



PARAGON CARE LIMITED

ABN 76 064 551 426

NOTICE OF GENERAL MEETING

incorporating

EXPLANATORY NOTES

and

PROXY FORM

Date: Friday, 5 June 2009

Time: 10:00 a.m.

Place: Chartered Secretaries Australia,
Level 11, 500 Collins Street,
Melbourne, Victoria, 3000

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Dear Shareholder,

On 28 April 2009 Paragon Care Limited ("**Company**") announced it proposed acquiring all the issued capital of Axishealth Pty Ltd ACN 100 063 563 ("**Axishealth**") for total consideration of \$3.2 million ("**Proposed Acquisition**").

Axishealth is a significant supplier of Durable Medical Equipment (DME) to the Australian health and aged care sector including hospitals, aged care facilities, general practitioners and pharmacies. Products include medication carts, electronic hospital beds, IV stands and sophisticated paediatric cots. Products are sourced both internationally and locally and are distributed throughout Australia via reseller agreements or the dedicated sales team employed by Axishealth.

The Proposed Acquisition is conditional upon the Company receiving shareholder approval of three resolutions, outlined in items (1) to (3) below at a General Meeting. Accordingly, the Company is pleased to enclose a Notice of General Meeting ("**Notice of Meeting**") to be held at the meeting room of the Chartered Secretaries Australia, Level 11, 500 Collins Street, Melbourne Victoria 3000 at 10:00 a.m. on Friday, 5 June 2009.

The purpose of the General Meeting is to seek shareholder approval for:

- (1) the acquisition of all the issued capital of Axishealth and the change to the nature and scale of activities of the Company pursuant to and in accordance with ASX Listing Rule 11.1.2;
- (2) the issue of 29,090,909 fully paid ordinary shares as part consideration for the Proposed Acquisition pursuant to and in accordance with ASX Listing Rule 7.1;
- (3) the issue of 72 million new fully paid ordinary shares and up to 77 million new options pursuant to and in accordance with ASX Listing Rule 7.1 to finance the Proposed Acquisition, pay the fees associated with the placement of these shares and options and strengthen the Company's working capital;

PARAGON CARE LIMITED

ABN 76 064 551 426

Level 1, 71 Queens Road, Melbourne, Victoria, Australia 3004

Ph: 61 3 9530 3060 Fax: 61 3 9520 3050

(4) the participation of the Directors of the Company in the above placement of new shares and options pursuant to and in accordance with ASX Listing Rule 10.11; and

(5) the ratification of an issue by the Company on 1 May 2009 of 8 million new fully paid ordinary shares and 4 million new options pursuant to and in accordance with ASX Listing Rule 7.4.

Further details of the resolutions relating to the Proposed Acquisition and related issues are provided in the attached Notice of Meeting and Explanatory Notes.

If you are unable to attend, please complete and return the attached proxy form so that it is received by the Company at least 48 hours before the General Meeting.

I look forward to seeing you at the meeting.

Yours Sincerely,

Shane Tanner,
Chairman,
Paragon Care Limited

NOTICE IS GIVEN that a General Meeting of the shareholders of Paragon Care Limited ABN 76 064 551 426 (“**Company**”) will be held at 10:00 a.m. on Friday, 5 June 2009 at the Chartered Secretaries Australia, Level 11, 500 Collins Street, Melbourne Victoria 3000.

A proxy form accompanies this Notice of Meeting. Shareholders who do not plan to attend the meeting are encouraged to complete and return a proxy form to the Company. The completed proxy form must be received by the Company at least 48 hours before the commencement of the meeting.

The enclosed Explanatory Notes provide additional information on matters to be considered at the General Meeting. The Explanatory Notes and the proxy form part of this Notice of Meeting.

Please note, the Chairman of the meeting intends to vote undirected proxies in favour of each of the 5 Resolutions.

ORDINARY BUSINESS

RESOLUTIONS

To consider and, if thought fit, pass separately the following resolutions as ordinary resolutions:

RESOLUTION 1 -APPROVE THE ACQUISITION OF AXISHEALTH

“That, subject to and conditional upon the passing of Resolutions 2 and 3, pursuant to and in accordance with ASX Listing Rule 11.1.2 and for all other purposes, the making by the Company of a significant change to the nature and scale of its activities and the acquisition by the Company of all of the issued shares in the capital of Axishealth Pty Ltd (ACN 100 063 563) on the terms and conditions set out in the Explanatory Notes accompanying the Notice of Meeting be approved.”

VOTING EXCLUSION STATEMENT

The Company will disregard any vote cast on Resolution 1 by Brett Cheong and by any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution 1 is passed, and an associate of that person (or those persons).

However, the Company need not disregard a vote if;

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – APPROVE THE ISSUE OF SHARES AS PART CONSIDERATION FOR THE ACQUISITION OF AXISHEALTH

That, subject to and conditional upon the passing of Resolutions 1 and 3, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, the issue to Brett Anthony Cheong or his nominee of twenty nine million, ninety thousand, nine hundred and nine (29,090,909) fully paid ordinary shares in the capital of the Company at a nominal issue price of 2.2 cents per share as part consideration for the acquisition of all the issued shares in the capital of Axishealth Pty Ltd (ACN 100 063 563), on the terms and conditions set out in the Explanatory Notes accompanying the Notice of Meeting be approved.”

VOTING EXCLUSION STATEMENT

The Company will disregard any vote cast on Resolution 2 by Brett Cheong and by any other person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution 2 is passed, and any associate of that person (or those persons).

However, the Company need not disregard a vote if;

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 3 - APPROVE A PLACEMENT OF NEW SHARES AND OPTIONS

“That, subject to and conditional upon the passing of Resolutions 1 and 2, pursuant to and in accordance with ASX Listing Rule 7.1 and for all other purposes, the issue of up to 72 million (72,000,000) new fully paid ordinary shares in the capital of the Company at an issue price of 2.5 cents per share and up to 77 million (77,000,000) options exercisable at 2.0 cents on or before 31 May 2012 as set out in the Explanatory Notes accompanying the Notice of Meeting be approved.”

VOTING EXCLUSION STATEMENT

The Company will disregard any vote cast on Resolution 3 by Melbourne Capital, Mr Tim Blanche, any other person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed, and any associate of that person (or those persons).

However, the Company need not disregard a vote if;

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 4 - APPROVE PARTICIPATION OF DIRECTORS IN THE PLACEMENT OF NEW SHARES AND OPTIONS

“That, subject to and conditional upon the passing of Resolutions 1 , 2 and 3, pursuant to and in accordance with ASX Listing Rule 10.11 and for all other purposes, the issue to Messrs Tanner, Simari and Newton (or entities associated with them), each being a director of the Company of up to 20 million (20,000,000) new fully paid ordinary shares in the capital of the Company at an issue price of 2.5 cents per share and up to 20 million (20,000,000) options exercisable at 2.0 cents on or before 31 May 2012 as set out in the Explanatory Notes accompanying the Notice of Meeting be approved.”

VOTING EXCLUSION STATEMENT

The Company will disregard any vote cast on Resolution 4 by Messrs Tanner, Simari and Newton and any other person who may participate in the proposed issue, and any associate of that person (or those persons).

However, the Company need not disregard a vote if;

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 5 – RATIFY AN ISSUE OF SHARES AND OPTIONS

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the issue of 8 million (8,000,000) fully paid ordinary shares at an issue price of 2.5 cents per share and 4 million (4,000,000) options exercisable at 2.0 cents on or before 31 May 2012 as set out in the Explanatory Notes accompanying the Notice of Meeting be approved.”

VOTING EXCLUSION STATEMENT

The Company will disregard any vote cast on Resolution 5 by Mr Woodruff and any of his associates.

However, the Company need not disregard a vote if;

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

To transact any other ordinary business that may legally be brought forward in accordance with the constitution of the Company.

A proxy form accompanies this Notice of General Meeting. Shareholders who do not plan to attend the meeting are encouraged to complete and return a proxy form. Please note, the Chairman of the meeting intends to vote undirected proxies in favour of each item of business.

BY ORDER OF THE BOARD

John Osborne
Company Secretary
Paragon Care Limited
Melbourne, Victoria
4 May, 2009

NOTES:

PROXIES

In accordance with section 249L of the Corporations Act 2001, shareholders are advised that:

- each shareholder has the right to appoint a proxy;
- the proxy need not be a shareholder of the Company; and
- a shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half the votes.

In accordance with section 250BA of the Corporations Act 2001, the Company specifies the following information for the purpose of receiving proxy appointments:

Registered Office: Level 1, 71 Queens Road
Melbourne, VIC Australia 3004

Facsimile Number: (61 3) 9520 3050

Postal Address: Level 1, 71 Queens Road
Melbourne, VIC Australia 3004

Shareholders are urged to complete any one of the “for”, “against” or “abstain” boxes on the proxy form thereby giving a directed proxy which then can be voted in accordance with your wishes.

The Company will accept all validity completed proxies lodged at its Registered Office (see above) or received by facsimile (03 9520 3050) up to 10:00 a.m. on 3 June 2009.

VOTING ENTITLEMENTS

In accordance with section 1074E(2)(g) the Corporations Act 2001 and Regulation 7.11.37 of the Corporations Regulations 2001, the Company determines that ordinary shares held as at 7:00 p.m. (Melbourne time) on 3 June 2009 will be taken, for the purposes of the General Meeting, to be held by the persons who hold them at that time.

BOARD RECOMMENDATIONS

In approving the Notice of Meeting, all Resolutions set out in the Notice of Meeting (other than Resolution 4) have the support and recommendation of all Directors. No recommendation is made by the Directors in relation to Resolution 4.

QUESTIONS AND COMMENTS BY SHAREHOLDERS AT THE MEETING

At the meeting, a reasonable opportunity will be given to shareholders – as a whole – to ask questions or make comments about the business of the meeting set out in the Notice of Meeting.

PARAGON CARE LIMITED
ABN 76 064 551 426

EXPLANATORY NOTES

INTRODUCTION

The following information provides an explanation of each Resolution set out in the Notice of General Meeting.

RESOLUTION 1 – APPROVE THE ACQUISITION OF AXISHEALTH

In 2008 Paragon Care Limited (**Company** or **Paragon Care**) embarked upon its "new direction" with the acquisition of Lifetime Planning, a strategic interest in Ascentor Pty Ltd and the acquisition of Tender Living Care.

At the Company's AGM in November 2008 the Chairman noted the Company was looking at other businesses which fit into the Company's aged care and health services model. The search process and subsequent due diligence have identified Axishealth Pty Ltd (**Axishealth**) as an excellent opportunity to further the Company's objectives.

Axishealth was established in 2002 by Mr Brett Cheong and is a significant supplier of durable medical equipment for the health and aged care sectors. Mr Cheong has more than 30 years experience in the industry and through Axishealth has exclusive distribution rights for a number of high-quality products from overseas. These products include patient stretchers, medical carts, stainless-steel operating theatre equipment and other kindred products. Axishealth is based in Nunawading, Victoria with a showroom and expansive warehouse. In the year ended 30 June 2008, total revenue was \$6.6 million and its major customers included public and private hospitals, medical clinics and aged care facilities. Mr Cheong, will also be invited to join the Company as a non-executive director following completion of the Axishealth acquisition.

If the Company completes the acquisition of Axishealth, it will appoint Mr Tim Blanche as the Chief Executive Officer of Axishealth and he will also be invited to become an executive director of Paragon Care. Mr Blanche has over 25 years of healthcare experience within the Australian healthcare industry and has held multiple positions in both the public and private sectors, as an employee, consultant and owner of healthcare businesses including pathology and medical centres. His professional experience includes budgeting and finance, operations, sales and business development in the healthcare sector.

The Company proposes acquiring all of the issued shares in the capital of Axishealth from Mr Brett Cheong for a total consideration of \$3.2 million, of which \$2.56 million (80%) would be paid as cash, with the balance of \$640,000 (20%) to be paid by way of an issue of 29,090,909 of the Company's fully paid ordinary shares at a nominal issue price of 2.2 cents per share. This proposed issue is subject to shareholder approval (Resolution 2).

The cash consideration for the proposed acquisition will be secured partly through a placement of new fully paid ordinary shares and partly through a bank loan which is being arranged by the Company. The Company proposes undertaking a capital raising in the form of a placement to Mr Tim Blanche and clients of Melbourne Capital Limited to raise \$1.8 million (before costs) by way of an issue of 72 million new fully paid ordinary shares at 2.5 cents per share and the issue of up to 77 million options. The new options will be exercisable at 2.0 cents on or before 31 May 2012 for nil consideration. This proposed placement is subject to shareholder approval (Resolution 3). Directors may participate in the proposed placement (Resolution 4).

The placement is to be managed by Melbourne Capital Limited for a fee of 6% of the capital raised and the issue of 5 million options (forming part of 77 million options referred to in the above paragraph).

Prior to the Company receiving shareholder approval for the acquisition of Axishealth, on 1 May 2009 the Company made a placement of 8 million ordinary shares at 2.5 cents per share and 4 million options exercisable at 2.0 cents on or before 31 May 2012 for nil consideration. This placement raised \$200,000 and will be used for working capital purposes. The Company will seek shareholder ratification of this placement (Resolution 5).

The total number of shares and options on issue including the placement on 1 May 2009 and to be issued as part consideration for the acquisition of Axishealth and as a result of the proposed placement to partially finance the acquisition of Axishealth are shown in the following table.

Paragon Care Limited - Ordinary shares and options on issue.

Securities ASX Code	Ordinary Shares PGC	Options exercisable at 2.0 cents on or before 31 May 2012	
		1 new options for every 2 new shares PGCOA	1 new options for every 1 new shares PGCOA
Opening balance 31/12/2008	112,389,764	61,816,320	61,816,320
Placement prior to acquisition On 1 May 2009	8,000,000	4,000,000	4,000,000
Issued to the vendor of Axishealth	29,090,909	-	-
Placement for acquisition to follow shareholder approval	72,000,000	36,000,000	72,000,000
Placement to Melbourne Capital Limited	-	5,000,000	5,000,000
Balance following completion of acquisition	221,480,673	106,816,320	142,816,320

The final number of options to be issued in the placement outlined in Resolution 3 will be determined when the new shares are about to be placed. The directors expect to be able to advise shareholders at the General Meeting of the final ratio of new options to new shares to be issued.

The Company is arranging a bank facility of \$1.8 million to fund part of the cash consideration required to complete the acquisition. The proposed bank facility is for 3 years and is effectively secured by the assets of Axishealth. The proposed bank facility is conditional upon the Company successfully completing the placement contemplated in Resolution 3.

The proposed acquisition of Axishealth, if completed, will result in a major expansion in the scale of the Company's operations. Total revenue for the year to 30 June 2009 from existing operations will be approximately \$1 million and the addition of the Axishealth business will increase turnover approximately 7 times.

The following pro forma balance sheet as at 31 December 2008 provides an indication of the impact of the proposed acquisition of Axishealth upon the Company.

	Pro-forma Balance Sheet	
	Paragon Care	Paragon Care following acquisition of Axishealth
	31-Dec-08	31-Dec-08
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and Other Financial Assets	310,208	1,598,989
Trade Debtors	221,474	1,341,962
Stock on Hand	-	788,842
Other Current Assets	-	1,388
TOTAL CURRENT ASSETS	531,682	3,731,181
NON CURRENT ASSETS		
Net Fixed Assets	13,609	450,861
Trade and Other Receivables	240,169	243,960
Investments	302,568	302,568
		-
Intangibles incl Goodwill	381,041	2,855,586
TOTAL NON-CURRENT ASSETS	937,387	3,852,975
TOTAL ASSETS	1,469,069	7,584,156
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	104,966	1,475,475
Debt and Other Financial Liabilities	475,000	1,015,000
Tax Provisions	-	-
Other Provisions	4,628	50,007
TOTAL CURRENT LIABILITIES	584,594	2,540,482
NON CURRENT LIABILITIES		
Debt and Other Financial Liabilities	-	1,474,154
		-
Deferred Tax Liabilities and provisions	108,974	108,974
TOTAL NON CURRENT LIABILITIES	108,974	1,583,128
TOTAL LIABILITIES	693,568	4,123,610
NET ASSETS	775,501	3,460,546
EQUITY		
Contributed Equity	7,116,388	9,751,433
Unissued shares	6,429	6,429
Share option reserve	470,587	520,587
Accumulated losses	(6,817,903)	(6,817,903)
TOTAL EQUITY	775,501	3,460,546
Net Tangible Assets (NTA)	394,460	604,960
NTA per share	\$0.004	\$0.003
PGC Shares on Issue	112,389,764	221,480,673
PGCOA options on issue	61,816,320	106,816,320 or 142,816,320

The sources of information and assumptions used in preparing the pro forma balance sheet for the consolidation of Paragon Care and Axishealth are detailed below.

1. The Paragon Care balance sheet is as presented in the Half Year Report to ASX (Appendix 4C) released on 23rd February 2009. The financial statements for the six months to 31 December 2008 were subject to audit review.
2. The Axishealth balance sheet as at 31 December 2008 is as presented by the vendor and is unaudited and assumes the net assets of Axishealth immediately prior to settlement is \$900,000.
3. The pro-forma balance sheet for the consolidation of Paragon Care and Axishealth assumes the acquisition proceeds with all of the placements and debt raising as detailed in this Explanatory Note including the following:
 - a. The Company's placement of 8 million new shares and 4 million attached options prior to the acquisition to raise \$200,000 for working capital purposes (Resolution 5).
 - b. The Company secures a \$1.8 million loan from a financial institution and pays an upfront fee of \$7,500. The non-current component of the loan will be \$1.26 million.
 - c. The Company makes a placement of 72 million new shares and up to 72 million options to raise \$1.8 million to finance the acquisition (Resolution 3). The number of options issued relative to the number of shares to be placed does not change the Share Option Reserve as the new options will be issued for nil consideration.
 - d. The Company pays Melbourne Capital Limited \$72,000 and issues 5 million new options in consideration for its placement management fee. It is assumed that on the date of acquisition the Company's PGCOA option price will be 1.0 cent per share (last traded price of PGCOA as of 28 April 2009) and the book value of new options will be \$50,000 the market value of the share based payment. These amounts are deducted from Contributed Equity.
 - e. The Company pays \$2.6 million in cash and issues 29,090,909 ordinary shares to the vendor of Axishealth or nominee as consideration for the acquisition.
 - f. The nominal value of the shares to be issued to the vendor, Mr Brett Cheong, or his nominee is 2.2 cents and the nominal goodwill on consolidation of the acquisition is \$2.3 million. It is assumed that on the date of acquisition the Company's share price will be 2.8 cents per share (last traded price of PGC as of 28 April 2009) and the book value of the Goodwill on Consolidation will be \$2.47 million.
 - g. A provision for total transaction costs of \$50,000 (e.g. legal expenses, accounting charges, administration) are deducted from Contributed Equity.
 - h. Cash raised as a result of the placements and surplus to the requirements for the settlement consideration is to be held for working capital purposes and is shown as "Cash and Other Financial Assets" in the pro-forma balance sheet.

In the 6 months to 31 December 2008 the Company reported an Earnings Before Interest and Tax (EBIT) loss of \$65,000 and is expected to also make a loss for the full-year. The unaudited adjusted EBIT profit for Axishealth for the year to 30 June 2008 was \$0.67 million. The directors expect the acquisition of Axishealth may enable the Company to report a positive EBIT result in the year to 30 June 2010 and also expect it may be able to report a net profit after tax for that year.

The proposed acquisition of Axishealth will, if completed, significantly change the nature and scale of the Company's operations and significantly increase the issued capital.

The Company is required to obtain shareholder approval for the acquisition pursuant to ASX Listing Rule 11.1.2.

ASX Listing Rule 11.1.2

ASX Listing Rule 11.1.2 provides that if ASX requires it, a listed company must obtain shareholder approval in relation to a proposed transaction which is likely to result in a significant change, either directly or indirectly to the nature or scale of the company's activities. On 8 April 2009, the ASX advised the Company that shareholder approval was required by the Company in accordance with Listing Rule 11.1.2. If shareholders do not provide the approval in Resolution 1 the Company will not proceed with the proposed acquisition of Axishealth and Resolutions 2, 3 and 4 will be withdrawn.

Other Information

The Company has been advised by ASX that Listing Rule 11.1.3 does not apply to the proposed acquisition.

RESOLUTION 2 – APPROVE THE ISSUE OF SHARES FOR THE ACQUISITION OF AXISHEALTH

Resolution 2 seeks shareholder approval for the allotment and issue of 29,090,909 fully paid ordinary shares in the capital of the Company to Mr Brett Cheong or his nominee, as part consideration for the acquisition of all the issued shares in the capital of Axishealth. The new shares to be issued to Mr Cheong or his nominee will have a nominal issue value of 2.2 cents each and will represent \$640,000 or 20% of the total purchase price payable.

The issue of the 29,090,909 new shares to Mr Cheong or his nominee is conditional upon the Company successfully completing the placement of up to 72 million new ordinary shares at 2.5 cents per share plus up to 77 million free attached options as contemplated in Resolution 3. Immediately following the placement of 72 million new ordinary shares the Company will have on issue 192.4 million fully paid ordinary shares. The proposed issue of 29,090,909 new shares to Mr Cheong or his nominee will increase the Company's number of fully paid ordinary shares to 221.5 million. The proposed issue to Mr Cheong or his nominee represents approximately a 16% increase in the number of fully paid ordinary shares on issue. Mr Cheong or his nominee as a result of the issue will hold approximately 13.6% of the fully paid ordinary shares of the Company and will become the Company's largest substantial shareholder.

ASX LISTING RULE 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting. The effect of Resolution 2 will be to allow the Directors to issue the securities pursuant to Resolution 2 during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

If shareholder approval is not received for Resolution 2 the Company will not proceed with the acquisition of Axishealth. (Resolution 1) nor the placements (Resolution 3 and 4).

ASX Listing Rule 7.3

ASX Listing Rule 7.3 requires that the following information be provided to shareholders:

- (a) the maximum number of securities to be issued under Resolution 2 is 29,090,909 fully paid ordinary shares at a nominal issue price of 2.2 cents each ("**Vendor Shares**");
- (b) the Vendor Shares will be issued no later than 3 months after the date of shareholder approval (or such later date to the extent permitted by any ASX waiver of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;
- (c) the Vendor Shares will be issued as part consideration for acquisition of all the issued capital of Axishealth from Mr Brett Cheong. Accordingly, no funds will be raised from the proposed issue;
- (d) the Vendor Shares will be issued to Mr Brett Cheong or his nominee and
- (e) the Vendor Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing shares (and will rank equally with them) and the Company will apply to ASX for the listing of the Vendor Shares .

RESOLUTION 3 – APPROVE A PLACEMENT OF NEW SHARES AND OPTIONS

Part of the cash consideration for the proposed acquisition of Axishealth and additional working capital is to be raised through a placement of new fully paid ordinary shares and attached free options to clients of Melbourne Capital Limited and Mr Tim Blanche.

The Company proposes raise up to \$1.8 million (before costs) consisting of \$600,000 from Mr Blanche and up to \$1.2 million from the clients of Melbourne Capital Limited by way of an issue of 72 million new fully paid ordinary shares at 2.5 cents per share and the issue of up to 77 million new options. The new options will be exercisable at 2.0 cents on or before 31 May 2012. A successful placement is also a condition precedent for the bank facility being arranged by the Company in connection with the acquisition of Axishealth.

The trading range on ASX of the shares and options over the past 12 months is as follows;

Twelve Month Trading Range on ASX (as at 28 April 2009)

	PGC	PGCOA
High	\$0.035	\$0.020
Low	\$0.018	\$0.003
Last	\$0.028	\$0.010

The placement is to be partially managed by Melbourne Capital Limited for a fee of 6% of the capital raised and the issue of 5 million PGCOA options to Melbourne Capital Limited. As part of this Resolution 3, shareholders will also be authorising the placement of 5 million PGCOA options to Melbourne Capital Limited if it successfully completes its part of the placement to its clients.

The Company, as at 31 December 2008, had 112.4 million fully paid ordinary shares on issue and as a result of the placement of an additional 8 million new shares on 1 May 2009, there will be 120.4 million fully paid ordinary shares on issue as at the date of the forthcoming General Meeting. The proposed issue of 29,090,909 million shares outlined in Resolution 2 together with the proposed issue of 72 million shares outlined in this Resolution 3 would increase the total number of shares on issue to approximately 221.5 million shares, an 84% increase in the issued capital. As at 31 December 2008 the Company had 61.8 million PGCOA options exercisable at 2.0 cents on or before 31 May 2012. In the placement to be made on 1 May 2009 the Company also issued 4 million options, and the placement that is subject to shareholder approval under Resolution 3 includes a 1 for 2 or 1 for 1 free attaching option and up to a further 72 million PGCOA options will be issued. If the placement is approved and successfully completed then Melbourne Capital Limited will be entitled to receive a placement of 5 million new options as part of its consideration for managing the placement. The total number of issued options will be up to 142.8 million options.

If shareholder approval is not received for Resolution 3 the Company will not proceed with the acquisition of (Resolution 1) nor the issue and allotment of shares to Brett Cheong, or his nominee (Resolution 2).

Shareholder approval for the proposed placement issue is required pursuant to ASX Listing Rule 7.1.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period. One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in general meeting. The effect of Resolution 3 will be to allow the Directors to issue the securities pursuant to Resolution 3 during the period of 3 months after the General Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

ASX Listing Rule 7.3

ASX Listing Rule 7.3 requires that the following information be provided to shareholders:

(a) the maximum number of securities to be issued under Resolution 3 is 72,000,000 fully paid ordinary shares at an issue price of 2.5 cents and either 41,000,000 or 77,000,000 options exercisable at 2.0 cents on or before 31 May, 2012 issued for nil consideration (“**Securities**”).

The number of options will be determined by aggregating the following:

- each new share will be issued with either one new option for every two new ordinary shares issued (36,000,000 options) or alternatively one new option for every one new share issued (72,000,000 options); and
- a further 5,000,000 options will be issued to Melbourne Capital Limited as part payment of its management fees in relation to the placement. In summary, the maximum number of options exercisable at 2.0 cents on or before 31 May, 2012 issued for nil consideration under Resolution 3 will either be 77,000,000 or 41,000,000.

(b) the Securities will be issued no later than 3 months after the date of shareholder approval (or such later date to the extent permitted by any ASX waiver of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;

(c) the Securities will be issued to raise approximately \$1.8 million to be applied as part consideration for acquisition of all the issued capital of Axishealth, as part consideration for the Melbourne Capital Limited management fee and for working capital purposes;

(d) the Securities will be issued to Mr Blanche (24,000,000 ordinary shares and either 12,000,000 or 24,000,000 options) and clients of Melbourne Capital Limited (48,000,000 ordinary shares and either 24,000,000 or 48,000,000 options) and Melbourne Capital Limited (5,000,000 options). The number of Securities in brackets are the maximum number of Securities to be issued; and

(e) the shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company’s existing fully paid ordinary shares (and will rank equally with them). The Company will apply to ASX for the listing of the new shares (ASX code PGC). The options to be issued will be issued on the same terms and conditions as the Company’s existing listed PGCOA options on issue. The Company will apply to ASX for the listing of the new options (ASX code PGCOA). Each PGCOA option entitles the holder to be issued with one ordinary share upon payment of the exercisable price of 2 cents on or before 31 May 2012. A copy of the terms and conditions of the listed options is available from the company secretary on request.

RESOLUTION 4 – APPROVE PARTICIPATION OF DIRECTORS IN THE PLACEMENT OF NEW SHARES AND OPTIONS

The proposed placement of new fully paid ordinary shares and attached free options (Resolution 3), if approved by shareholders, will not be underwritten. The Directors would like to have the opportunity of participating in the placement on the same terms and conditions as will be offered to the clients of Melbourne Capital Limited.

The Directors of the Company, Messrs Tanner, Simari and Newton may, without any firm commitment, take up to a maximum of 20 million (20,000,000) fully paid ordinary shares (PGC) at an issue price of 2.5 cents per share and a maximum of twenty million (20,000,000) options exercisable at 2.0 cents per option on or before 31 May 2012 (PGCOA) for nil consideration on the same terms as offered to clients of Melbourne Capital Limited who participate in the placement, the subject to approval in Resolution 3.

Any shares and options acquired by the Directors, if this Resolution 4 is approved, will not be in addition to the total maximum number of shares and options to issued as part of the placement that is subject to approval in Resolution 3. In other words, the total number of securities which will be placed if Resolutions 3 and 4 are approved is 72 million ordinary shares and 77 million options.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the Company to obtain shareholder approval to issue equity securities (including options) to a related party such as a director.

Resolution 4 seeks shareholder approval for the Company to issue up to maximum of 20 million (20,000,000) fully paid ordinary shares (PGC) at 2.5 cents per share and a maximum of 20 million (20,000,000) options exercisable at 2.0 cents per option on or before 31 May 2012 (PGCOA) for nil consideration to Messrs Tanner, Simari and Newton or entities associated with them. If approval is given, further approval of the issue to Directors is not required under ASX Listing Rule 7.1. Any issue to the Directors or their associated entities will be made within 1 month of the Meeting. Any funds raised will be used for the purposes outlined in Resolution 3 above.

RESOLUTION 5 – RATIFICATION OF AN ISSUE OF SECURITIES

From the date of the 2008 Annual General Meeting to the date of this Notice of Meeting the Company has not made any placement of new shares or options. However on 30 April, 2009 the Company made a placement of shares and options as foreshadowed in its announcement on 28 April, 2009.

On 30 April, 2009, eight million (8,000,000) fully paid ordinary shares (PGC) were issued and allotted to Keith Sterry Woodruff at 2.5 cents per share and 4 million (4,000,000) options exercisable at 2.0 cents per option on or before 31 May 2012 (PGCOA) for nil consideration.

The passage of Resolution 5 will ratify the proposed issue pursuant to ASX Listing Rule 7.4 and will ensure the Company's has the capacity to raise up to 15% of the Company's securities within the a 12 month period in accordance with ASX Listing Rule 7.1 without shareholder approval.

ASX Listing Rules 7.1 and 7.4

ASX Listing Rule 7.4 enables the Company to ratify an issue of securities made without the prior shareholder approval under ASX Listing Rule 7.1 if:

- the issue of securities did not breach ASX Listing Rule 7.1; and
- shareholders subsequently approve the issue of those securities by the Company.

In general terms, ASX Listing Rule 7.1 allows the Company to issue up to 15% of its issued capital without the need for approval from shareholders, with some exceptions. The term "securities" is defined in the ASX Listing Rules to include shares and options to acquire shares. The issue of the shares and the grant of the options, the subject of this resolution were not in breach of ASX Listing Rule 7.1.

The Directors seek approval and ratification from shareholders pursuant to ASX Listing Rule 7.4 for the issue of the shares and options. Ratification is sought in order to reset the number of securities issued in the previous 12 month period without shareholder approval to zero, and therefore enable the Company to issue up to a further 15% of securities on issue (subject to adjustments required by ASX) without requiring shareholder approval in the next 12 months as permitted by ASX Listing Rule 7.1.

ASX Listing Rule 7.5

ASX Listing Rules 7.5 lists the information which must be contained in the General Meeting and Explanatory Notes where shareholders will consider a resolution pursuant to ASX Listing Rule 7.4. This information is set out below:

- (a) On 30 April, 2009 the Company issued 8,000,000 fully paid ordinary shares and 4,000,000 options.
- (b) The shares were issued at an issue price of 2.5 cents and the 4,000,000 options exercisable at 2.0 cents per option were issued for nil consideration.
- (c) The name of the allottee is Keith Sterry Woodruff.
- (d) The shares are fully paid ordinary shares in the Company and rank equally with other fully paid ordinary shares on issue. The options issued are listed PGCOA options of the Company, and rank pari passu with other PGCOA options on issue, Each PGCOA option entitles the holder to be issued with one ordinary share upon payment of the exercisable price of 2 cents on or before 31 May 2012.
- (e) The funds raised from the shares issued on 1 May, 2009 raised \$200,000 will be used for general working capital purposes.

This Explanatory Note is dated 4 May 2009.

John Osborne
Company Secretary, Paragon Care Limited

Paragon Care Limited

ACN 064 551 426

PROXY FORM

Shareholder / Securityholder

- Name and address of securityholder of Paragon Care Limited.

Name

Address

Appointment of Proxy

I/We being a member/s of Paragon Care Limited and entitled to attend and vote hereby appoint

☐

**The Chair
of the Meeting
(mark with an "X")**

OR

☐

If you are not appointing the Chair of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Paragon Care Limited to be at the meeting room of the Chartered Secretaries Australia, Level 11, 500 Collins Street, Melbourne Victoria 3000 at 10:00 a.m. on Friday, 5 June 2009 and at any adjournment of that meeting.

Voting directions to your proxy – please mark ☒ to indicate your directions

	For	Against	Abstain*
Resolution 1 – Approve the acquisition of Axishealth	☐	☐	☐
Resolution 2 – Approve the issue of shares as part consideration for the acquisition of Axishealth	☐	☐	☐
Resolution 3 – Approve a placement of new shares and options	☐	☐	☐
Resolution 4 – Approve the participation of Directors in placement	☐	☐	☐
Resolution 5 – Ratify an issue of shares and options	☐	☐	☐

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of resolution 4 and that votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

☐
☐
☐

PLEASE SIGN HERE

This section **must** be signed in accordance with the instructions above to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Dated: ___/___/2009 _____ Contact Name _____ Daytime Telephone _____

Where your intention has not been indicated above, the Chair of the Meeting intends to vote undirected proxies in favour of each of the resolutions.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

How to complete the Proxy Form

1 Appointment of a Proxy

If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chair of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

2 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

3 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together.

4 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the Registered Office of Paragon Care Limited shown below no later than 10:00 a.m. on 3 June 2009.

Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON: Registered Office – Level 1, 71 Queens Road, Melbourne Victoria 3004
BY MAIL: Registered Office - Level 1, 71 Queens Road, Melbourne Victoria 3004
BY FAX: (61 3) 9520 3050