

8th July 2016

Australian Securities Exchange
Company Announcements Office

ACQUISITION OF MIDAS SOFTWARE SOLUTIONS (MIDAS)

The Directors of Paragon Care (ASX:PGC) are pleased to announce the acquisition of Midas Software Solutions Pty Ltd (owner of the MIDAS intellectual property) and the business and assets of Spintech Oceania Pty Ltd (owner of the global distribution rights to MIDAS).

MIDAS is a world first, fully customisable interpretive reporting software platform for a wide range of diagnostic medical examinations. These include all ultrasound studies, CT, MRI, Echo, Holter, ambulatory blood pressure monitoring (ABPM), spirometry, and sleep studies. It produces a provisional report complete with key images, worksheets, diagrams, graphs, and charts within a few seconds by interpreting the measurements and observations from the study data. This innovative, cloud based web platform significantly boosts productivity in practice workflow and can connect with any system across any network globally.

The MIDAS platform incorporates an interpretive rules engine that facilitates the use of different reporting modules to provide a complete workflow solution for a range of clinical specialties. Typical customers that would utilise and benefit from this platform are cardiologists, radiologists, vascular surgeons, phlebologists, obstetricians and both public and private hospitals. The platform can also be utilised by the numerous RIS (Radiology Information Systems), PACS (Picture Archiving & Communication Systems) providers and medical imaging modality suppliers (e.g. Ultrasound, MRI, CT Scans) in the sector as a value added benefit to their current product offerings to their clients.

The revenue model of MIDAS works in two ways. The client may select either a cloud based recurring pay per report model or an upfront payment with yearly licence fees model. There are a number of major clinical sites already utilising the MIDAS platform with a number of other groups currently undertaking trials within Australia. The benefits associated with using the MIDAS platform include significant workflow productivity, operational efficiency, auditability, all driving increased profitability.

There are currently 8 modules being utilised in the market place that generate revenue, with a program rollout in place to deliver an additional 20-30 modules over the next 1-2 years. PGC may also qualify to receive a tax offset for eligible R&D activities associated with MIDAS.

The acquisition consideration will be as follows:

- \$2 million (less minimum working capital adjustments) via the issuing of fully paid ordinary shares in PGC, with appropriate escrow arrangements. The issue price for the calculation of the fully paid shares will be \$0.703, which is the 5-day volume weighted average of the PGC share price to the 6 July 2016.
- An earn-out of 4 times MIDAS profit before tax (including R&D expenses) will apply for the incremental growth from FY16 to FY18.
- 2.5% MIDAS revenue royalty for each founder following the initial 2-year period, as long as they remain contracted with PGC.

The two founders, Phil Spinks and Professor Christine Mingins, will join PGC in full-time roles as part of the transaction. Phil and Christine formed a strategic partnership in 2009 to develop the unique MIDAS platform, exploiting a method Christine developed for eliciting, codifying and applying expert knowledge in medical diagnostics to develop a cloud based platform with intelligent medical reporting capabilities.

Christine has an exceptional academic career in software engineering research and teaching. She is currently the Adjunct Associate Professor (Research) in the Faculty of Information Technology at Monash University and previously Professor and Head of Monash University's Computer Science and Software Engineering Faculty. She has also undertaken research with Microsoft during the development of their .NET technology that resulted in establishing and growing Readify, a successful high-end technical consulting business, acquired by Telstra.

Phil has over 30 years of experience in medical imaging, spanning sales, service and management. He has distributed and supported imaging hardware and software for various global companies such as GE, Philips, Carestream, Samsung/Medison, Sencor and Image Systems.

The MIDAS target market is highly complementary to PGC's existing customer base and sales channels. The MIDAS platform represents a valuable addition to the Company's medical device and point of care technology equipment and opens up new gateways of opportunity for the wider group.

The Company expects the cash flow impact from this acquisition will not be material, and the earnings impact will be neutral in FY17 with solid growth expected from FY18 onwards.

About Midas Software Solutions

The MIDAS platform provides a world first by interpreting the measurements and observations from the patient study to provide fully customised, provisional diagnostic reports in just a few seconds, complete with key images, worksheets, diagrams, graphs, charts etc. This innovative, flexible platform can connect with any system on a network and will significantly boost productivity in your workflow. Please visit www.midassoftwaresolutions.com.au for more information about the company.

About Paragon Care Limited

Paragon Care is a Melbourne based, listed company with the ASX (PGC), which has progressively acquired businesses in the healthcare sector. It is a leading provider of medical equipment, devices and consumables for the Australian and New Zealand healthcare market. These are high growth markets driven by the ageing of the population, continuously rising consumer expectations and increasing government spending. By combining a series of strategic acquisitions of class leading companies, Paragon Care has positioned itself to provide end-to-end solutions including equipment and consumable solutions for acute, aged, primary, community and hospital care. Paragon Care Ltd.'s head office is located at 11 Dalmore Drive Scoresby VIC 3179 Australia. For further information please contact Mark Simari, Managing Director (1300 369 559) or via email at info@paragoncare.com.au.

Mark Simari

Managing Director

For further information please contact:

Mark Simari

Managing Director

T: 1300 369 559

E: mark.simari@paragoncare.com.au

Stephen Munday

Chief Financial Officer

T: 1300 369 559

E: stephen.munday@paragoncare.com.au