



PARAGON CARE LIMITED
ABN 76 064 551 426

**NOTICE OF GENERAL MEETING
AND EXPLANATORY STATEMENT**

**For the General Meeting to be held at the offices of Chartered Secretaries
Australia, Level 7, 500 Collins Street, Melbourne, Victoria 3000
on 8 June 2010 at 10:00 am**

This is an important document. Please read it carefully.

*If you are unable to attend the General Meeting, please complete the form of proxy enclosed and
return it in accordance with the instructions set out on that form.*

PARAGON CARE LIMITED
ABN 76 064 551 426
NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders of Paragon Care Limited ("Company") will be held at the offices of Chartered Secretaries Australia, Level 7, 500 Collins Street, Melbourne, Victoria, 3000 on 8 June 2010 at 10:00 am.

AGENDA

RESOLUTION 1 - APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND OPTIONS

To consider and, if thought fit, pass the following ordinary resolution:

"That for the purpose of Listing Rules 7.1 and 10.11 and for all other purposes, the shareholders of the Company hereby approve and authorise the directors to issue and allot up to:

- (a) 3,000,000 unsecured convertible notes at a price of \$1.00 per convertible note; and
- (b) 30,000,000 options to subscribe for Shares at \$0.03 per option;

to those persons referred to in the Explanatory Statement accompanying this Notice on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Voting Exclusion Statement

The Company will disregard any votes cast on this resolution by any person who may participate in the issue and a person who might obtain a benefit if the resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities), and an associate of any such person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The following Directors intend to participate in the issue and their votes will be disregarded:

Name of Director	Entity	Number of Notes	Number of options
Mr Shane Tanner	SF & AM Tanner (atf Tanner Superannuation Fund)	100,000	1,000,000
Mr Mark Simari	Charkaroo Pty Ltd	100,000	1,000,000

7 MAY 2010

BY ORDER OF THE BOARD

Darryl Levin
Company Secretary

NOTES

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a 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.
3. For the purposes of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 6:00pm (Melbourne time) on 4 June 2010.

ENQUIRIES

Shareholders are invited to contact the Company Secretary on (03) 9878 8893 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of the Company in connection with the General Meeting of the Company to be held on 8 June 2010.

The purpose of this Explanatory Statement is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the resolution detailed in the Notice.

This Explanatory Statement is an important document and should be read carefully in full by all Shareholders. If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

2. RESOLUTION 1 - APPROVAL OF ISSUE OF CONVERTIBLE NOTES AND GRANT OF OPTIONS

2.1 Background to Offer

The Company seeks to issue and allot up to 3,000,000 unsecured notes ("Convertible Notes") at a price of \$1.00 per Convertible Note to raise up to \$3,000,000 before costs and to issue up to 30,000,000 options to investors as detailed in clause 2.3 below.

The purpose of this Offer is to raise funds to be used to finance the Company's acquisition strategy as detailed in clause 2.5 below.

The Company intends to issue the Convertible Notes and options on or before 30 June 2010. The Convertible Notes and options will not be quoted on ASX.

A summary of the material terms and conditions of the Convertible Notes and options is included in Schedule 1.

2.2 Terms of the Convertible Notes

Each Convertible Note is convertible by the Noteholder into Shares on or before their maturity date of 30 June 2012. All Convertible Notes not converted prior to the maturity date will be redeemed and the face value of the Convertible Notes will be repaid to the Noteholder by the Company. Each Convertible Note will carry an annual coupon rate of 11 percent payable by the Company quarterly in arrears.

If the Company issues all 3,000,000 Convertible Notes the subject of this resolution 1, and in the event that all Convertible Notes are converted prior to the maturity date, the Company will be required to issue a maximum of 75,000,000 Shares to Noteholders in accordance with the terms set out in Schedule 1.

2.3 Terms of the Options

As an incentive to investors participating in the issue of the Convertible Notes, bonus options will be issued on the basis of 10,000 options being issued for each \$1,000 invested. These options will expire on 30 May 2013 and have an exercise price of \$0.03 per option.

2.4 Shareholder approval

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides, in summary, that a listed company may not issue equity securities in any 12 month period which, in total, would exceed 15% of the number of issued securities of the company at the beginning of the 12 month period, except with the prior approval of shareholders.

The purpose of seeking shareholder approval for the Offer is to retain the maximum limit under the ASX Listing Rules of the number of equity securities that the Company may issue in any 12 month period without Shareholder approval.

ASX Listing Rule 7.3

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1. For the purpose of ASX Listing Rule 7.3, the following information is provided in relation to the Offer and this resolution 1:

- (a) The maximum number of Shares that may be issued on conversion of the Convertible Notes is 75,000,000, and the maximum number of Shares that may be issued on exercise of the options is 30,000,000.
- (b) The Company intends to issue the Convertible Notes and options on or before 30 June 2010.
- (c) The Convertible Notes will be issued at \$1.00 per Convertible Note and the options will be issued at no charge. If the maximum number of options were issued and subsequently exercised, this would raise a further \$900,000.
- (d) The Convertible Notes and options will be issued predominantly to clients of Sydney Capital Partners and Directors and related parties (as defined in section 228 of the Corporations Act), all of whom are regarded as sophisticated investors or professional investors as defined in section 708 of the Corporations Act.
- (e) The terms of the Convertible Notes and options are summarised in Schedule 1.
- (f) The funds raised under the Offer will be used in the manner set out in clause 2.5.
- (g) A voting exclusion statement is included in the Notice.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 provides, in summary, that a listed company may not issue equity securities to a related party or a person whose relationship with the listed entity is such that in ASX's opinion, approval should be obtained.

As it is intended that two directors, being Mr Shane Tanner and Mr Mark Simari, through their related entities will participate in the issue of the Convertible Notes and options, the prior approval of the shareholders must be obtained pursuant to this Listing Rule.

ASX Listing Rule 10.13

ASX Listing Rule 10.13 sets out a number of matters which must be included in a Notice of Meeting seeking an approval under ASX Listing Rule 10.11. For the purpose of ASX Listing Rule 10.11, the following information is provided in relation to the Offer and this resolution 1:

- (a) Mr Shane Tanner and Mr Mark Simari are directors of the Company and intend to participate in the issue of Convertible Notes and options. The details of the intended participation of Mr Tanner and Mr Simari are set out in the Voting Exclusion Statement to the Notice of General Meeting.
- (c) The Company intends to issue the Convertible Notes and options on or before 30 June 2010.
- (d) The Convertible Notes will be issued at \$1.00 per Convertible Note and the options will be issued at no charge.
- (e) A voting exclusion statement is included in the Notice.
- (f) The terms of the Convertible Notes and options are summarised in Schedule 1.
- (f) The funds raised under the Offer will be used in the manner set out in clause 2.5 below.

2.5 Acquisition details

The Company has recently announced the acquisition of Iona Medical Products Pty Ltd and Volker Australia Pty Ltd. The Company is also planning two subsequent acquisitions to follow.

Once the proposed acquisitions are completed, Paragon Care is forecast to turn over in excess of \$18 million delivering an EBIT of approximately \$2 million. These acquisitions will form a solid foundation on which to deliver our vision of becoming a preferred supplier of a range of products and services for the Health and Aged Care providers and their clients.

3. About Paragon Care

3.1 Board Structure

Shane Tanner, Chairman
Mark Simari, Managing Director
Tim Blanche, Executive Director
Mike Newton, Non-Executive Director
Brett Cheong, Non-Executive Director

3.2 Summary and Overview

In a recently published document, the Company stated its objective as:

“To become a preferred supplier of a range of products and services for the Health and Aged Care providers and their clients”

3.3 Background

In mid-2007, the independent Directors of Paragon Care announced that the Company would pursue new opportunities; this would fundamentally change the business structure and direction of the Company.

After extensive analysis, the directors identified the health and aged care markets as providing considerable opportunities for sustained long term growth. This would be underpinned by powerful demographic changes currently underway.

The Company has been transformed by three core acquisitions which will deliver in 2010, for the first time in the Company’s history, an operating profit and positive cash flow.

More specifically to its maiden profit, the Company is positioning itself to be a key provider of specialist products and niche services to this market. Considerable opportunities have been identified where consolidation and geographic expansion opportunities are available.

The underlying dynamics of the health and aged care market are very positive and underpinned by powerful demographic forces.

In common with most advanced countries, the Australian population is rapidly ageing due to the combination of the baby boomers moving towards retirement age and significant advances in life expectancy.

Over the 10 years to 2008, the over 65 age cohort in Australia grew by 24% compared with overall population growth of 14.5%. The over 85's grew by 62%. Between 2008 and 2021, the Australian Bureau of Statistics projects (Series B) that both the over 65 and over 85 age cohorts will grow by 56% compared with overall population of 9.4%. There are projected to be about 4.4 million Australians aged over 65 in 2021 compared with the current level of approximately 2.8 million.

By 2021, 17.2% of the population is projected to be over 65 compared with 13.2% in 2008 and 12.2% in 1998. This population shift will have a profound impact throughout the economy, possibly none more so than in the health and aged care market. This demographic shift will drive above average spending growth in health care generally.

This market is highly regulated and very much dependent on government spending as a key demand and revenue driver. Accordingly, there are potentially very large risks for a small company seeking to provide patient services. On the other hand, considerable opportunities currently exist and will become available to provide ancillary services principally to direct service providers (such as hospitals, aged care facilities, medical centres and so on).

It is against this framework that Paragon Care is seeking to build a national group of related, niche and specialist businesses in the health and aged care market.

3.4 Previous Acquisitions

In April 2008, the Company announced its first acquisition, Lifetime Planning Pty Ltd. Melbourne based, Lifetime Planning provides specialist financial planning services to the elderly.

This was quickly followed in May 2008 with the purchase of a 30% interest in Accentor Pty Ltd, a worker's compensation and occupational health consultancy. Paragon Care is currently exploring options to divest this investment in Accentor and is confident this divestment will return a capital gain for the Company if successful.

The April 2008 acquisition of Lifetime Planning was followed in September 2008 with the acquisition of Tender Living Care (Vic) Pty Ltd. Melbourne based, Tender Living Care is an aged care placement consultancy service providing highly specialized residential location and re-location services into aged care accommodation facilities

In April 2009, the Company announced that it would acquire Axishealth Pty Ltd, a national distributor of durable medical equipment for hospitals; medical centres and aged care facilities. This acquisition was completed in early July 2009.

Axishealth has broadened the Company's exposure beyond the aged care sector into the much larger health care market. It is also a fundamentally different business being product, and margin driven, rather than service based. Nonetheless, it fits neatly with the Company's objective of providing critical support for the delivery of core services.

The Company has established a platform for growth with considerable organic and acquisition opportunities. The Company's priorities are to bulk up Axishealth through the acquisition of similar business with a complementary product range; to systematize the Tender Living Care business and integrate it with Lifetime Planning; to take these two businesses interstate and ultimately create a national network; and to acquire other niche businesses where there are network, marketing and operating synergies.

The existing businesses have underlying organic growth rates exceeding 10% per annum. It is conceivable, combined with further acquisitions, that annualized group revenue could exceed \$30 million by 2012. The acquisitions highlighted go a long way towards achieving this target.

SCHEDULE 1

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- | | | |
|----|--|---|
| 1. | Issuer | Paragon Care Limited (ASX:PGC)
ACN 064 551 426 |
| 2. | Issue Price per Convertible Note | \$1.00 |
| 3. | Interest | 11% per annum fixed. Interest accrues daily from the date of issue of the Convertible Notes until the earlier of:

(a) the Maturity Date; or

(b) the first Interest Payment Date after receipt of a Conversion Notice by the Company. |
| 4. | Interest Payment Dates | Interest accrues in arrears for each period of 3 calendar months, being 30 September, 31 December, 31 March and 30 June (Interest Payment Date). Interest will be paid no later than 5 Business Days after the relevant Interest Payment Date. |
| 5. | Maturity Date of Convertible Notes | The Maturity Date for the Convertible Note is 30 June 2012. |
| 6. | Conversion of Convertible Notes to Shares | Convertible Notes may be converted into Shares by the Noteholder providing the Company with a Notice of Conversion on or prior to the Maturity Date. The Convertible Notes will then convert into Shares with effect from the next occurring Interest Payment Date. Convertible Notes will convert at the price which is the greater of:

(a) 85% of the Market Price; and

(b) \$0.04.

For these purposes, the "Market Price" is the volume weighted average market price for Shares over the 5 Business Days ending on the relevant Interest Payment Date. |
| 7. | Options | For every \$1,000 invested, the Noteholder will be issued with 10,000 options expiring 30 May 2013 with an exercise price of \$0.03 per option. The table below illustrates the entitlement at differing investment amounts: |

Amount Invested (\$)	Options Entitlement (Qty)
25,000	250,000
100,000	1,000,000
250,000	2,500,000
500,000	5,000,000
1,000,000	10,000,000

- | | | |
|------------|--|---|
| 8. | Redemption of Convertible Notes | Where the Noteholder still holds the Convertible Note at the Maturity Date, and the Noteholder wishes to have a full return of capital, the Company shall make payment within 30 days from the Maturity Date. |
| 9. | Voting Rights | Convertible Notes and options do not carry any voting rights until they are converted into Shares. |
| 10. | Information Rights | Noteholders will receive copies of all information which the Company sends to its shareholders. |
| 11. | Voting Rights | The Convertible Notes are non-voting and do not confer on the Noteholder any rights to attend a general meeting of shareholders (unless otherwise required by the ASX Listing Rules or the Corporations Act). |
| 12. | Participation Rights | Prior to conversion the Noteholder is not entitled to participate in any rights issues, any return of capital, bonus issue or any reconstruction of the issued capital of the Company. |
| 13. | Security | The Convertible Notes are unsecured and will rank behind all secured creditors of the Company and rank equally with other unsecured creditors. |
| 14. | Tax | In the event that any tax is imposed on any payment under a Convertible Note, the Company may deduct the amount of the tax from the amount payable under the Convertible Note. |
| 15. | Not quoted on ASX | The Company will not apply to ASX for quotation of the Convertible Notes or options. |
| 16. | Foreign Shareholders | Where Convertible Notes are held by or on behalf of a person resident outside Australia then it will be condition precedent to the right of the Noteholder to receive payment of any amount payable or to obtain Shares on Conversion, that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment or Conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Company. |

GLOSSARY

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of directors of the Company.

Company means Paragon Care Limited ABN 76 064 551 426

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Statement means the explanatory statement to the Notice.

Meeting means the general meeting of Shareholders convened by the Notice.

Noteholder means a holder of a Convertible Note.

Notice means the notice of meeting accompanying the Explanatory Statement.

Offer means the offer of the Convertible Notes and options the subject of resolution 1.

Proxy Form means the proxy form accompanying the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Paragon Care Limited

ABN 76 064 551 426

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 7, 500 Collins Street, Melbourne Victoria 3000 at 10:00 a.m. on 8 June 2010 and at any adjournment of that meeting.

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

Resolution 1 – Approval of issue of Convertible Notes and Options

For

Against

Abstain

☐☐☐

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 1 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: ___/___/2010

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 the resolution.

* 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 am on 6 June 2010.
Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON:	Unit 1, 56 Norcal Road, Nunawading, Victoria, 3131
BY MAIL:	Unit 1, 56 Norcal Road, Nunawading, Victoria, 3131
BY FAX	+ 61 3 9877 2902