

15 February 2018

RETAIL ENTITLEMENT OFFER – LETTER TO INELIGIBLE RETAIL SHAREHOLDERS

The attached letter is being sent to all retail shareholders that are ineligible to participate in the Retail Entitlement Offer so as to inform them about the Entitlement Offer and to explain why they are not able to subscribe for New Shares under the Entitlement Offer.

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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 and primary care.

15 February 2018

[insert shareholder name]

[insert shareholder address]

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Dear Shareholder

Paragon Care Limited Entitlement Offer – Notification to Ineligible Retail Shareholders

On 8 February 2018, Paragon Care Limited (**Company**) announced a 1 for 2.8 accelerated non-renounceable entitlement offer of new fully paid shares in the Company (**New Shares**) at an offer price of \$0.725 per New Share (**Issue Price**) (**Entitlement Offer**).

This letter is to inform you about the Entitlement Offer and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

Details of the Entitlement Offer

The Entitlement Offer is underwritten and comprises an institutional component (**Institutional Entitlement Offer**) and an offer to Eligible Retail Shareholders (as defined below) (**Retail Entitlement Offer**).

The Retail Entitlement Offer is being made to Eligible Retail Shareholders (as defined below) on the basis of 1 New Shares for every 2.8 existing shares in the Company (**Existing Shares**) held at 7pm (Sydney time) on 12 February 2018 (**Record Date**), at the Issue Price per New Share.

The Entitlement Offer is being made by the Company in accordance with sections 708AA of the Corporations Act 2001 (Cth) (**Corporations Act**) (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that no prospectus needs to be prepared with respect to the Entitlement Offer.

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

Documents relating to the Retail Entitlement Offer were lodged with the ASX on 12 February 2018 and are expected to be dispatched to Eligible Retail Shareholders on 15 February 2018.

Eligibility to participate in the Retail Entitlement Offer

The Company has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Corporations Act, that it would be unreasonable to make offers to shareholders in countries other than Australia or New Zealand in connection with the Retail Entitlement Offer, having regard to:

- (a) the relatively small number of shareholders in the other jurisdictions where the Retail Entitlement Offer would be made;

- (b) the number and value of shares for which such shareholders would otherwise have been entitled; and
- (c) the costs of complying with the legal and regulatory requirements in each other jurisdiction where the Retail Entitlement Offer would be made.

An Eligible Retail Shareholder is a holder of Existing Shares who:

- (a) was a registered holder of Existing Shares as at 7pm (Sydney time) on the Record Date;
- (b) has a registered address in Australia or New Zealand;
- (c) is not in the United States and is not acting for the account or benefit of a person in the United States (to the extent such person holds shares in the Company for the account or benefit of such person in the United States);
- (d) is not an Eligible Institutional Shareholder (as defined in the Retail Entitlement Offer Booklet lodged with ASX on 12 February 2018) (other than a nominee to the extent that the nominee also holds Existing Shares on behalf of an Eligible Retail Shareholder); and
- (e) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

According to our records you do not satisfy the criteria for an Eligible Retail Shareholder, and therefore the Company is unable to extend to you the opportunity to participate in the Retail Entitlement Offer. If our records are incorrect on this matter, please contact the Company Offer Information Line on the details below.

Determination of eligibility of investors for the purposes of the Retail Entitlement Offer is determined by the Company with reference to a number of matters. The Underwriters and their affiliates and related bodies corporate and each of their directors, officers, partners, employees, advisers and agents disclaim any liability in respect of any determination as to eligibility, to the maximum extent permitted by law.

Treatment of Ineligible Retail Shareholders

As the Entitlement Offer is non-renounceable, you will not receive any payment or value for entitlements in respect of any New Shares that would have been offered to you if you were eligible.

You do not need to respond to this letter. If you have questions in relation to any of the matters described above, please contact the Company Offer Information Line on 1300 970 086 (from within Australia) or +61 1300 970 086 (from outside Australia) between 8:30am and 5.00pm (Sydney time), Monday to Friday during the Retail Offer Period (Thursday, 15 February 2018 to Monday, 26 February 2018).

On behalf of the Board of Paragon Care Limited, we thank you for your continued support.

Yours faithfully

Mr John Osborne
Company Secretary
Paragon Care Limited

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Important Notices

This letter does not constitute or form part of an offer, invitation, solicitation, advice or recommendation with respect to the issue, purchase or sale of any securities in Paragon Care Limited and is not a prospectus or offering document under Australian law or any other law. This letter does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of New Shares in Paragon Care Limited. In particular, this letter does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares that will be offered and sold in the Entitlement Offer have not been, or will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold to persons in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any other applicable U.S. state securities law. The New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold to persons that are not in the United States and are not acting for the account or benefit of persons in the United States, in each case, in "offshore transactions" (as defined in Rule 902(h) of the Securities Act) in reliance on Regulation S under the Securities Act.