

HALF-YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A

Name of entity

MEDIGARD LIMITED

ABN or equivalent reference #

49 090 003 044

Reporting Period

Half-year ended 31 December 2019

Previous corresponding period

Half-year ended 31 December 2018

The information contained in this report should be read in conjunction with the most recent annual financial report.

Contents	Item
Results for announcement to the market	1.
Net tangible assets per ordinary share	2.
Audit review report	3.

1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	down	100%	to	\$-
Profit (loss) from ordinary activities after Income tax	up	n/a	to	\$494,578
Net profit (loss) for the period attributable To members	up	n/a	to	\$494,578

Dividends per share

	Amount per share	Franked amount per Share
Final	0 cents	0 cents
Interim	0 cents	0 cents

It is intended that no dividends will be paid prior to the profitable commercialisation of Medigard's products.

Explanations

The company has not traded during the half-year ended 31 December 2019.

The result for the half-year was significantly impacted by the following gains:

- a profit of \$528,011 on the disposal of certain intellectual property as part of the final settlement of liability in respect of convertible notes which the Company had issued.
- reversal (forgiveness) of \$95,722 accrued interest previously accrued as payable on loans due to related parties

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA BACKING)

Current Period	Previous Corresponding Period
(0.0004)	(0.0060)

3. The **Audit review report** contains an emphasis of matter for material uncertainty relating to the Company's ability to continue as a going concern. Refer to Note 1 of the accounts and the Audit Review Report for further detail.



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MEDIGARD LIMITED

ABN 49 090 003 044

Directors' Report

Your directors present their report on the company for the half-year ended 31 December 2019.

Directors

The names of persons who were directors of Medigard Limited during the half-year and up to the date of this report are:

Christopher J Bishop
Donald J Channer
Craig D Cameron
Ian E Dixon
Patricia M Boero (Alternate for Mr D J Channer)

Review of Operations

A summary of the revenues and results are set out below:

	2019	2018
	\$	\$
Revenue / Other income	623,740	13,231
Expenses	(129,162)	(719,101)
Profit / (Loss) before income tax	494,578	(705,870)
Income tax expense	-	-
Net profit / (loss) after income tax	494,578	(705,870)

Comments on the operations and the results of those operations are set out below:

During the half-year the Company completed a transaction to cancel the convertible notes previously held by Shanghai Sol-Millennium Medical Products Co., Ltd and Sol-Millennium Medical HK Limited (collectively Sol-M).

The amount of \$615,000 which appeared as a current liability in the 30 June 2019 Financial Statements was extinguished in consideration for:

- the issue of 5,000,000 fully paid ordinary shares to Sol-M at a deemed issue price of \$0.014 per share;
- transfer of IP covered by a Licence Agreement from the Company held by Sol-M; and
- cancellation of that Licence Agreement and an associated purchase option.

The transaction resulted in a profit on disposal of \$528,011. This transaction was detailed in the Company's Annual report for the year ended 30 June 2019 on page 10, under "Matters subsequent to the end of the Financial Year" and in a prospectus issued by the Company on 4 September 2019.

Liabilities consisting of loans previously payable to related parties of \$546,070 were settled by reversal (forgiveness) of \$95,722 accrued interest on the loans and by the issue of 32,167,709 fully paid ordinary shares at a deemed issue price of \$0.014 per share, as approved by the Company's Annual General Meeting on 13 November 2019.

Matters subsequent to the end of the half-year

There were no matters subsequent to the end of the financial year requiring disclosure.

Auditor's Independence Declaration

A copy of the independence declaration by the auditor under section 307C of the Corporations Act 2001 is included on page 5 to this half-year financial report.

This report is made in accordance with a resolution of the Board of Directors and is signed for on behalf of the directors by:

A handwritten signature in black ink, appearing to read 'Dr Bishop', written in a cursive style.

Dr Christopher Bishop
Chairman

Dated: 27 February 2020

**MEDIGARD LIMITED
ABN 49 090 003 044**

Independent Auditor's Declaration of Independence



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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF MEDIGARD LIMITED

As lead auditor of Medigard Limited for the half-year ended 31 December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'D P Wright', is written over a light blue horizontal line.

D P Wright
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2020

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Profit or Loss & Other Comprehensive Income
For the Half-Year Ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue from contracts with customers		-	12,365
Other income	3,4	623,740	866
Convertible Note Fair Value Movement	4	-	(28,648)
Depreciation and amortisation expenses		(156)	(5,044)
Employee benefit expenses		(23,652)	(71,652)
Finance costs		(1,715)	(10,673)
Impairment of intangible asset		(10,560)	-
Share-based payment (Director's options)	5	-	(381,000)
Licence fees		-	(31,818)
Other expenses	6	(93,079)	(190,266)
		<hr/>	<hr/>
Profit / (loss) before income tax expense		494,578	(705,870)
Income tax expense		-	-
		<hr/>	<hr/>
Net profit / (loss) for the half-year after income tax expense		494,578	(705,870)
		<hr/>	<hr/>
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income for the half-year		494,578	(705,870)
		<hr/>	<hr/>
		Cents	Cents
Basic and diluted earnings per share		0.348	(0.522)

The above Statement of Profit or Loss & Other Comprehensive Income should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Financial Position
as at 31 December 2019

	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS		
Cash and cash equivalents	2,793	31,190
Trade and other receivables	3,253	9,204
Other current assets	9,031	22,675
TOTAL CURRENT ASSETS	15,077	63,069
NON-CURRENT ASSETS		
Property, plant and equipment	424	471
Intangible assets	-	17,097
Other non-current assets	-	10,560
TOTAL NON-CURRENT ASSETS	424	28,128
TOTAL ASSETS	15,501	91,197
CURRENT LIABILITIES		
Trade and other payables	41,217	41,379
Borrowings - unsecured loans	50,214	503,994
Convertible notes at fair value through profit or loss (Note 4)	-	615,000
TOTAL CURRENT LIABILITIES	91,431	1,160,373
TOTAL LIABILITIES	91,431	1,160,373
NET ASSETS	(75,930)	(1,069,176)
EQUITY		
Issued capital	6,306,664	5,807,996
Share-based payments reserve	270,000	270,000
Accumulated losses	(6,652,594)	(7,147,172)
TOTAL EQUITY	(75,930)	(1,069,176)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED
ABN 49 090 003 044

Statement of Cash Flows
For the Half-Year Ended 31 December 2019

	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	-	6,985
Payments to suppliers and employees	(124,285)	(341,868)
Interest received	7	600
Interest & other costs of finance	(1,714)	-
GST refunded	5,775	4,066
Net cash used in operating activities	<u>(120,217)</u>	<u>(330,217)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Costs of share issues	(12,180)	(2,516)
Proceeds of borrowings	104,000	-
Net cash provided by (used in) financing activities	<u>91,820</u>	<u>(2,516)</u>
NET INCREASE (DECREASE) IN CASH HELD	(28,397)	(332,733)
Net cash at beginning of period	31,190	376,927
NET CASH AT END OF PERIOD	<u>2,793</u>	<u>44,194</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

MEDIGARD LIMITED
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Statement of Changes in Equity
For the Half-Year Ended 31 December 2019

	Issued Capital	Share- based Payments Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2018	5,635,512	-	(6,293,076)	(657,564)
Comprehensive income				
Profit (loss) for the half-year	-	-	(705,870)	(705,870)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(705,870)	(705,870)
Transactions with owners, in their capacity as owners				
Shares issued (Note 7)	175,000	-	-	175,000
Issue of options to a Director (Note 5)	-	381,000	-	381,000
Transaction costs	(2,516)	-	-	(2,516)
Total transactions with owners	172,484	381,000	-	553,484
Balance at 31 December 2018	5,807,996	381,000	(6,998,946)	(809,950)
Balance at 1 July 2019	5,807,996	270,000	(7,147,172)	(1,069,176)
Comprehensive income				
Profit (loss) for the half-year	-	-	494,578	494,578
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	494,578	494,578
Transactions with owners, in their capacity as owners				
Shares issued (Note 7)	520,348	-	-	520,348
Transaction costs	(21,680)	-	-	(21,680)
Total transactions with owners	498,668	-	-	498,668
Balance at 31 December 2019	6,306,664	270,000	(6,652,594)	(75,930)

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

MEDIGARD LIMITED
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Notes to the Financial Statements
For the Half-Year Ended 31 December 2019

Note 1. Basis of Preparation of Half-Year Financial Statements

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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 statements, the Company had net asset deficiency of \$75,930 and had net operating cash outflows of \$120,217 for the half year ended 31 December 2019. As at 31 December 2019 the Company had cash of \$2,793.

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

- the ability of the Company to raise further funds as required;
- deriving future cash flows from the successful commercialisation of medical technologies and
- the continued support from a major shareholder and Directors.

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 intends to raise additional funds via loans and/ or equity as required to meet outgoings;
- the Company continues to receive support from a major shareholder and Directors.

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.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Medigard Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements except for the following:

Note 1 (continued) Basis of Preparation of Half-Year Financial Statements

The Company adopted AASB16 Leases from 1 July 2019 but its adoption has not impacted the financial statements as the Company's office space lease is a minimal \$5,400pa and the lease is month to month, consequently no adjustment has been made and the rental continues to be expensed monthly as incurred.

Note 2. Segment Information

The Company's operations are the development of innovative medical technologies 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.

Note 3 Other Income

	31 December 2019	31 December 2018
	\$	\$
Gain on disposal of assets	528,011	-
Interest payable forgiven	95,722	-
Interest received	7	600
Realised foreign exchange gains	-	266
Total other income	623,740	866

Note 4. Fair value measurement and gain on disposal of assets

In relation to the convertible notes on issue to Sol Millenium, which were recognised as a current liability at 30 June 2019 of \$615,000, settlement terms were agreed on 19 July 2019 and on 28 August 2019 the parties executed deeds to extinguish the Company's convertible note debt in exchange for;

- The transfer of all Intellectual Property ("IP") covered by an existing Licence Agreement with the note holders (IP covering items known as the blood collection device and blood flash needle) to the note holders or nominee;
- The issue of 5,000,000 fully paid ordinary shares to the note holders or nominee; and
- Cancellation of the Licence Agreement with the noteholder.

The transaction resulted in a gain on disposal of assets of \$528,011 representing the fair value of the liability extinguished of \$615,000 less;

- The fair value of shares issued of \$70,000 as per the contracted settlement, and
- The carrying value of the patents transferred of \$16,989 and the licence (nil).

Note 5. Share-based payments

During the previous half-yearly interim reporting period, on 31 July 2018 the Company, pursuant to shareholder approval, issued Executive Director Ian Dixon a total of 80,000,000 unlisted, non-transferable options to acquire shares in the Company as follows. The options vested immediately upon grant and the total expense was recognised in the profit or loss for the half-year ended 31 December 2018.

Quantity	Expiry date	Exercise price	Share price at grant date	Expense recognised in profit or loss
40,000,000	31 July 2023	\$0.10	\$0.016	\$227,000
40,000,000	31 July 2023	\$0.20	\$0.016	\$154,000
			Total	\$381,000

Note 5. (continued) Share-based payments**Fair value of options**

The fair value of the options granted was arrived at using the Black Scholes methodology and applying the following inputs.

Interest free rate	1.7%
Volatility	85.4%
Discount for non-transferability	25%

These options are not dilutive for the purpose of Earnings per Share calculation as the exercise price of the options was significantly below the average market price of the ordinary shares during the period.

Note 6. Other Expenses

	31 December 2019	31 December 2018
	\$	\$
Consulting fees	-	(93,386)
Patent renewals and applications	(27,154)	(28,745)
Other expenses	(65,925)	(68,135)
Total other expenses	<u>(93,079)</u>	<u>(190,266)(i)</u>

Note 7. Equity Movement Reconciliation

	For the half year ended 31 Dec 2019		For the year ended 30 June 2019	
	Number of shares	\$	Number of shares	\$
Movements in ordinary fully paid shares on issue				
Balance at the beginning of the period	135,300,327	5,807,996	125,300,329	5,635,512
Issue of shares in the period:				
Equity Raising (a)	-	-	9,999,998	175,000
In part settlement of convertible notes (note 4)	5,000,000	70,000	-	-
In settlement of related party loans (i)	32,167,709	450,348	-	-
Transaction costs	-	(21,680)	-	(2,516)
Balance at the end of the	<u>172,468,036</u>	<u>6,306,664</u>	<u>135,300,327</u>	<u>5,807,996</u>

- (i) Liabilities consisting of loans previously payable to related parties of \$546,070 were settled by reversal (forgiveness) of \$95,722 accrued interest on the loans and by the issue of 32,167,709 fully paid ordinary shares at a deemed issue price of \$0.014 per share, as approved by the Company's Annual General Meeting on 13 November 2019. The forgiveness of interest is recognised in the profit or loss and included in Other income.

Note 8. Capital, leasing and licence commitments

Capital and leasing commitments

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

Intellectual Property licence fees

Minimum payments in respect of a licence to use intellectual property to develop a treatment for degenerative disk disease.

	31 December 2019	30 June 2019
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	25,000	150,000
Within one to five years	250,000	100,000
Later than five years	475,000	500,000
	750,000	750,000

In addition to the minimum payments under the licence agreement, which expires in 2043, additional milestone payments are contingent upon the completion of phases of clinical testing and regulatory approval of the treatment which is the subject of the licence. Those payments could total a further \$1,450,000 if all milestones are met. Royalties on sales of the treatment become payable by the Company if the treatment is commercialised.

Note 9. Contingent Liabilities and Contingent Assets

There are no known contingent liabilities or contingent assets as at reporting date.

Note 10. Events Subsequent to the end of the reporting period

There were no matters subsequent to the end of the financial year requiring disclosure.

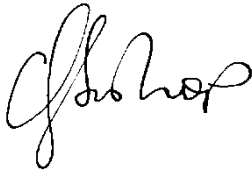
MEDIGARD LIMITED
ABN 49 090 003 044

Director's Declaration

The directors of the company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, and
 - (a) comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors and is signed on behalf of the directors by:



Dr Chris Bishop
Director

Dated 27 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Medigard Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Medigard Limited (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the company's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter - Material uncertainty relating 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 Company's ability to continue as a going concern and therefore the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 review report.

BDO Audit Pty Ltd

BDO

D P Wright

Director

Brisbane, 27 February 2020