

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Paragon Care Limited

ABN

76 064 551 426

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

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|---|---|---|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <p>PGC proposes to issue approximately 59.6 million new Shares pursuant to the terms of the pro-rata non-renounceable entitlement offer announced to ASX on 8 February 2018 (Entitlement Offer). The final number of Shares to be issued under the Entitlement Offer is still to be finalised, and will be subject to the determination of PGC and holding reconciliation and rounding (as applicable).</p> <p>PGC also proposes to issue approximately 36.7 million new Shares pursuant to a placement (Placement).</p> |

3	Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Fully paid ordinary shares to rank equally in all respects with existing ordinary shares.
4	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Yes
5	Issue price or consideration	\$0.725 per fully paid ordinary share
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Please refer to the ASX announcement on 8 February 2018 for the purpose of the issue.
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	22 November 2017

+ See chapter 19 for defined terms.

6c	Number of +securities issued without security holder approval under rule 7.1	Approximately 20.1 million new Shares pursuant to the Placement.
6d	Number of +securities issued with security holder approval under rule 7.1A	Approximately 16.6 million new Shares pursuant to the Placement.
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	Nil
6f	Number of +securities issued under an exception in rule 7.2	Approximately 59.6 million new Shares pursuant to the Entitlement Offer.
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	Information to be provided in subsequent Appendix 3B once new Shares are issued under the Placement.
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Approximately 13.2 million Shares remaining issue capacity under Rule 7.1 and 7.1A after the Placement.
7	<p>+Issue dates</p> <p>Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	The proposed issue and allotment date for the institutional component of the Entitlement Offer is 19 February 2018 and the retail component of the Entitlement Offer is 5 March 2018.

	Number	+Class
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Approximately 263 million Shares (after the Entitlement Offer and the Placement) Fully paid ordinary shares

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	N/A N/A

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	No change to dividend policy.
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Part 2 - Pro rata issue

11	Is security holder approval required?	No
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12	Is the issue renounceable or non-renounceable?	Non-renounceable
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13	Ratio in which the +securities will be offered	1 new share for every 2.8 shares held by eligible shareholders in PGC on the applicable record date
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14	+Class of +securities to which the offer relates	Fully paid ordinary shares in PGC.
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+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	7.00pm on 12 February 2018
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	Fractional entitlements will be rounded to the next higher whole number of new shares.
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	For the retail component of the Entitlement Offer, all jurisdictions other than Australia and New Zealand. For the institutional component of the Entitlement Offer, all jurisdictions other than Australia, New Zealand USA and Hong Kong.
19	Closing date for receipt of acceptances or renunciations	For the institutional component of the Entitlement Offer, 5.00pm (Sydney time on 9 February 2018 For the retail component of the Entitlement Offer, 5.00pm (Sydney time) on 26 February 2018
20	Names of any underwriters	Bell Potter Securities Limited and Shaw and Partners Limited
21	Amount of any underwriting fee or commission	A management/underwriting fee of 5%.
22	Names of any brokers to the issue	Bell Potter Securities Limited and Shaw and Partners Limited
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A

26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	No prospectus is being prepared. A Retail Entitlement Offer Booklet, investor presentation and Entitlement and Acceptance Form will be sent to eligible PGC retail securityholders on or around 15 February 2018.
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Issue date	<p>Allotment and normal trading on ASX of new Shares issued under the institutional component of the Entitlement Offer - 19 February 2018</p> <p>Allotment of new Shares issued under the retail component of the Entitlement Offer - 5 March 2018</p>

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

+ See chapter 19 for defined terms.

34 Type of +securities
(tick one)

(a) +Securities described in Part 1

(b) All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories

- 1 - 1,000
- 1,001 - 5,000
- 5,001 - 10,000
- 10,001 - 100,000
- 100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of +securities for which +quotation is sought

39 +Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?

If the additional +securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

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41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another +security, clearly identify that other +security)

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42 Number and +class of all +securities quoted on ASX (including the +securities in clause 38)

Number	+Class

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:
(Director/Company secretary)

Date: 8 February 2018

Print name: John Osborne

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	164,597,364 (on a post consolidation basis)
Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • Include only ordinary securities here – other classes of equity securities cannot be added • Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed • It may be useful to set out issues of securities on different dates as separate line items 	04-Apr-17 - DRP - 420,645 06-Oct-17 - DRP - 670,677
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
“A”	166,214,606

Step 2: Calculate 15% of “A”

+ See chapter 19 for defined terms.

“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	24,932,191
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Anaequip part consideration - 550,898
“C”	550,898
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	24,932,191
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	550,898
Total [“A” x 0.15] – “C”	24,381,293 <i>Note: this is the remaining placement capacity under rule 7.1</i>

Part 2

Rule 7.1A – Additional placement capacity for eligible entities

+ See chapter 19 for defined terms.

Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	166,214,606
Step 2: Calculate 10% of “A”	
“D” <i>Note: this value cannot be changed</i>	0.10
Multiply “A” by 0.10	16,621,461
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“E”	0

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	16,621,461
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	0
Total [“A” x 0.10] – “E”	16,621,461 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.

8 February 2018

The Manager
ASX Market Announcements
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Sydney NSW 2000

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Dear Manager

Paragon Care Limited (ASX:PGC) - Cleansing notice in respect of accelerated non-renounceable pro-rata entitlement offer

Notice under section 708AA(2)(f) of the *Corporations Act 2001* (Cth)

This notice is given by Paragon Care Limited ACN 064 551 426 (**Company**).

This notice is given in accordance with sections 708AA(2)(f) of the Corporations Act 2001 (Cth) (**Corporations Act**), as modified by Australian Securities and Investments Commission's Corporations (Non-Traditional Rights Issues) Instrument 2016/84 (**Legislative Instrument**).

Background

Paragon Care Limited (**PGC**) has announced an accelerated non-renounceable pro-rata entitlement offer (comprising both institutional and retail components) to raise approximately \$43.2 million (before costs) (**Entitlement Offer**).

The Entitlement Offer will involve the offer of approximately 59.6 million fully paid ordinary shares in PGC (**New Shares**) on the basis of 1 new Share for every 2.8 Shares held by eligible shareholders in PGC on the applicable record date (**Record Date**) at an issue price of \$0.725 per Share.

In addition, PGC has announced a placement of approximately 36.7 million Shares in PGC at \$0.725 per Share to raise approximately \$26.6 million (**Placement**) (the Entitlement Offer and Placement together, the **Placement and Entitlement Offer**).

The Placement and Entitlement Offer are fully underwritten jointly by Bell Potter Securities Limited and Shaw and Partners Limited (**Underwriters**).

Cleansing notice in respect of the Entitlement Offer

With respect to the Entitlement Offer, the Company advises that:

the New Shares will be offered without disclosure to investors under Part 6D.2 of the Corporations Act;

this notice is being given under section 708AA(2)(f) of the Corporations Act, as modified by the Legislative Instrument;

as at the date of this notice, the Company has complied with:

the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and

section 674 of the Corporations Act as it applies to the Company;

as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) or 708AA(9) of the Corporations Act, which is required to be set out under section 708AA(7) of the Corporations Act; and

the potential effect of the issue of the New Shares pursuant to the Entitlement Offer on the control of the Company and the consequences of that effect will depend on a number of factors, including the extent to which Eligible Shareholders take up New Shares under the Entitlement Offer and are described below.

If all Eligible Shareholders take up their entitlements under the Entitlement Offer, then the Entitlement Offer will have no significant effect on the control of PGC;

If 50% of Eligible Shareholders take up their entitlements under the Entitlement Offer, then new investors¹ will receive 29.8m New Shares (being 11% of shares on issue in PGC following the Placement and Entitlement Offer) and the interests of those Eligible Shareholders who do not take-up their entitlements under the Entitlement Offer will be diluted;

If 25% of Eligible Shareholders take up their entitlements under the Entitlement Offer, then new investors² will receive 44.7m New Shares (being 16.5% of shares on issue in PGC following the Placement and Entitlement Offer) and the interests of those Eligible Shareholders who do not take-up their entitlements under the Entitlement Offer will be diluted; and

If no Eligible Shareholders take up their entitlements under the Entitlement Offer, then new investors³ will receive 59.6m New Shares (being 22% of the shares on issue in PGC following the Placement and Entitlement Offer and the interests of all Eligible Shareholders will be diluted.

The Underwriters have at the date of this notice received sub-underwriting commitments for 100% of the New Shares to be issued under the Entitlement Offer. Assuming those commitments are honoured with respect to the Retail Entitlement Offer, and full allocation of New Shares to be issued under the Institutional Entitlement Offer, the maximum percentage of New Shares which an Underwriter or sub-underwriter could hold, assuming no other investor or shareholder take-up of the New Shares offered in the Entitlement Offer, would be 7.6% of the shares on issue in PGC following the Entitlement Offer.

The Company's Shareholders who are not Eligible Shareholders (being foreign Shareholders to whom an Entitlement Offer will not be made) are not entitled to participate in the Entitlement Offer and their percentage holding in the Company will be diluted.

¹ Potentially including the Underwriter and certain sub-underwriters appointed in relation to the Placement and Entitlement Offer.

² Potentially including the Underwriter and certain sub-underwriters appointed in relation to the Placement and Entitlement Offer.

³ Potentially including the Underwriter and certain sub-underwriters appointed in relation to the Placement and Entitlement Offer.

An Appendix 3B with respect to the issue of the News Shares under the Entitlement Offer will be lodged with the ASX by the Company shortly.

Yours faithfully,

Mr John Osborne
Company Secretary
Paragon Care Limited