797278.0      |
| Japan         | 2011-527909     |
| India         | 1114/DELNP/2011 |
| China         | 200980133512.2  |
| South Africa  | 2011/01094      |

| Number           | Country       | Status             |
|------------------|---------------|--------------------|
| 2011/01094       | South Africa  | Granted 25/04/2012 |
| ZL200980133512.2 | China         | Granted 24/04/2013 |
| 2009270343       | Australia     | Granted 17/01/2014 |
| 13/054534        | United States | Granted 21/01/2014 |
| 5599394          | Japan         | Granted 22/08/2014 |
| 2731117          | Canada        | Granted 28/06/2016 |

### Family Group 12

Australian patent application No. 2009905146 entitled “Blood Flash Needle” with a Priority Date of 22<sup>nd</sup> October 2009 in the name of Medigard Limited.

This patent relates to a device for drawing fluid from a lumen. In particular, the present invention relates to a device for drawing blood from a blood vessel.

This device allows for visual observation of fluid (for instance, blood) which confirms the needle tip is correctly positioned.

PCT/AU2010/001334

This application was completed on the 11<sup>th</sup> October 2010. A worldwide Patent Co-operation Treaty (PCT) application for a “Blood Flash” was lodged on 11<sup>th</sup> October 2010.

This Device entered National Phase on 22<sup>nd</sup> April 2012 in the following Countries

|               |                 |
|---------------|-----------------|
| Australia     | 2010310866      |
| Canada        | 2778394         |
| United States | 13/503571       |
| Europe        | 10824295.9      |
| Japan         | 2012-534494     |
| India         | 3670/DELNP/2012 |
| China         | 201080054026.4  |
| South Africa  | 2012/03001      |

| Number           | Country  | Status             |
|------------------|--|--------------------|
| 2010310866       | Australia  | Granted 05/12/2013 |
| 2012/03001       | South Africa   | Granted 26/06/2013 |
| 10824295.9       | Europe – validated in France, Germany, Italy, Netherlands, Poland, Portugal, Spain, Sweden | Granted 07/05/2014 |
| 2L201080054026.4 | China  | Granted 24/12/14   |
| 5684270          | Japan  | Granted 23/01/15   |
| 9615782          | United States  | Granted 11/04/17   |



# CORPORATE INFORMATION

## Directors

### **Chris Bishop, Chairman**

B.Sc. (University of Auckland), Ph.D. (Experimental Pathology) (University of Queensland)

Dr Bishop is Managing Director of Intellidesign Pty Ltd, an electronic design and manufacturing company that specialises in sophisticated electronic products including precision medical instruments and mobile wireless communication devices. After an academic career, Dr Bishop joined Cook Australia where he helped establish and manage a research and management group and manufacturing division in products that today are still widely exported internationally.

He chairs the Board's Finance Committee and is a member of the Audit and Risk Committee and the Nomination and Remuneration Committee.

### **Don Channer, Non-Executive Director**

B.Eng (University of Queensland)

Mr. Channer's career of over 50 years has been one of building many and varied successful enterprises. Commencing his working life in his own engineering consultancy practice, he expanded that business into international civil contracting with clients including Government and major corporations in Australia and S.E Asia. Mr Channer is a director of several private companies.

Mr. Channer is a member of the Nomination and Remuneration Committee and the Finance Committee.

### **Mr Craig Cameron, Non-Executive Director**

B.Eng (Civil) (University of Queensland)

Mr Cameron has almost 30 years CEO and board experience in a broad range of industries working in the USA< Canada, Japan, Australia, New Zealand and the UK running start-ups, turnarounds and mature businesses in IT services, nutraceuticals, information technology, communications, healthcare, green tech and clean technology industries. Craig has been a material shareholder and CEO of five companies in the USA, Australia, New Zealand and the UK.

Mr Cameron is a member of the Audit and Risk and Nomination and Remuneration Committees.

### **Patricia Boero, Company Secretary and Chief Financial Officer**

B.Bus., FCA.

Mrs Boero is the former Principal of successful accounting practice. A Chartered accountant for over 30 years, Mrs Boero has a variety of interests and continues to work with a clientele comprising a range of companies and industries. Mrs Boero has been a member and advisor to several Not for Profit organizations and is a director of several private companies.

# Corporate Governance Statement

| Principle          | ASX Corporate Governance Council Recommendations  | Comply | Reference |
|--------------------|---|--------|-----------|
| <b>Principle 1</b> | <b>Lay solid foundations for management and oversight</b>   |        |           |
| 1.1                | A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>   | Yes    | Note 1.1  |
| 1.2                | A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>  | Yes    | Note 1.2  |
| 1.3                | A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.   | Yes    |           |
| 1.4                | The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.   | Yes    |           |
| 1.5                | A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:               <ul style="list-style-type: none"> <li>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</li> </ul> </li> </ul> | No     | Note 1.5  |
| 1.6                | A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> </ul>  | No     | Note 1.6  |

|                    |   |     |                      |
|--------------------|---|-----|----------------------|
|                    | (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.  |     |                      |
| 1.7                | <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>   | No  | Note 1.7             |
| <b>Principle 2</b> | <b>Structure the Board to add value</b>   |     |                      |
| 2.1                | <p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively</p> | No  | Note 2.1<br>Note 1.2 |
| 2.2                | A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.   | No  | Note 2.2<br>Note 1.5 |
| 2.3                | <p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>  | Yes | Note 2.2<br>Note 1.5 |
| 2.4                | A majority of the board of a listed entity should be independent directors.   | Yes |                      |

|                    |  |     |          |
|--------------------|--|-----|----------|
| 2.5                | The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.  | No  | Note 2.5 |
| 2.6                | A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.   | Yes | Note 2.6 |
| <b>Principle 3</b> | <b>Act ethically and responsibly</b>   |     |          |
| 3.1                | A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>   | Yes | Note 3.1 |
| <b>Principle 4</b> | <b>Safeguard integrity in financial reporting</b>  |     |          |
| 4.1                | The board of a listed entity should: <ul style="list-style-type: none"> <li>(a) have an audit committee which: <ul style="list-style-type: none"> <li>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, who is not the chair of the board,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the relevant qualifications and experience of the members of the committee; and</li> <li>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> </li> <li>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</li> </ul> | Yes | Note 4.1 |
| 4.2                | The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.  | Yes | Note 4.2 |
| 4.3                | A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.  | Yes |          |

|                    |  |     |                      |
|--------------------|--|-----|----------------------|
|                    |  |     |                      |
| <b>Principle 5</b> | <b>Make timely and balanced disclosure</b>   |     |                      |
| 5.1                | <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>  | Yes | Note 5.1             |
| <b>Principle 6</b> | <b>Respect the rights of security holders</b>  |     |                      |
| 6.1                | A listed entity should provide information about itself and its governance to investors via its website.   | Yes |                      |
| 6.2                | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.  | No  | Note 6.2             |
| 6.3                | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders   | No  | Note 6.3             |
| 6.4                | A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.   | Yes |                      |
| <b>Principle 7</b> | <b>Recognise and manage risk</b>   |     |                      |
| 7.1                | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p> | Yes | Note 4.1             |
| 7.2                | <p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>   | Yes | Note 4.1             |
| 7.3                | <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>  | No  | Note 7.3<br>Note 4.1 |

|                    |  |    |                      |
|--------------------|--|----|----------------------|
| 7.4                | A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.  | No | Note 7.4             |
| <b>Principle 8</b> | <b>Remunerate fairly and responsibly</b>   |    |                      |
| 8.1                | <p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | No | Note 1.2<br>Note 2.1 |
| 8.2                | A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.   | No |                      |
| 8.3                | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>   | No | Note 8.3             |

#### **Note 1.1      Roles and responsibilities of the Board and management**

The Board Charter details the functions of the board and management. Specifically, the Board is responsible for:

- Setting the strategic direction of Medigard and monitoring performance of the company's progress within that strategy
- Ensuring that there are sufficient financial, operational and human resources to meet the company's objectives
- Appointment and removal of the CEO and, where appropriate, senior executives and consultants
- Approval and monitoring of financial reporting, capital management and business objectives
- Ensuring adequate risk management measures are implemented and monitored
- Ensuring appropriate governance structures and ethical standards are maintained within the company
- Ensuring that the Board itself remains skilled and resourced to meet Medigard's needs and expected growth.

Delegated to senior management and in particular the CEO is general authority for the operations of Medigard. Specifically, The CEO (or his substitute) is responsible for:

- The efficient and effective operation of Medigard
- Ensuring that all directors are fully informed and provided with accurate and clear information on which to base their decisions

- Ensuring that all matters that materially affect Medigard are brought to the board's attention
- Representing the company and being Medigard's primary spokesperson

#### **Note 1.2            Director information**

The Nomination and Remuneration committee has a general responsibility to nominate potential directors to the Board and to establish standards for the ongoing performance of the Board.

The functions of the Committee are to make recommendations to the Board as to the remuneration of Board members, the Chief Executive Officer and senior management of Medigard. Specifically, the Committee is responsible for:

- Assessing the desirable competencies of Board members
- Reviewing Board succession plans
- Evaluating the Board's performance and recommending appropriate education and training
- Making recommendations to the Board for the appointment and removal of directors to the Board
- Making recommendations to the Board on remuneration policies and packages for senior executives of Medigard, including incentive schemes, superannuation and other emoluments
- Recommending appropriate remuneration of directors.

In considering board appointment and re-appointments the Committee considers competencies, experience and skills required, the need for renewal, and board size. In accordance with the Company's Constitution one third of the directors retires by rotation each year and may offer themselves for re-election.

#### **Note 1.5            Diversity**

Due to the size of the Company and the small number of Directors and Executives, the Company does not have a Diversity Policy.

The Board has three male Directors while the only Company Executive is female.

#### **Note 1.6            Board reviews**

A formal performance evaluation process exists comprising a survey circulated amongst and reviewed by all Board members. A review has not taken place in the reporting period.

#### **Note 1.7            Management reviews**

A performance evaluation process exists for senior executives and should be carried out annually. No evaluation has been completed this reporting period.

#### **Note 2.1            Nomination committee**

The nomination function is incorporated in the combined committee known as the Nomination and Remuneration Committee. There is a Charter for that Committee and responsibilities of members are set out in that document. It is available at the Company's premises.

There are presently a majority of independent directors but the Chairman is not independent.

The committee has not met this reporting period.

#### **Note 2.2            Board skills matrix**

Details of the members of the Board, their experience, expertise, qualifications, terms of office and independence status are set out in the Directors Report included in the Annual Report.

#### **Note 2.5            Chair independent and not CEO**

The Chair of the Board is a substantial shareholder.

The Chair is not the CEO of the Company.

**Note 2.6            Induction and professional development**

Induction and training is available to all directors and access to information, including independent professional advice, is available at the Company's expense.

**Note 3.1            Code of conduct**

A Code of Conduct exists by which directors, staff and contractors are bound. Specifically under the Code, the Company, its directors, employees, contractors and consultants will:

- Act with honesty, integrity and fairness in all dealings associated with the Company
- Comply with all laws and regulations which govern the operations of Medigard
- Not knowingly participate in any illegal or unethical activity
- Not participate in any activity that conflicts with the interests of Medigard including taking advantage of property, information or position for personal gain
- Protect the confidentiality of Medigard and its stakeholders
- Protect and properly use the Company's assets including its intellectual property and its reputation
- Comply with the Company's trading policies and other standards of conduct as set out from time to time
- Report as appropriate any unethical or illegal behaviour

**Note 4.1            Audit committee**

The audit function forms part of the Charter for the Audit and Risk Committee.

The Audit and Risk Committee during the reporting period comprised two directors and one other member being CFO/Company Secretary, Patricia Boero. The director members were Dr Chris Bishop and Craig Cameron. Qualifications of the current members have been described in the Directors Report. All members are financially literate and understand the company's industry with Mrs Boero being a Chartered Accountant. The Audit Chairman is an independent director and is not Board Chairman.

A formal Charter exists. Under the charter the Committee has a general responsibility to review the integrity of the Company's financial and external reporting and the activities and independence of the company's auditors. In addition, the Committee reviews the management processes for identification of risk and its monitoring and control. Specifically, the Committee is responsible for:

- Reviewing all financial statements intended for publication and then recommend or otherwise execution by the Board
- Reviewing the standards and approach taken by the Company's auditors and ensure that all audit activities are carried out with maximum independence, efficiency and thoroughness
- Monitoring and reviewing the effectiveness of the Company's risk management assessment and processes and the internal structures implemented to control risk
- Review and be generally responsible for reporting to the Board on matters of compliance and corporate governance

The committee met twice during the reporting period. Both meetings were attended by all committee members.

**Note 4.2            CEO and CFO certification of financial statements**

The Company does not have a CEO but the appropriate certification was provided by the CFO.

**Note 5.1            Disclosure policy**

A Continuous Disclosure Policy exists binding all directors, staff and contractors. Specifically provided for in the policy are:

- details of the obligations under the Corporations Act and the ASX Listing Rules



- a requirement for directors and management to notify the Company Secretary as soon as they become aware of any information that could be considered market sensitive
- a process by which the information is analysed and a determination made by the Company Secretary in conjunction with the Chairman as to disclosure or otherwise
- a process to deal with analyst briefings and media liaison whereby all presentations are reviewed by the Company Secretary
- all liaison and correspondence with the ASX occurs through the office of the Company Secretary

#### **Note 6.2            Investor relations program**

The Company does not have a formal investor relations program. As the company evolves, a program will be developed.

Any interested parties are able to contact the Directors or the Company Secretary by telephone or email at any time.

#### **Note 6.3            Facilitate participation at meetings of security holders**

The Company has no formal policies or procedures for participation by security holders at meetings, however shareholders are encouraged to participate at general meetings.

#### **Note 7.3            Internal audit**

Due to the size of the company, there is no internal audit function. All audit and risk functions are the responsibility of the Audit and Risk Committee who reports to the Board regularly.

#### **Note 7.4            Sustainability risks**

The Audit and Risk Committee is responsible for identifying and monitoring areas of significant business risk.

The Company's risk management system is evolving as the development and activity of the Company changes.

#### **Note 8.3            Equity based remuneration**

In the past, directors have received cash fees and statutory superannuation only. The Company does have an Employee Share Scheme but no director's fees have been paid during the reporting period.

# SHAREHOLDER INFORMATION

## Number of holders of Ordinary Shares

91,007,472 ordinary fully paid quoted ordinary shares are held by 642 individual shareholders. All issued ordinary shares carry one vote per share and the right to dividends.

## Distribution of holders of Ordinary Shares

| Holding Ranges         | Holders    | Total Units       | %              |
|------------------------|------------|-------------------|----------------|
| 1-1,000                | 20         | 4,746             | 0.005          |
| 1,001-5,000            | 57         | 203,062           | 0.223          |
| 5,001-10,000           | 127        | 1,149,206         | 1.263          |
| 10,001-100,000         | 331        | 12,395,551        | 13.620         |
| 100,001-99,999,999,999 | 107        | 77,254,907        | 84.889         |
| <b>Totals</b>          | <b>657</b> | <b>91,007,472</b> | <b>100.000</b> |

## Unmarketable Parcels

Based on the 24.10.17 closing price of .015c per share, an unmarketable parcel is one of 33,333 or fewer shares

| Holding Ranges | Holders | Total Units | %       |
|----------------|---------|-------------|---------|
| 1-33,333       | 393     | 5,173,729   | 5.68495 |

## Twenty largest holders of Ordinary Shares

| Holder Name   | Balance as at 24-10-17 | %             |
|---|------------------------|---------------|
| Donald Julian Channer   | 27,117,692             | 29.797        |
| Sun Sea Pty Ltd   | 4,566,004              | 5.017         |
| Mr Mathew Simon Anthony Kelly   | 2,972,000              | 3.266         |
| Ganbaru Pty Ltd (The Parrish Super Fund A/C)                                      | 2,737,004              | 3.007         |
| Mr Richard Litkajtis (Richards Roofing Service A/C)                               | 2,127,734              | 2.338         |
| Dr Peter William Clark  | 1,934,232              | 2.114         |
| Mr Robert William Highman & Mrs Rhonda Catherine Highman (Highman Family S/F A/C) | 1,734,951              | 1.906         |
| RHC Superfund Pty Ltd (RHC Superannuation Fund A/C)                               | 1,553,575              | 1.707         |
| Mr Gary Brian Stone & Mrs Janis Ann Stone   | 1,120,000              | 1.231         |
| Sonhill Investments Pty Ltd (The Sonhill Family A/C)                              | 1,000,003              | 1.099         |
| Deanmount Pty Ltd (J R Jackson S/F A/C)   | 1,000,000              | 1.099         |
| Mr Phillip Reginald Campling & Mrs Sandra Kaye Morton                             | 977,000                | 1.074         |
| Mr Carl Johan Anders Rohlin   | 974,100                | 1.070         |
| Ozzybear Pty Ltd (Howlett Super Fund A?C)   | 830,000                | 0.912         |
| Mr Philip Bickley Callard   | 795,684                | 0.874         |
| Sudden Impact Realty Pty Ltd (The Parcels A/C)                                    | 750,000                | 0.824         |
| Duck Holdings Pty Ltd (Duck Account)  | 742,668                | 0.816         |
| Mrs Patricia Mary Boero   | 725,829                | 0.798         |
| BNP Paribas Nominees Pty :Ltd (IB Au Noms RetailClient DRP)                       | 677,788                | 0.745         |
| FNQ Contracting Service Pty Ltd   | 666,668                | 0.733         |
| <b>Totals for Top 20</b>  | <b>54,992,931</b>      | <b>60.427</b> |
| <b>TOTAL SHARES</b>   | <b>91,007,472</b>      |               |

## **DIRECTORS' REPORT**

Your directors present their report on the company for the financial year ended 30 June 2017.

### **Directors**

The names of directors in office at any time during or since the end of the year are:

Donald J Channer  
Christopher J Bishop  
Craig Cameron (25 November 2016 to present)  
Robert Krakowiak (1 July 2016 to 25 November 2016)  
Patricia M Boero (Alternate for Mr D J Channer)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **Company Secretary**

Mrs Patricia Boero has held the position of company secretary for the period since the start of the financial year.

### **Principal Activities**

The principal activities of the company during the year have been the continuing liaison with Shanghai Sol-Millennium Medical Products Co., Ltd on the Blood Collection Device and the Flash Back Needle, the progressing and maintenance of patents and the review and investigation of new technologies and opportunities for Medigard Ltd.

### **Operating Results**

The operating loss of the company after providing for income tax is \$122,690. (2016: \$81,020 profit)

### **Dividends Paid or Recommended**

No dividends were paid or declared for payment during the financial year and up until the date of this report.

## **REVIEW OF OPERATIONS**

### **Research and Development**

Due to cash flow restraints, research and development during this year has been limited to the review and update of Medigard Ltd's existing products.

### **Financial Position**

The net assets liabilities of the company have increased from (\$602,178) at 30 June 2016 to (\$724,868) at 30 June 2017. This increase has resulted from the loss derived during the financial year.

### **Future Developments, Prospects and Business Strategies**

The distribution channels for the Blood Collection Device are growing and it is planned that the Blood Flash Needle will soon be commercialized and bundled with the Blood Collection Device.

The company is negotiating for the addition of some new technology into its portfolio. The Board is committed that any such investment will be consistent with Medigard's mandate to improve the health and safety of all. If the board, after due diligence agrees to proceed, a capital raising will be announced.

### **Significant Changes in State of Affairs**

There are no significant changes in state of affairs.

### **After Balance Date Events**

There are no significant after balance date events.

### **Environmental Issues**

All products have as their core philosophy 'the protection of the community', to the extent that the medical and social environments are rendered safer as a consequence of the subject medical instruments. This tenet extends to all pursuits of the company.

There is no specific environmental regulation under a law of the Commonwealth or of a State or Territory that applies to the Company.

### **Information on Directors**

|                                |  |
|--------------------------------|--|
| <b>DJ CHANNER</b>              | Chairman Non-executive   |
| Qualifications                 | Bachelor of Engineering (University of Queensland)   |
| Experience                     | Appointed Chairman at incorporation. He has been involved in many private companies as both director and chairman.   |
| Interest in Shares and Options | 27,117,692 ordinary shares in Medigard Limited and 4,566,004 shares held by an associated entity Sun Sea Pty Ltd as trustee for the Sun Sea Investment Trust. No options are held. |
| Special Responsibilities       | Member of the Nomination and Remuneration Committee<br>Member of the Finance Committee   |
| Other Directorships            | No directorships of other listed entities within last three years  |

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

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|                                |  |
|--------------------------------|--|
| <b>C J BISHOP</b>              | Non-executive Director   |
| Qualifications                 | Bachelor of Science (University of Auckland)<br>Doctor of Philosophy (University of Queensland)  |
| Experience                     | Significant experience in the development and manufacture of sophisticated electronic products including medical instruments.  |
| Interest in Shares and Options | 283,334 ordinary shares in Medigard Limited. No options are held.  |
| Special Responsibilities       | Chairman of the Audit and Risk Committee<br>Chairman of the Nomination and Remuneration Committee<br>Chairman of the Finance Committee   |
| Other Directorships            | No directorships of other listed entities within last three years  |
| <b>R S KRAKOWIAK</b>           | Non-executive Director   |
| Qualifications                 | No tertiary qualifications   |
| Experience                     | More than 35 years sales and marketing and business management experience to GM & CEO level including 30 years in the healthcare products & services industry.   |
| Interest in Shares and Options | No shares or options are held.   |
| Special Responsibilities       | Member of the Nomination and Remuneration Committee<br>Member of the Audit and Risk Committee  |
| Other Directorships            | No directorships of other listed entities within last three years  |
| <b>C D CAMERON</b>             | Non-executive Director   |
| Qualifications                 | Bachelor of Engineering (Civil) (University of Queensland)   |
| Experience                     | Craig has almost 30 years' CEO and board experience in a broad range of industries working in the USA, Canada, Japan, Australia, New Zealand and the UK running start-ups, turnarounds and mature businesses in IT services, nutraceuticals, information technology, communications, healthcare, green tech and clean technology industries. |
| Interest in Shares and Options | No shares or options are held.   |
| Special Responsibilities       | Member of the Nomination and Remuneration Committee<br>Member of the Audit and Risk Committee  |
| Other Directorships            | No directorships of other listed entities within last three years  |
| <b>P M BOERO</b>               | Alternate director for D J Channer (Non-executive), Company Secretary  |
| Qualifications                 | Bachelor of Business (University of Central Queensland)<br>FCA (Australia)   |

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

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|                                |   |
|--------------------------------|---|
| Experience                     | Over 30 years experience in accounting and financial services across a broad range of industries.                                       |
| Interest in Shares and Options | 725,829 ordinary shares in Medigard Limited and 50,000 shares held by an associated entity The Boero Family Trust. No options are held. |
| Special Responsibilities       | Member of the Audit and Risk Committee  |
| Other Directorships            | No directorships of other listed entities within last three years   |

## **REMUNERATION REPORT (AUDITED)**

This report details the nature and amount of remuneration for the key management personnel of Medigard during the financial year. The key management personnel consists of the directors only.

### **Remuneration Policy**

The remuneration policy of Medigard Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives. The board of Medigard Limited believes the remuneration to be appropriate for the current stage of the company's development.

The directors are entitled to receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are to be valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

Given the limited cash reserves of the company, the Directors have forfeited fees for the period from March 2012 to the date of this report, while the Company Secretary has forfeited fees since June 2014.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at the Annual General Meeting.

The remuneration policy is designed to recognise effort of directors, key personnel and consultants. It is not linked directly to the current financial performance of the company. No remuneration for current or prior year is performance based.

### **Company Performance**

|                                   | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue                           | \$6,645     | \$1,094     | \$2,200     | \$335,494   | \$192,095   |
| Net profit/(loss)                 | (\$322,223) | (\$326,743) | (\$585,260) | 81,020      | (\$122,690) |
| Change in share price at year end | 1.5c        | (.03c)      | .052        | .09c        | (.027c)     |
| Dividends paid per share          | -           | -           | -           | -           | -           |

**Details of remuneration for year ended 30 June 2017**

The remuneration for the key management personnel of the company was as follows –

**2017**

|             | Short Term<br>Benefits | Post Employ-<br>ment Benefits | Share Based<br>Payment | Total | % share based<br>payments |
|-------------|------------------------|-------------------------------|------------------------|-------|---------------------------|
| Director    | Cash Salary            | Super-<br>annuation           | Equity<br>Settled      |       |                           |
|             | \$                     | \$                            | \$                     | \$    |                           |
| D J Channer | -                      | -                             | -                      | -     | -                         |
| C J Bishop  | -                      | -                             | -                      | -     | -                         |
| R Krakowiak | -                      | -                             | -                      | -     | -                         |
| C D Cameron | -                      | -                             | -                      | -     | -                         |
| P M Boero   | -                      | -                             | -                      | -     | -                         |
|             | -                      | -                             | -                      | -     | -                         |

The Cash Salary is less than the amounts specified in service agreements as Mr Channer, Mr Krakowiak and Dr Bishop have not drawn fees for the period since March 2012 and Mrs Boero has not drawn fees since June 2014. No further amounts have been accrued.

**2016**

|             |   |   |   |   |   |
|-------------|---|---|---|---|---|
| D J Channer | - | - | - | - | - |
| C J Bishop  | - | - | - | - | - |
| R Krakowiak | - | - | - | - | - |
| P M Boero   | - | - | - | - | - |
|             | - | - | - | - | - |

**Other Key Management Personnel**

There were no other Key Management Personnel.

No remuneration for current or previous year is performance related.

**Service Agreements**

Service agreements entered into with key management personnel do not provide for pre-determined compensation values or the manner of payment. Compensation is determined in accordance with the general remuneration policy outlined above. The manner of payment is determined on a case by case basis and is generally a mix of cash and non-cash benefits as considered appropriate by the Nomination and Remuneration Committee.



It is the Company's policy that service contracts for key management personnel are unlimited in term but capable of termination on one month's notice. The Company retains the right to terminate the contract immediately by making payment equal to one month's pay in lieu of notice.

**D J Channer**

|                     |  |
|---------------------|--|
| Contract term       | Ongoing  |
| Base salary         | \$44,000 plus superannuation* – to be reviewed annually by the Nomination and Remuneration Committee |
| Termination payment | Payment on early termination is equal to one month's salary  |

**C J Bishop**

|                     |  |
|---------------------|--|
| Contract term       | Ongoing  |
| Base salary         | \$25,000 plus superannuation* – to be reviewed annually by the Nomination and Remuneration Committee |
| Termination payment | Payment on early termination is equal to one month's salary  |

**R S Krakowiak**

|                     |  |
|---------------------|--|
| Contract term       | Ongoing  |
| Base salary         | \$25,000 plus superannuation* – to be reviewed annually by the Nomination and Remuneration Committee |
| Termination payment | Payment on early termination is equal to one month's salary  |

**C D Cameron**

|                     |  |
|---------------------|--|
| Contract term       | Ongoing  |
| Base salary         | \$25,000 plus superannuation* - to be reviewed annually by the Nomination and Remuneration Committee |
| Termination payment | Payment on early termination is equal to one month's salary  |

**P M Boero**

|                     |  |
|---------------------|--|
| Contract term       | Ongoing  |
| Base salary         | \$62,400* – to be reviewed annually by the Nomination and Remuneration Committee |
| Termination payment | Payment on early termination is equal to one month's salary                      |

\*Due to the fact that key management personnel have forfeited their fees during the year no meetings of the Nomination and Remuneration Committee were held.

**Additional disclosures relating to Key Management Personnel**

**Shareholding**

|                | <b>Balance<br/>1.7.2016</b> | <b>Granted as<br/>Compen-<br/>sation</b> | <b>Options<br/>Exercised</b> | <b>Net Change<br/>Other</b> | <b>Balance<br/>30.06.2017</b> |
|----------------|-----------------------------|--|------------------------------|-----------------------------|-------------------------------|
| Mr D J Channer | 31,683,696                  | -  | -                            | -                           | 31,683,696                    |
| Dr C J Bishop  | 283,334                     | -  | -                            | -                           | 283,334                       |
| Mrs P M Boero  | 775,829                     | -  | -                            | -                           | 775,829                       |
| Mr R Krakowiak | -                           | -  | -                            | -                           | -                             |
|                | <b>32,742,859</b>           | <b>-</b>                                 | <b>-</b>                     | <b>-</b>                    | <b>32,742,859</b>             |

**Option Holding**

There were no options over ordinary shares in the company held during the financial year.

**Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.

All fees payable to key management personnel for services rendered have been disclosed in the Remuneration Report included in the Directors' Report.

| Transactions with related parties   | <b>2017<br/>\$</b> | <b>2016<br/>\$</b> |
|---|--------------------|--------------------|
| Director related entities   |                    |                    |
| Office rental payable to Channer Hook Unit Trust of which Donald Channer is a trustee | 9,750              | 9,750              |
| Interest bearing loan from Vestcare Pty Ltd of which Donald Channer is a director     | 100,000            | 100,000            |
| Accrued interest payable to Vestcare Pty Ltd  | 27,092             | 17,937             |
| Director  |                    |                    |
| Interest bearing loan from Donald Channer   | 100,000            | 100,000            |
| Accrued interest payable to Donald Channer  | 30,758             | 21,338             |

The interest charged on both loans is 7.5%. There is no repayment date on the loans.

**This is the end of the remuneration report which has been audited.**

## Meetings of Directors

During the financial year, five meetings of directors were held. Two committee meetings were held during that time. Attendances by each director during the year were:

| Directors     | Director's Meetings       |                 | Committee Meetings        |                 |                           |                 |                           |                 |
|---------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
|               |                           |                 | Audit & Risk              |                 | Finance                   |                 | Nomination & Remuneration |                 |
|               | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| D J Channer   | 5                         | 4               | 0                         | 0               | 0                         | 0               | 0                         | 0               |
| C J Bishop    | 5                         | 5               | 2                         | 2               | 0                         | 0               | 0                         | 0               |
| R S Krakowiak | 2                         | 2               | 1                         | 1               | 0                         | 0               | 0                         | 0               |
| C D Cameron   | 3                         | 3               | 1                         | 1               | 0                         | 0               | 0                         | 0               |
| P M Boero*    | 5                         | 5               | 2                         | 2               | 0                         | 0               | 0                         | 0               |

\*in capacity as Company Secretary

## Indemnity and insurance of officers

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company:

Donald J Channer  
Christopher J Bishop  
Robert S Krakowiak  
Craig D Cameron  
Patricia M Boero

The total premium paid was \$17,165 (2016: \$17,090).

The company has not indemnified nor insured the auditors.

## Options

As at the date of this report there are no options over ordinary shares or interests of Medigard Limited outstanding.

No options were granted during or since the end of the financial year.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

There were no shares issued as a result of the exercise of an option over unissued shares or interests during the year.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

**Non-audit Services**

No fees were paid to the external auditors for non-audit services during the year ended 30 June 2017.

**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on the following page.

A handwritten signature in black ink, appearing to read 'Donald Channer', with a stylized flourish at the end.

Signed in accordance with a resolution of the Board of Directors

Director            Donald Channer

Date                29 September 2017

## MEDIGARD LIMITED

ABN 49 090 003 044

### AUDITOR'S INDEPENDENCE DECLARATION



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GPO Box 457 Brisbane QLD 4001  
Australia

#### DECLARATION OF INDEPENDENCE BY A J WHYTE TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'A J Whyte', written over a circular scribble.

**A J Whyte**  
Director

**BDO Audit Pty Ltd**

Brisbane, 29 September 2017

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2017**

|  |   | 2017      | 2016      |
|--|---|-----------|-----------|
|  |   | \$        | \$        |
| Revenue  | 2 | 65,295    | 44,236    |
| Other income   | 3 | 126,800   | 291,258   |
| Depreciation and amortisation expense                | 4 | (18,571)  | (18,980)  |
| Finance costs  | 4 | (25,981)  | (27,407)  |
| Other expenses                                       | 4 | (270,233) | (208,087) |
| Loss before income tax expense                       |   | (122,690) | 81,020    |
| Income tax expense                                   | 5 | -         | -         |
| Net Loss for the year after income tax expense       |   | (122,690) | 81,020    |
| Other Comprehensive Income, net of tax               |   | -         | -         |
| Total Comprehensive Income                           |   | (122,690) | 81,020    |
| Basic & diluted earnings per share (cents per share) | 8 | (.13)     | .09       |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Notes to the financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

|  |    | 2017        | 2016        |
|--|----|-------------|-------------|
|  |    | \$          | \$          |
| CURRENT ASSETS   |    |             |             |
| Cash and cash equivalents                              | 9  | 78,721      | 261,678     |
| Trade and other receivables                            | 10 | 50,880      | 8,070       |
| Other current assets                                   | 11 | 5,953       | 6,095       |
| TOTAL CURRENT ASSETS                                   |    | 135,554     | 275,843     |
| NON-CURRENT ASSETS                                     |    |             |             |
| Property, plant and equipment                          | 12 | 5,094       | 6,480       |
| Intangible assets                                      | 13 | 40,904      | 58,089      |
| Other non-current assets                               | 14 | 10,560      | 10,560      |
| TOTAL NON-CURRENT ASSETS                               |    | 56,558      | 75,129      |
| TOTAL ASSETS   |    | 192,112     | 350,972     |
| CURRENT LIABILITIES                                    |    |             |             |
| Trade and other payables                               | 15 | 79,258      | 19,736      |
| Borrowings   | 16 | 257,850     | 239,275     |
| Convertible notes at fair value through profit or loss | 17 | 361,337     | -           |
| TOTAL CURRENT LIABILITIES                              |    | 698,445     | 259,011     |
| NON CURRENT LIAIBILITIES                               |    |             |             |
| Convertible notes at fair value through profit or loss | 17 | 218,535     | 475,553     |
| Borrowings   | 16 | -           | 218,586     |
| TOTAL NON CURRENT LIABILITIES                          |    | 218,535     | 694,139     |
| TOTAL LIABILITIES                                      |    | 916,980     | 953,150     |
| NET ASSETS   |    | (724,868)   | (602,178)   |
| EQUITY   |    |             |             |
| Issued capital   | 18 | 4,953,560   | 4,953,560   |
| Accumulated losses                                     |    | (5,678,428) | (5,555,738) |
| TOTAL EQUITY   |    | (724,868)   | (602,178)   |

The above Statement of Financial Position should be read in conjunction with the Notes to the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDING 30 JUNE 2017**

|   | 2017          | 2016      |
|---|---------------|-----------|
|   | \$            | \$        |
| CASH FLOWS FROM OPERATING ACTIVITIES                |               |           |
| Receipts from customers                             | 28,573        | 36,253    |
| Payments to suppliers and employees                 | (227,662)     | (259,409) |
| GST refunded  | 9,986         | 15,533    |
| Interest received                                   | 1,019         | 976       |
| Interest paid                                       | -             | (298)     |
| Net cash used in operating activities               | 22a (188,084) | (206,945) |
| CASH FLOWS FROM INVESTING ACTIVITIES                |               |           |
| Proceeds from investments                           | 5,127         | 149,450   |
| Purchase of property, plant and equipment           | -             | -         |
| Net cash provided by (used in) investing activities | 5,127         | 149,450   |
| CASH FLOWS FROM FINANCING ACTIVITIES                |               |           |
| Proceeds of borrowings and Convertible note issue   | -             | 208,760   |
| Repayment of borrowings                             | -             | (53,694)  |
| Net cash provided by financing activities           | -             | 155,066   |
| Net increase/(decrease) in cash held                | (182,957)     | 97,571    |
| Cash at 1 July 2016                                 | 261,678       | 164,107   |
| Cash at 30 June 2017                                | 9 78,721      | 261,678   |

The above Statement of Cash Flows should be read in conjunction with the Notes to the financial statements.



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2017**

|  | Issued Capital   | Accumulated<br>Losses | Total Equity     |
|--|------------------|-----------------------|------------------|
|  | \$               | \$                    | \$               |
| As at July 2015                        | 4,953,560        | (5,636,758)           | (683,198)        |
| Loss for the Year                      | -                | 81,020                | 81,020           |
| Other comprehensive income, net of tax | -                | -                     | -                |
| Total comprehensive income             | -                | 81,020                | 81,020           |
| Transfer to/from Reserve               | -                | -                     | -                |
| At 30 June 2016                        | <b>4,953,560</b> | <b>(5,555,738)</b>    | <b>(602,178)</b> |
| Profit for the Year                    | -                | (122,690)             | (122,690)        |
| Other comprehensive income, net of tax | -                | -                     | -                |
| Total comprehensive income             | -                | (122,690)             | (122,690)        |
| Transfer to/from Reserve               | -                | -                     | -                |
| <b>At 30 June 2017</b>                 | <b>4,953,560</b> | <b>(5,678,428)</b>    | <b>(724,868)</b> |

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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**NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements cover Medigard Limited as an individual company. Medigard Limited is a listed public company, incorporated and domiciled in Australia. The financial statements were authorised for issue in accordance with a resolution of the directors on 29 September 2017.

Medigard Limited is a for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in the Australian currency.

**Basis of Preparation**

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements also comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, except for the convertible notes which are measured at fair value.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**Going Concern**

The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial report, the Company had net asset deficiency of \$724,868 and had net operating cash outflows of \$188,084 for the year ended 30 June 2017. As at 30 June 2017 the Company has cash of \$78,721.

The ability of the Company to continue as a going concern is principally dependent upon one or more of the following:

- deriving future cash flows from royalty income from the sale of blood collection devices;
- continued support of Sol-Millennium Medical Products as the holder of the convertible notes;
- the ability of the Company to raise further capital as required;
- the continued support from a major shareholder and director.

These conditions give rise to material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

- the Company is in the advanced stages of negotiating an extension to the maturity date of the convertible notes to January 2019;
- commitments have been received for \$250,000 placement for continuing working capital;
- The Company received royalties of \$64,276 during the year; and
- the Company continues to receive support from a major shareholder and director.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Company not be able to achieve the matters set out above and thus be able to continue as a going concern.

## **Accounting Policies**

### **a Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

### **b Plant and Equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

### **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

|                     |           |
|---------------------|-----------|
| Plant and equipment | 20% - 40% |
|---------------------|-----------|

## **c Financial Instruments**

### **Recognition**

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

### **Loans and receivables**

Loans and receivables are non-derivative financial instruments. Subsequent to initial recognition, they are recognised at amortised cost using the effective interest method less provision for impairment.

### **Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

## **d Fair Value**

Fair value is determined based on current bid prices for all quoted investments and pricing models for unlisted instruments. Valuation techniques are applied to determine the fair value for all unlisted instruments, including recent arm's length transactions, reference to similar instruments and option pricing models.

## **e Intangibles**

### **Patents and Trademarks**

Patents and trademarks are recognised in the accounts at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised on a straight line basis over the term of the patent or trademark being ten years.

### **Research and Development Expenditure**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

**f Cash and Cash Equivalents**

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**g Revenue**

Interest revenue is recognised using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

**h Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to profit or loss on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the term.

**i Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**j Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**k Impairment of Assets**

At the end of each reporting period the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate

that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

**l Earnings Per Share**

Earnings per share is calculated by dividing the profit (loss) attributable to members of Medigard Ltd by the weighted average number of ordinary shares outstanding during the financial year.

**m Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and have seven to 30 day payment terms. They are measured initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**n Convertible notes at fair value through profit or loss**

Convertible Notes can be settled, at the option of the note holder, by making a cash payment to the note holder or by the issue of shares. The liability and embedded derivative components of the convertible note are initially measured at fair value and are subsequently measured at fair value through profit or loss at the end of each reporting period.

**o New and amended standards and interpretations**

The Company has adopted all of the new, revised or amended accounting standards and interpretations that are mandatory for this financial year.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

**p New standards and interpretations issued but not yet effective**

Australian Accounting Standards (including IFRS not yet issued as Australian Accounting Standards) that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2016.

*IFRS 15 Revenue from Contracts with Customers*

This standard establishes a single revenue recognition framework and supersedes *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *Interpretation 13 Customer Loyalty Programmes*, *Interpretation 15 Agreements for the Construction of Real Estate*, *Interpretation 18 Transfers of Assets from Customers*, and *Interpretation 131 Revenue – Barter Transaction Involving Advertising Services*. This standard is applicable to annual reporting periods beginning on or after 1 January 2018, with early adoption permitted once approved by the AASB in Australia. Under the new standard, an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to

be entitled in exchange for those goods or services. Hence, the revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently in IAS 18 Revenue. This new standard requires the use of either method using retrospective application to each reporting period in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospective application with the cumulative effect of initially applying IFRS 15 recognised directly in equity. The Company is currently assessing the impact of this standard.

**q Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**r Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Fair value measurement hierarchy*

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

|  | 2017<br>\$     | 2016<br>\$     |
|--|----------------|----------------|
| <b>NOTE 2 REVENUE AND OTHER INCOME</b>                   |                |                |
| Revenue  |                |                |
| - Interest received – cash at bank                       | 1,019          | 976            |
| - Royalties received                                     | 64,276         | 43,260         |
|  | <b>65,295</b>  | <b>44,236</b>  |
| <b>NOTE 3 OTHER INCOME</b>                               |                |                |
| Fair value gain on convertible notes                     | 121,673        | 141,808        |
| Capital recoveries on investments previously written off | 5,127          | 149,450        |
|  | <b>126,800</b> | <b>291,258</b> |
| <b>NOTE 4 LOSS FOR THE YEAR</b>                          |                |                |
| <b>Expenses</b>  |                |                |
| Depreciation of non-current assets                       |                |                |
| - Plant and equipment                                    | 1,386          | 1,794          |
| Total depreciation                                       | 1,386          | 1,794          |
| Amortisation of non-current assets                       |                |                |
| - Patents and trademarks                                 | 17,185         | 17,186         |
| Total amortisation                                       | 17,185         | 17,186         |
| Total depreciation and amortisation                      | <b>18,571</b>  | <b>18,980</b>  |
| Finance costs – interest on loans                        | <b>25,981</b>  | <b>27,407</b>  |
| Rental expense – minimum lease payments                  | 9,750          | 9,750          |
| Research and development costs                           | 5,040          | -              |
| Fees & permits   | 27,657         | 34,251         |
| Audit fees   | 26,719         | 28,088         |
| Legal fees   | 71,253         | 18,900         |
| Patent applications and maintenance                      | 77,096         | 80,175         |
| Other expenses   | 52,718         | 36,923         |
|  | <b>270,233</b> | <b>208,087</b> |



|   | 2017<br>\$ | 2016<br>\$ |
|---|------------|------------|
| <b>NOTE 5 INCOME TAX</b>  |            |            |
| The prima facie tax on loss before income is reconciled to the income tax as follows:                                 |            |            |
| Prima facie tax benefit on loss (tax payable on profit) from ordinary activities before income tax at 30% (2015: 30%) | 36,807     | (24,306)   |
| Tax effect of non-deductible/non taxable items  | 36,502     | 42,545     |
| Income tax credit attributable to company   | 73,309     | 18,239     |
| Tax losses not recognised as asset  | (73,309)   | (18,239)   |
| Income Tax Expense  | -          | -          |
| <b>Unrecognised deferred tax assets</b>   |            |            |
| Unrecognised tax losses and temporary differences   | 3,854,301  | 3,610,346  |
| Deferred tax assets not taken up at 30% (2015:30%)  | 1,156,290  | 1,083,104  |

There are no franking credits available

**NOTE 6 KEY MANAGEMENT PERSONNEL**

**Compensation**

|                              |   |   |
|------------------------------|---|---|
| Short term employee benefits | - | - |
| Post-employment benefits     | - | - |
|                              | - | - |

**NOTE 7 AUDITOR'S REMUNERATION**

Remuneration of the auditor of the company for:

|  |        |        |
|--|--------|--------|
| - Auditing or reviewing the financial statements | 26,719 | 28,088 |
| - Other services                                 | -      | -      |
|  | 26,719 | 28,088 |

|   | 2017       | 2016       |
|---|------------|------------|
|   | \$         | \$         |
| <b>NOTE 8 EARNINGS PER SHARE</b>  |            |            |
| <b>a. Reconciliation of Earnings to Net Loss</b>  |            |            |
| Net Profit (Loss)   | (122,690)  | 81,020     |
| Earnings used in the calculation of basic and diluted EPS   | (122,690)  | 81,020     |
| <b>b. Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS</b> |            |            |
|   | 91,007,472 | 91,007,472 |

Options could potentially dilute basic earnings per share in the future however are not included as there were no options on issue.

**NOTE 9 CASH AND CASH EQUIVALENTS**

|              |        |         |
|--------------|--------|---------|
| Cash at bank | 78,721 | 261,678 |
|              | 78,721 | 261,678 |

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position

|              |        |         |
|--------------|--------|---------|
| Cash         | 78,721 | 251,558 |
| Term Deposit | -      | 10,120  |
| Total Cash   | 78,721 | 261,678 |

The effective interest rate on short-term bank deposits was 2.0% (2016: 2.0%).

**NOTE 10 RECEIVABLES**

CURRENT

|                     |        |       |
|---------------------|--------|-------|
| Short Term Deposits | 200    | 200   |
| Trade Debtors       | 47,399 | 7,007 |
| Other Debtors       | 3,281  | 863   |
|                     | 50,880 | 8,070 |

The trade debtor balance at 30 June 2017 is due from the holder of the convertible notes. Subsequent to balance date, an agreement was reached with the convertible note holder whereby the trade debtor balance was offset against the convertible note.

|   | 2017          | 2016          |
|---|---------------|---------------|
|   | \$            | \$            |
| <b>NOTE 11 OTHER CURRENT ASSETS</b>             |               |               |
| Prepayments                                     | 5,953         | 6,095         |
|   | <u>5,953</u>  | <u>6,095</u>  |
| <br><b>NOTE 12 PROPERTY PLANT AND EQUIPMENT</b> |               |               |
| Plant and Equipment – at cost                   | 68,184        | 68,184        |
| Accumulated depreciation                        | (63,090)      | (61,704)      |
| Carrying amount                                 | <u>5,094</u>  | <u>6,480</u>  |
| <br>Balance at beginning of the year            | 6,480         | 8,274         |
| Additions – at cost                             | -             | -             |
| Disposal  | -             | -             |
| Depreciation                                    | (1,386)       | (1,794)       |
| Carrying amount at the end of the year          | <u>5,094</u>  | <u>6,480</u>  |
| <br><b>NOTE 13 INTANGIBLE ASSETS</b>            |               |               |
| Patents, and trademarks – at cost               | 319,453       | 319,453       |
| Accumulated amortisation                        | (278,549)     | (261,364)     |
|   | <u>40,904</u> | <u>58,089</u> |
| <br>Balance at beginning of year                | 58,089        | 75,275        |
| Amortisation                                    | (17,185)      | (17,186)      |
| Carrying amount at the end of the year          | <u>40,904</u> | <u>58,089</u> |
| <br><b>NOTE 14 OTHER NON-CURRENT ASSETS</b>     |               |               |
| Capitalised Development Expenditure – at cost   | 10,560        | 10,560        |
| Accumulated Amortisation                        | -             | -             |
|   | <u>10,560</u> | <u>10,560</u> |

**MEDIGARD LIMITED**  
**ABN 49 090 003 044**

|   | 2017          | 2016          |
|---|---------------|---------------|
|   | \$            | \$            |
| <b>NOTE 15 TRADE AND OTHER PAYABLES</b> |               |               |
| CURRENT                                 |               |               |
| Unsecured Liabilities                   |               |               |
| Trade Creditors                         | 17,320        | 1,236         |
| Sundry Creditors and Accrued Expenses   | 61,938        | 18,500        |
|   | <u>79,258</u> | <u>19,736</u> |

**NOTE 16 BORROWINGS**

CURRENT

|   |                |                |
|---|----------------|----------------|
| Unsecured loans provided by a director and an associated entity of the director | 257,850        | 239,275        |
|   | <u>257,850</u> | <u>239,275</u> |

Refer also to Note 24 for related party transactions

NON CURRENT

|   |          |                |
|---|----------|----------------|
| Loans provided by Sol Millennium medical HK Limited | -        | 218,586        |
|   | <u>-</u> | <u>218,586</u> |

**NOTE 17 CONVERTIBLE NOTES**

|  |                |                |
|--|----------------|----------------|
| Convertible notes at fair value through Profit or Loss maturing 28 July 2017   | 361,337        | 475,553        |
| Convertible notes at fair value through Profit or Loss maturing 8 January 2019 | 218,535        | -              |
|  | <u>579,872</u> | <u>475,553</u> |

On 13 August 2014 Medigard Ltd issued a convertible note for \$100,000, and on 9 January 2015 a further convertible note for \$200,000 was issued. The notes have a maturity date of 28 July 2017 with an interest rate of 8% compounding daily. The notes are unsecured and are redeemable 24 months after issue. The notes can be converted into shares at an issue price which is the lower of \$0.05 and a price equal to the 30 day VWAP of the shares provided this is not less than \$0.025. On 25 November 2016, debt funding plus accrued interest of \$225,992 was converted to convertible notes on the same terms and conditions as the existing convertible notes, with a maturity date of 8 January 2019.

### Valuation Technique

The value of the convertible note was determined as the sum of the debt and option component using standard debt valuation techniques and the Black Scholes option pricing model respectively. Key inputs to the valuation include

- A debt yield of 19.28%
- Share price at 30 June 2017 \$0.011
- Volatility of 150%
- Risk free rate of 1.59%

### Fair Value Movement

During this financial year a fair value gain was recorded of \$121,673 based on a valuation of the notes at 30 June 2017. (Refer Note 3).

### Sensitivity to Valuation inputs

Sensitivity of unobservable inputs are as follows

- Volatility
  - A 25% increase in volatility would increase the fair value by \$8,606
  - A 25% decrease in volatility would decrease the fair value by \$7,304

### NOTE 18 ISSUED CAPITAL

#### a. Shares

91,007,472 (2016: 91,007,472) fully paid ordinary shares

| <b>2017</b> | <b>2016</b> |
|-------------|-------------|
| \$          | \$          |

|           |           |
|-----------|-----------|
| 4,953,560 | 4,953,560 |
|-----------|-----------|

|           |           |
|-----------|-----------|
| 4,953,560 | 4,953,560 |
|-----------|-----------|

| <b>2017</b>   | <b>2016</b>   |
|---------------|---------------|
| <b>Number</b> | <b>Number</b> |

At the beginning of the reporting period

|            |            |
|------------|------------|
| 91,007,472 | 91,007,472 |
|------------|------------|

Ordinary shares issued during the

|   |   |
|---|---|
| - | - |
|---|---|

year

Options exercised

|   |   |
|---|---|
| - | - |
|---|---|

At reporting date

|            |            |
|------------|------------|
| 91,007,472 | 91,007,472 |
|------------|------------|

| <b>2017</b> | <b>2016</b> |
|-------------|-------------|
| \$          | \$          |

At the beginning of the reporting period

|           |           |
|-----------|-----------|
| 4,953,560 | 4,953,560 |
|-----------|-----------|

Ordinary shares issued during the

|   |   |
|---|---|
| - | - |
|---|---|

year

|                   |                  |                  |
|-------------------|------------------|------------------|
| Options exercised | -                | -                |
| At reporting date | <u>4,953,560</u> | <u>4,953,560</u> |

All shares shall entitle the holder of those shares to receive dividends and confer upon the holder the right to vote at any general meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**b. Options**

As at 30 June 2017 there were no unissued ordinary shares of Medigard Limited under options (2016: no unissued ordinary shares under options).

**c. Capital Risk Management**

The company manages its capital to ensure that the company will be able to continue as a going concern and meet performance milestones set in the budget.

The company's overall strategy remains unchanged from previous years - to operate as a research and development company seeking alliances for commercialisation of its products.

The capital structure of the company consists of the funds raised from share issues, reserves less accumulated losses to date as disclosed in the statement of financial position.

The company is not subject to externally imposed capital requirements.

**NOTE 19 CAPITAL AND LEASING COMMITMENTS**

There are no capital or operating lease commitments. The property lease is month to month with rent payable monthly in advance.

**NOTE 20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent Liabilities**

The company has no known contingent liabilities.

**Contingent Assets**

The Company is expecting a further payment in respect of the failed investments with Lehman Bros. Based on advices from the liquidators, the final payment is estimated to be between \$26,000 and \$35,000.

**NOTE 21 SEGMENT REPORTING**

The company's sole operations are the development of innovative medical instruments wholly within Australia. Reports reviewed by the executive management committee (the chief operating decision maker) do not differ from that of the company as a whole. As such the company is considered one operating segment being research and development.

|  | 2017             | 2016             |
|--|------------------|------------------|
|  | \$               | \$               |
| <b>NOTE 22 CASH FLOW INFORMATION</b>   |                  |                  |
| <b>a. Reconciliation of Cash Flow from Operations with Loss after Income Tax</b> |                  |                  |
| Profit (Loss) after income tax   | (122,690)        | 81,020           |
| Non-cash flows in loss   |                  |                  |
| Amortisation   | 17,185           | 17,186           |
| Depreciation   | 1,386            | 1,794            |
| Interest accrued   | 25,981           | 27,109           |
| Fair Value Movement  | (121,673)        | (141,808)        |
| Capital recoveries   | (5,127)          | (149,450)        |
| Changes in operating assets and liabilities                                      |                  |                  |
| (Increase)/decrease in trade and other receivables                               | (42,811)         | (6,739)          |
| (Increase)/decrease in prepayments   | 142              | 2,490            |
| Increase/(decrease) in trade creditors and accruals                              | 59,523)          | (38,547)         |
| Cash flows from operations   | <b>(188,084)</b> | <b>(206,945)</b> |

**b. Non-cash Financing and Investing Activities**

There were no non-cash financing or investing activities

**Note 23 Events After Balance Sheet Date**

There are no significant events after balance sheet date.

**Note 24 Related Party Transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those otherwise available to other parties unless stated.

All fees payable to key management personnel for services rendered have been disclosed in the Remuneration Report included in the Directors' Report.

|   | 2017    | 2016    |
|---|---------|---------|
|   | \$      | \$      |
| Transactions with related parties   |         |         |
| Director related entities   |         |         |
| Office rental payable to Channer Hook Unit Trust of which Donald Channer is a trustee | 9,750   | 9,750   |
| Interest bearing loan from Vestcare Pty Ltd of which Donald Channer is a director     | 100,000 | 150,000 |
| Accrued interest payable to Vestcare Pty Ltd  | 27,092  | 17,937  |
| Director  |         |         |
| Interest bearing loan from Donald Channer   | 100,000 | 100,000 |
| Accrued interest payable to Donald Channer  | 30,758  | 21,338  |

The interest charged on both loans is 7.5%. There is no repayment date on the loans. The director has indicated he does not expect repayment of the balance loans within the next 12 months.

## **Note 25 Financial Risk Management**

The company's financial instruments include deposits with banks, trade and other receivables and payables, and borrowings.

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk (interest rate risk).

The company's risk management is carried out by the Directors and Company Secretary.

### **Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the company.

Credit risk arises principally from cash and cash equivalents, and receivables.

The objective of the company is to minimise risk of loss from credit risk exposure.

The entity has established a number of policies and processes to manage credit risk.

In respect of receivables, these include review of aging and follow up procedures.

The company's investment policy states that (1) only investment grade securities will form part of the portfolio (2) the lowest credit rating which can be purchased is BBB and (3) the portfolio will have an average investment grade of A. This policy has been set to limit the company's credit risk and maximise returns on investments.

All cash is held with the Commonwealth Bank of Australia.



The entity's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to 'Other Receivables', credit risk is measured by an assessment of the recoverability of the individual debtor.

### **Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The company has established a number of processes for managing liquidity risk. These include:

- Regularly monitoring the actual cash flows and longer term forecasted cash flows (against the cash flow budget)
- Monitoring financial assets held for liquidity.

### **Maturity Analysis**

Contractual cashflows from trade and other payables approximate their carrying amount. Trade and other payables are contractually due within 6 months of the end of the reporting period.

Contractual cashflows in relation to the convertible notes are detailed in Note 16.

The borrowings from a Director and a related party are payable at call.

### **Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

### **Interest Rate Risk**

The entity is not exposed to market risks other than interest rate risk.

The company's interest rate risk primarily relates to deposits held at banks. Refer Note 8.

The borrowings have a fixed interest rate of 7.5%, so there is no exposure to interest rate risk.

The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

The entity has established a number of policies and processes for managing interest risk rate. These include monitoring interest rate risk exposure continuously.

### Sensitivity Analysis

A change of 100 basis points (1%) in interest rates at reporting date would have increased /decreased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the prior year.

|              | Profit or Loss |        | Equity |        |
|--------------|----------------|--------|--------|--------|
|              | +1%            | -1%    | +1%    | -1%    |
| 30 June 2017 | 761            | -761   | 761    | -761   |
| 30 June 2016 | 2,617          | -2,617 | 2,617  | -2,617 |

### Fair Values

The carrying value of assets and liabilities as disclosed in the Statement of Financial Position approximate their fair value.

### Note 26 Company Details

The registered office of the company is:  
MEDIGARD LIMITED  
SUITE 14  
30 TEDDER AVENUE  
MAIN BEACH QLD 4217

The principal place of business is:  
MEDIGARD LIMITED  
SUITE 14  
30 TEDDER AVENUE  
MAIN BEACH QLD 4217

## **DIRECTOR'S DECLARATION**

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in pages 6 to 9 of the Directors' Report (as part of the audited Remuneration Report), for the year ended 30 June 2017, comply with section 300A of the Corporations Act 2001.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

Signed in accordance with a resolution of the Board of Directors:



Director            Donald Channer

Date                29 September 2017

## INDEPENDENT AUDITOR'S REPORT

To the members of Medigard Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Medigard Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Medigard Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Accounting for Convertible Loan Notes

| <i>Key audit matter</i>  | <i>How the matter was addressed in our audit</i>  |
|--|---|
| <p>Refer to Note 17 of the financial report.</p> <p>Accounting for convertible notes was considered a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the complexity involved in assessing whether to account for the notes as equity, a liability or a combination of both;</li> <li>measurement at initial recognition of the individual components of the liability based on the terms and conditions of the agreement and the significant judgement in determining the fair value of the separate components of the liability; and</li> <li>measurement subsequent to initial recognition including the fair value measurement at balance date.</li> </ul> | <p>We have evaluated the accounting for the convertibles notes in accordance with AASB 132: <i>Financial Instruments: Presentation</i> and AASB 139: <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>Obtaining an understanding of and assessing the terms and conditions of the convertible loan note agreement to determine if the convertible notes are to be accounted for as equity, a liability or a combination of both.</li> <li>Considering the appropriateness of the valuation methodology against the requirements of the relevant Australian Accounting Standard.</li> <li>Considering the reasonableness of the inputs to the valuation.</li> <li>Assessing the adequacy of the disclosures in accordance with the applicable accounting standards.</li> </ul> |

### Other information

The directors are responsible for the other information. The other information comprises the information contained in directors' report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 23 to 26 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Medigard Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO



**A J Whyte**

Director

Brisbane, 29 September 2017

# Corporate Directory

## **Directors and Executive**

Donald Julian Channer – Non-Executive Director  
Dr Christopher Jan Bishop – Non-Executive Director  
Craig Duncan Cameron – Non-Executive Director  
Patricia Mary Boero – Alternate Director, Company Secretary & Chief Financial Officer

## **Administration**

Medigard Limited  
Suite 14, 30 Tedder Avenue,  
Main Beach, Qld 4217

## **Solicitors**

Quinert Rodda & Associates  
Suite 1, Level 6, 50 Queen Street,  
Melbourne, VIC 3000

## **Independent Accountant and Auditor**

BDO Audit (Qld) Pty Ltd  
Level 18, 12 Creek Street,  
Brisbane Qld 4000

## **Share Registry**

Boardroom Pty Limited  
Level 12, 225 George Street,  
Sydney NSW 2000

## **Patent Attorney**

Cullen & Co  
Level 26, MLC Building, 239 George Street,  
Brisbane Qld 4000

## **Annual General Meeting**

The Annual General Meeting of Medigard Limited  
will be held on 30th day of November, 2017  
at Woodroffe Hotel, Cnr Garden & White Streets, Southport, commencing at 9.30am