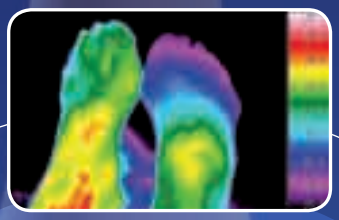
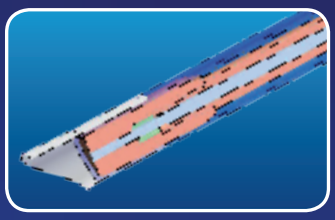
ASDM

ADVANCED SURGICAL DESIGN & MANUFACTURE



PROSPECTUS

ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED

ACN 066 281 132

A minimum of 2.5 million and maximum of 4 million Shares at $0.60 per Share

ADVISERS

EMERGING GROWTH CAPITAL PTY LIMITED

SOLICITORS

WATSON MANGIONI LAWYERS PTY LIMITED

CONTENTS

Important Information

This Prospectus is dated 26 October 2007. A copy of this Prospectus was lodged with the ASIC on 26 October 2007. No Shares will be issued or allotted on the basis of this Prospectus after its expiry date, being the date 13 months after the date of this Prospectus.

Neither the ASIC nor the ASX or their respective officers and employees takes any responsibility for the contents of this Prospectus. The fact that the ASX may list any of the Shares offered under this Prospectus is not to be taken as an indication of the merits of any of those Shares, the Company or any aspect of the Offer.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus only contains an invitation to Australian residents to make an application to subscribe for Offer Shares pursuant to this Prospectus.

For persons accessing the electronic version of the Prospectus, the Offer is only available to such persons accessing the Prospectus from within Australia. A person who gives another person access to an Application Form must at the same time and by the same means give the other person access to the Prospectus (and any supplementary prospectus). If requested, the Company will make available, at no charge, a paper copy of the Prospectus. Applications will only be accepted if the written Application Form, duly completed in accordance with the terms of the Offer and accompanied by the relevant Application Monies, is received by the Share Registry prior to close of the Offer. No Application will be accepted in electronic form.

Before deciding to invest in the Company, Applicants should read the entire Prospectus and in particular, should consider the assumptions underlying the financial forecasts and the risk factors that could affect the financial performance of the Company. The price of shares may rise or fall according to a number of factors. Applicants should carefully consider these risks in light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person is authorised to give any information or to make any representation concerning the Offer. Any information or representation concerning the Offer which is not contained in this Prospectus should not be relied on as having been authorised by the Company or its Directors.

A number of terms and abbreviations used in this Prospectus have defined meanings that appear in the Glossary of Terms. All financial amounts shown in this Prospectus are expressed in Australian dollars unless otherwise stated. Photographs used in the Prospectus are illustrative only. They should not be taken to imply that a particular asset is owned by the Company.

If you apply for Shares under this Prospectus, you will be required to provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

All personal information will be collected in accordance with the National Privacy Principles as set out in the Privacy Act 1988. The law requires that some of the information is required to be collected. If you do not provide the information requested, your Application may not be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including those listed below, or as otherwise authorised under the Privacy Act 1988:

- the Broker; and
- the ASX for the purpose of confirming compliance with the Listing Rules.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by telephoning the Company on (02) 9439 4448 or by writing to the Company or the Share Registry whose details are in the Corporate Directory.

The Prospectus is available to download and view as an electronic Prospectus by Australian residents only on the Company's website at **www.asdm.com.au/prospectus** (Electronic Prospectus). The Offer constituted by the Electronic Prospectus is only available to persons receiving the Electronic Prospectus within Australia. Any person may obtain a free paper copy of the Prospectus by telephoning the Company on **(02) 9439 4448** with their request.

This Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. No applications for Shares under this Prospectus will be accepted until the exposure period has ended. ASIC may extend that period to not more than 14 days by notice in writing to the Company.

26 October 2007

Dear Investor

On behalf of my fellow Directors, I have great pleasure in presenting you with the opportunity to participate in the ownership and future growth of Advanced Surgical Design & Manufacture Limited (ASDM or the Company).

ASDM is a leading Australian developer and manufacturer of prosthetic implants and medical devices. Since its establishment in 1994, it has steadily built a strong position in the domestic market with its principal product, the Active Knee cementless total knee system, and has pursued a number of significant extensions to that design as well as establishing itself as a successful innovator in a range of medical device applications. The Company has built an impressive in-house design, prototyping and manufacturing capability that has been accredited by the TGA and granted a Conformity Assessment Certificate so that ASDM is able to assess the conformity of its own products. ASDM is permitted to attach to a conforming product the CE mark signifying compliance with all relevant European regulations.

ASDM has built a pipeline of research development commercialisation projects, some wholly in-house and others in collaboration with other companies, Universities and leading medical practitioners. The Company believes that a number of its research projects are now yielding innovative products that may have considerable commercial importance. The purpose of the offer is to give ASDM access to public capital as the company grows; thus this fund raising is limited in size.

Under this Prospectus, ASDM is offering for subscription a minimum of 2.5 million Shares at an issue price of $0.60 per Share to raise $1.5 million and a maximum of 4 million shares to raise $2.4 million. If the minimum $1.5 million is raised, ASDM will have a total equity capitalisation of approximately $20.8 million, represented by 34.7 million Shares at $0.60 each. If the maximum of $2.4 million is raised, ASDM will have a total equity of approximately $21.7 million, represented by 36.2 million Shares at $0.60 each.

For the year ending 30 June 2008, the Company is forecasting sales revenue and other income of $7.23 million and adjusted net profit after tax of $172,068, after expensing of all research and development and share based incentives.

Following the successful completion of the Offer ASDM will have no net debt other than machinery leases and hire purchase agreements and is expected to have sufficient working capital to achieve its forecasts and fund current growth plans. The Directors believe that ASDM will be in a strong position to take advantage of numerous opportunities to acquire technologies in the medical device industry.

You should read the Prospectus carefully and in its entirety.

On behalf of the Board of ASDM, I look forward to welcoming you as a Shareholder in the Company.

Yours sincerely

Peter Kazacos
Non-Executive Chairman

Key Dates

Application list opens (following the Exposure Period)	Saturday 3 November 2007
Application list closes	Friday 16 November 2007
Expected date of dispatch of holding statements	Friday 23 November 2007
Expected date of quotation of Shares on the ASX	Friday 30 November 2007

Note: This timetable is indicative only and may change. The Company reserves the right to close the Offer early or extend the Closing Date without notice.

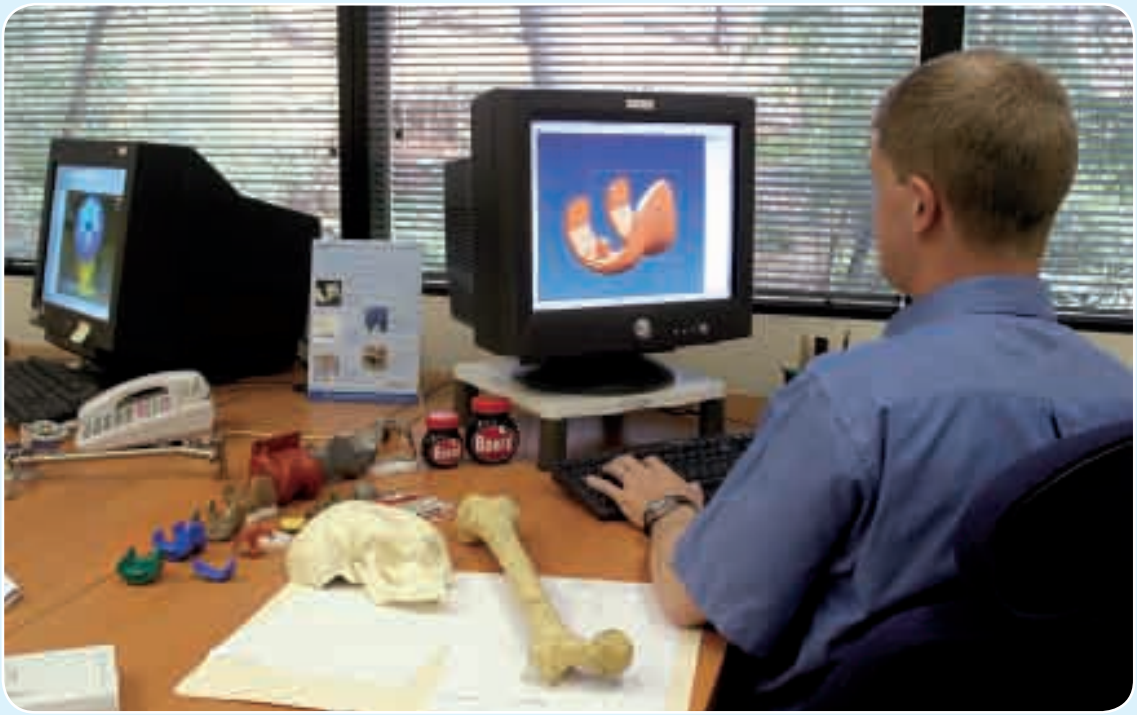
Offer Statistics

	Minimum	Maximum
Offer Price per Share	$0.60	$0.60
Shares on issue following the Offer	34,664,303	36,164,303
Offer Shares	2,500,000	4,000,000
Gross Offer proceeds	$1,500,000	$2,400,000
Total Equity Capitalisation at the Offer Price	$20,798,581	$21,698,581
Forecast adjusted profit after tax for 2008[1]	$172,068	$172,068
Net tangible assets per Share[2]	$0.24 cents	$0.25 cents

Notes:

1 ASDM has made a number of important assumptions in forecasting the earnings of the Company for the year ending 30 June 2008. Investors are referred to Section 7 for a description of these assumptions and related qualifications, and Section 8 for a discussion of the relevant risk factors.

2 Based on the pro-forma balance sheet post capital raising (refer to 7.5).



Growing Industry

Worldwide and in Australia, the medical device industry is growing at the rate of around 15% per annum. This growth is being driven by a combination of an ageing population, continually increasing health care standards and expectations of quality of life, and product innovation and development.

Established Business

ASDM was founded in 1994 and has used the returns from its growing sales for research to broaden its product range and depth. In the field of primary knee replacement prostheses, it is established amongst the leading designs in the Australian market according to the 2007 AOA Joint Registry. A cemented variant has won initial orders in the United States of America (USA), Turkey and the United Kingdom (UK). Its principal products have clinical histories going back fifteen or more years. In addition, the Company now receives revenues from consulting and design services as well as its sales of medical devices. From its strong position and the extensive clinical history of its products, ASDM now has the opportunity to consolidate its position in the Australian market and target high value niche opportunities in the lucrative USA, UK and key European markets.

Pipeline of New Products

ASDM has used its skills in developing and commercialising medical devices to generate a pipeline of new products in various stages of development, including range extensions of its current product family that strengthen its appeal to a broader audience of orthopaedic surgeons. In addition, it is leveraging its research, development, manufacturing and clinical trial capabilities to prototype and build clinical histories of a number of exciting and innovative medical devices.

Collaborative Developments

An example of ASDM's collaborative development include ASDM being appointed as exclusive manufacturer of AllVascular Pty Limited's Peripheral Access device (PAD). ASDM is currently project managing the development and clinical trial of the device in the field of vascular surgery. The CEO of ASDM, Dr Greg Roger, has been appointed to the board of AllVascular Pty Limited.

Exciting Collaborative Research Portfolio

The Company has built a portfolio of promising research collaborations with companies, university research groups and surgeon inventor/innovators. These collaborations are yielding new orthopaedic and medical device innovations that may see commercialisation over the next several years.

State-of-the-Art Design, Prototyping and Manufacture Capabilities

ASDM has built capabilities in the design, prototyping and manufacture of medical devices and implants that have been fully certified to TGA, EU/CE and FDA standards. The most strategic elements of the design and manufacturing capacity have been built in-house, whilst less strategic elements of the fabrication process are outsourced.

Experienced Management

ASDM's management team have successful track records in developing innovative orthopaedic prostheses and in the marketing and distribution of orthopaedic devices.

Before deciding to invest in ASDM, Applicants should carefully read the entire Prospectus and in particular, consider all the assumptions underlying the financial forecasts and all the risk factors that could affect the financial performance of the Company.

3.1 Description of the Offer

This Prospectus offers a minimum of 2.5 million Shares and a maximum of 4 million Shares at an Offer Price of $0.60 per Share, payable in full on Application. The Offer Shares being offered under this Prospectus comprise an issue of new Shares by ASDM. The Offer Shares to be issued under the Offer will rank equally in all respects with each other and the existing issued Shares of ASDM after completion of the Offer. See Section 12 for details of the rights attaching to the Shares.

After the close of the Offer, based on the minimum subscription, the issued capital of ASDM will be approximately 34.7 million Shares, of which the Promoters will hold approximately 25.3 million Shares (72.8% of the total issued equity). If the maximum amount is raised, the issued capital of ASDM will be 36.2 million Shares of which the Promoters will hold 69.8% of the total issued equity. The Promoters have entered into voluntary escrow arrangements relating to their respective Shares, details of which are set out in Section 11.

3.2 Purpose of the Offer

The purposes of the Offer are:

- to fund working capital requirements, in particular the manufacture of 20 instrument sets to underpin ASDM's expansion in Australia and subsequently into overseas markets and manufacture of the extra stock required to support these sets;
- to assist in retaining and attracting the services of current and future employees by providing them with the opportunity to own ASX listed Shares;
- to increase the public profile of ASDM both nationally and internationally;
- to allow easier access to the equity markets in order to fund future growth opportunities both through acquisitions and other business opportunities;
- subject to the abovementioned escrow arrangements, to provide existing and new Shareholders with greater liquidity for their investment in the Company; and
- To the extent that funds in excess of the minimum capital raising are subscribed they will be used for cash reserves and for strategic acquisitions.

3.3 Application of IPO Proceeds

The Company proposes to apply the proceeds that it receives from the subscription for the Offer Shares, as follows:

- to fund the manufacture of 20 instrument sets and associated stock for Australia and overseas – $0.8 million;
- to pay the costs of the Offer – $0.637 million; and
- any funds in excess of the minimum capital raising will be used for cash reserves and for strategic acquisitions up to $0.9 million.

The Directors believe that, on completion of the Offer, ASDM will have enough working capital to carry out its objectives stated in this Prospectus.

3.4 Financial Performance and Forecasts

The results for the financial years ending 30 June 2005, 2006 and 2007 and the forecast result for the year ending 30 June 2008 are shown below.

	Year ended 30 June 2005 Actual $'000	Year ended 30 June 2006 Actual $'000	Year ended 30 June 2007 Actual $'000	Year ended 30 June 2008 Forecast $'000
Revenue and Other Income	**5,561**	**5,640**	**5,822**	**7,228**
Earnings before interest, income tax, depreciation and amortisation	**1,280**	**1,047**	**737**	**922**
Earnings before interest and income tax	**638**	**439**	**81**	**335**
Profit / (loss) after adjustments and before income tax	**362**	**250**	**(64)**	**249**
Adjusted net profit / (loss) after tax	**282**	**214**	**(81)**	**172**
Other related financial information				
Research and development expenses	(460)	(524)	(534)	(708)

Notes:

1 Further details of the forecasts are set out in Section 7 together with the underlying assumptions and qualifications. The forecasts have been reviewed by PricewaterhouseCoopers Securities Limited whose report is included in Section 9.

2 The Directors do not represent or give any assurance that any of the forecasts will be achieved, as the realisation of forecasts can be affected by numerous factors, many of which are outside the Directors' control. Refer to Section 8 for a discussion of Risk Factors.

A summary of the ASDM Pro-forma Balance Sheet is set out in Section 7.5, incorporating the Balance Sheet as at 30 June 2007 adjusted for the Offer. The assumptions underlying the summary Pro-forma Balance Sheet and a detailed Pro-forma Balance Sheet are set out in the Investigating Accountant's Report in Section 9.

3.5 Asset Backing

Based on the Pro-forma Balance Sheet contained in Section 7.5, ASDM's pro-forma net tangible asset backing per Share will be $0.24 cents at the minimum raising and $0.25 cents at the maximum raising at the time of its Official Quotation.

3.6 Dividend Policy

The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any future dividends, as all of the foregoing are dependent on a number of factors including the level of future earnings, the amount of tax paid, the financial position of the Company, future operating conditions and future cash requirements to fund growth.

3.7 How to apply for Shares

An Application for Offer Shares can be made only by completing an Application Form contained in this Prospectus. Detailed instructions on the correct method of completing an Application Form are included at the end of this Prospectus and form part of the terms of the Application Form.

The Application Form must be accompanied by a cheque, in Australian Dollars, for the Application Monies. The minimum Application under this Offer is for 3,334 Offer Shares (requiring an investment by an Applicant of $2,000 Application Monies) and thereafter in multiples of 1,000 Offer Shares ($600 Application Monies). All cheques must be made payable to "ASDM Float Account" and crossed "Not Negotiable".

The completed Application Form should be sent to the Company's Share Registry:

Mail Address
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

OR

Delivery Address
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

no later than 5.00 pm EST on the Closing Date. The Closing Date is expected to be 16 November 2007. Payments by cheque will be deemed to be made when the cheque is honoured in full by the bank on which it is drawn. Applicants are advised to lodge their Application Forms as early as possible after the Offer opens.

The Company reserves the right to close the Application list early at any time during the Offer Period without prior notice. The Company has the right to extend the Offer Period. The Company does not intend to accept Application Forms received after the Closing Date.

3.8 Acceptance of Applications

The Company may accept or reject any Application, or accept an Application in respect of a number of Offer Shares less than the number for which the Applicant applies. Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Offer Shares for which the Application is accepted. Acceptance of an Application only takes place on issue and allotment of the Offer Shares.

No stamp duty or brokerage is payable by Applicants on the Shares issued pursuant to this Prospectus.

Where an Application is rejected, the Application Monies will be returned in full. If the number of Offer Shares allotted to the Applicant is fewer than the number for which the Applicant applied, the surplus Application Monies will be returned. Interest will not be paid on any returned Application Monies.

The Company will issue and allot the Offer Shares that are the subject of successful Applications as soon as possible after the Closing Date and the grant of permission for Official Quotation of the Shares on the ASX, unconditionally or on conditions acceptable to the Board.

Pending the issue and allotment by the Company of the Offer Shares offered by this Prospectus, the Company will deposit Application Monies in a separate bank account and keep them there for so long as those Applications, or any part of them, are liable to be repaid in accordance with the Corporations Act and this Prospectus.

3.9 ASX Listing

The Company will make an application to the ASX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of the ASX and for the Official Quotation of its Shares (other than the Shares classified as restricted securities by the ASX).

The fact that the ASX may grant Official Quotation of the Offer Shares or any other Shares is not to be taken as an indication of the merits of the Company or of any of the Shares. The ASX, its officers and employees take no responsibility for the contents of the Prospectus or the statements that it contains.

If granted, Official Quotation of the Offer Shares will commence as soon as is practicable after the issue of holding statements to Shareholders.

If permission for Official Quotation of the Shares is not granted or deemed granted within 3 months, none of the Offer Shares will be issued unless an exemption is granted by the ASIC permitting such issue. If no issue is made, all Application Monies will be returned within the time prescribed by the Corporations Act. Interest will not be paid on any Application Monies refunded.

3.10 Clearing House Electronic Subregister System (CHESS)

The Company will apply to the ASX to participate in the Securities Clearing House Electronic Subregister System, known as CHESS. Under CHESS, the Company will not be issuing certificates to Shareholders. Instead, Shareholders will receive a holding statement (similar to a bank account statement) that sets out the number of Shares allotted to each of them under this Prospectus. The notice will also advise Shareholders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS. Further holding statements will be provided to Shareholders which reflect any changes in their shareholding in the Company during any subsequent month.

3.11 Overseas Investors

No action has been taken to register or qualify the Offer Shares offered in the course of the Offer, or otherwise to permit a public offering of the Offer Shares, in any jurisdiction outside Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who obtain a copy of this Prospectus should inform themselves about, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer or invitation to apply for Offer Shares in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus. It is the responsibility of Applicants to obtain all necessary approvals for the subscription for any Offer Shares under this Prospectus.

3.12 Minimum Subscription

The minimum subscription under the Offer is 2.5 million Shares raising $1.5 million before expenses of the Offer. In accordance with the Corporations Act, no shares will be allotted by the Company until the minimum subscription is received.

If the minimum subscription has not been received within 4 months of the date of this Prospectus the Company will either repay the Application Monies within 7 days after that date or issue a supplementary or replacement prospectus and allow Applicants 1 month to withdraw their Applications and be repaid their Application Monies.

3.13 Not Underwritten

The offer is not underwritten. The Company reserves the right to pay any licensed dealer a handling fee of $100 per application accepted bearing a Broker's Stamp.

3.14 Enquiries

If you require assistance to complete the Application Form or require additional copies of this Prospectus, you should contact the Company on (02) 9439 4448. If you are unclear in relation to any matter or are uncertain as to whether ASDM is a suitable investment for you, you should seek professional advice from your accountant, stockbroker, lawyer, or other professional adviser.

4.1 History of the Company

ASDM was founded in September 1994 based on a collaboration with Dr Mervyn Cross, OAM, to develop orthopaedic medical devices. ASDM established manufacturing facilities near Wollongong, which were moved and upgraded to St Leonards in Sydney in 2003.

In March 2004, the Australian Academy of Technological Science & Engineering awarded Dr Greg Roger the Clunies Ross medal in recognition of ASDM's development of the Active Knee and other innovations in orthopaedic products.

In November 2004, ASDM received the CE Mark Conformity Assessment from TGA, which, along with FDA approval, is the highest design and manufacturing standard available to an organisation of this type worldwide.

4.2 ASDM's Business Operations

ASDM's business operations run the broad spectrum of medical device innovation and development. Through both in-house development and licensing of externally developed intellectual property, ASDM actively works ideas and concepts through the research phase to development.

The key to success for medical device commercialisation is a robust and reliable development capability for innovative ideas. The requirement to meet strict regulatory standards, as well as the highly competitive arena of medical devices, means that rapid progress as well as technical excellence are key. ASDM has achieved outstanding results in this area.

ASDM is heavily committed to commercialisation of the medical devices it develops, either though its own sales channels or through assisting client companies to complete the step. While having a device that is innovative and which meets regulatory requirements is step one in this process, thorough knowledge of the market needs assists in positioning of a new medical device for sale.

Ensuring reliable and cost effective manufacturing of a device is a key capability of ASDM. In addition to its own in-house manufacturing, ASDM partners with a number of leading manufacturing companies throughout the world, most particularly for niche manufacturing processes such as chrome cobalt casting.

ASDM licenses intellectual property developed in-house and in collaboration with surgeons and tertiary institutions. ASDM aims to identify the most economically compelling route to market for each medical device.

Distribution and sales for ASDM's products are carried out in Australia through ASDM's own sales and marketing staff. Internationally, ASDM appoints distributors and sales agents with the local knowledge needed to make successful inroads with new technologies and devices.

OEM Design and Manufacture

In addition, ASDM is an Original Equipment Manufacturer (OEM) of branded surgical goods for a number of external designers, manufacturers and distributors. Its areas of specialty include products made from implant-grade materials (including chrome cobalt, titanium and its alloys), memory metals, stainless steels and implant-grade polyethylenes, instrument sets (short run and large run) and surface coatings (including ceramic, hydroxyapatite and implantable coatings).

Custom Manufacturing

ASDM has made a policy of seeking out custom design and manufacturing projects, as a means of exercising and developing its engineering and manufacturing capabilities. It also is a means of fostering the development of innovative ideas that might lead to important new products. Australian surgeons have a history of generating innovative ideas, and there have been instances where that idea has been commercialised overseas, sometimes with a great deal of success. In this business model, ASDM helps develop the concept and either manufacture for customer use or as a prototype for clinical trials. ASDM believes that this policy also helps improve its profile amongst the surgeon community.

ASDM manages this process with a multi-disciplinary team as shown in the following organisational chart.

4.3 Existing Product Lines

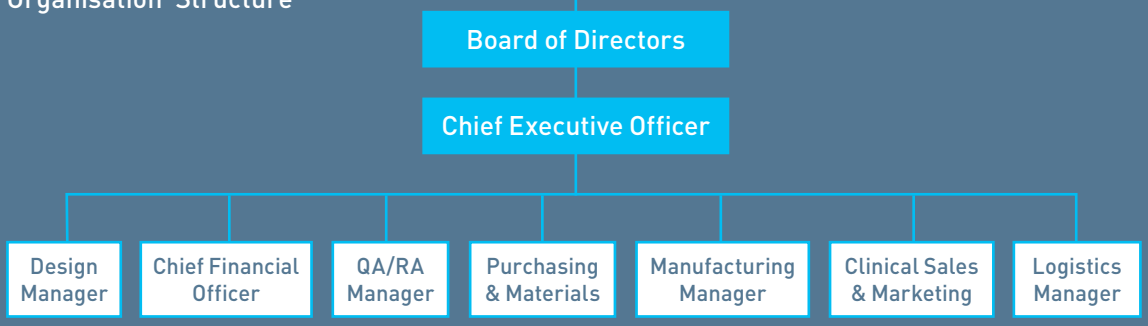
The Active Knee

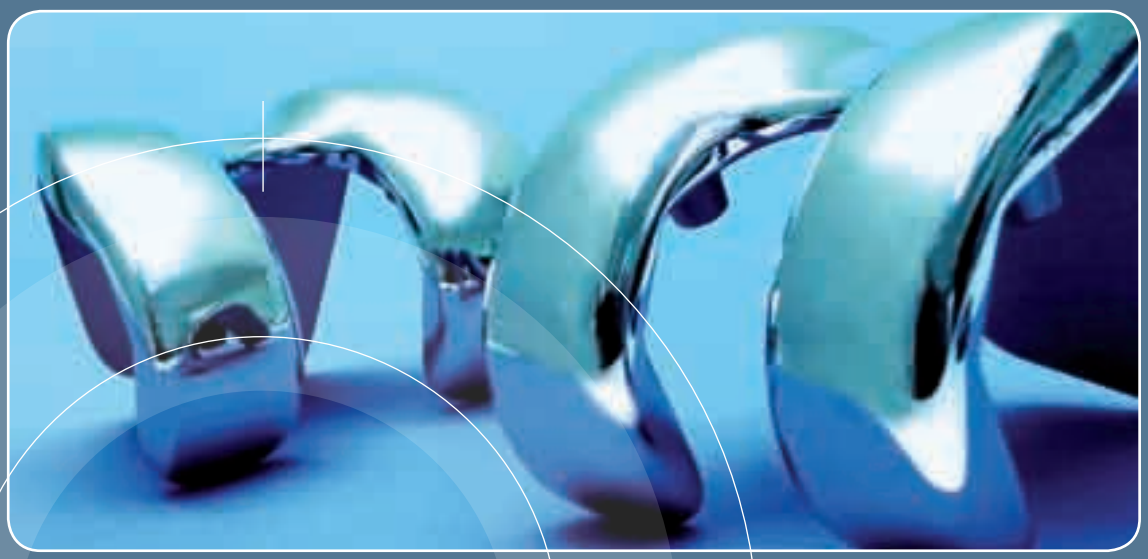
ASDM's principal product, the Active Knee, is a primary total knee replacement prosthesis. It is a cementless, metal/polyethylene, cruciate retaining design. Its design features include:

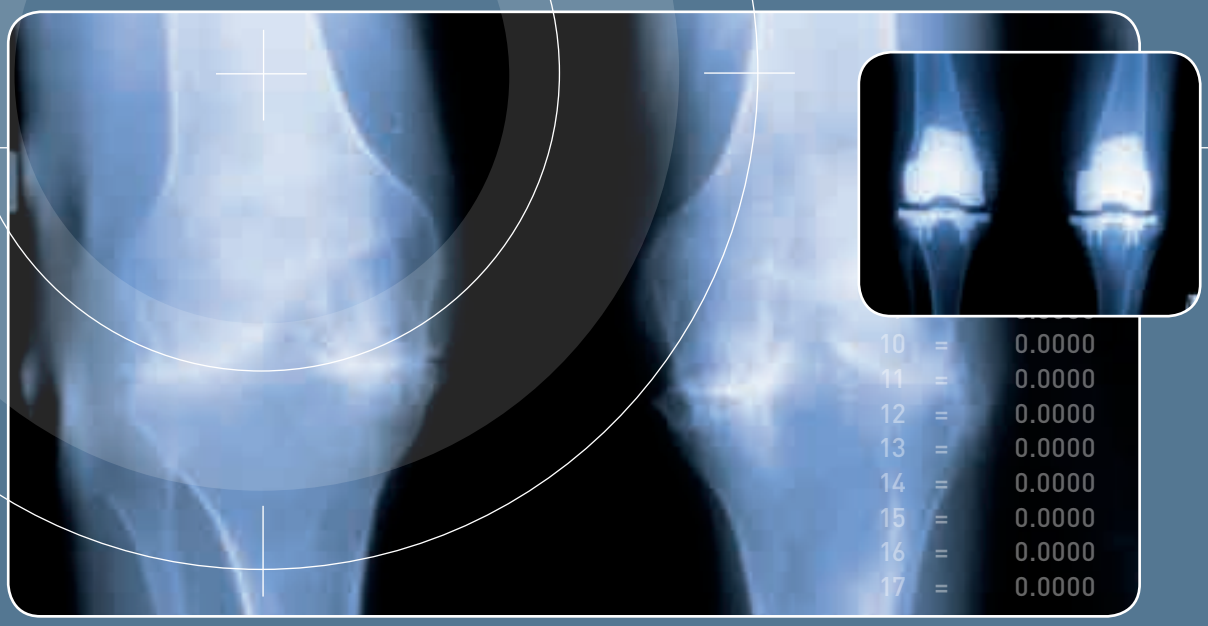
- unique, exclusive surface finishing (Ultrapolishing) that imparts wear characteristics approaching that of ceramics;
- cementless design with a sintered hydroxyapatite coating that encourages rapid bone bonding with the implant. For patients that are unsuited to a cementless implant, a cemented version is also produced; and

ASDM

Organisation Structure







EXISTING PRODUCTS:

- THE ACTIVE KNEE – PRIMARY TOTAL KNEE REPLACEMENT PROSTHESIS
- THE FREEDOM UNICOMPARTMENTAL KNEE – PARTIAL KNEE REPLACEMENT PROSTHESIS

– a cruciate retaining design that, for a total knee, minimises the invasiveness of the operation and patient trauma.

As a consequence, the ASDM Active Knee has an outstanding patient success rate. Dr Mervyn Cross, in a paper published in 2005 by the Journal of Bone and Joint Surgery (UK), which prospectively reviewed 1000 patients with up to 10 year outcomes, reported excellent patient functional results and an extremely low incidence of revisions (complications). ASDM considers this an industry-leading performance, given the relatively conservative (bone preserving) nature of the design.

Importantly, the ASDM Active Knee has a clinical history extending over 15 years, demonstrating excellent patient outcomes, so it can be considered a thoroughly proven design. The length of clinical history is significant because there have been a number of instances where competing knee designs have been introduced, only to suffer a relatively high rate of issues in patient use.

The ASDM Active knee also has a growing number of supportive published academic papers as well as thousands of knees implanted worldwide.

The Freedom Unicompartmental Knee

This is a partial knee replacement prosthesis. The partial knee replacement surgical procedure has generated significant interest because it entails a smaller incision and faster recovery than traditional total joint replacement surgery. Partial knee replacement is considered 'minimally invasive' because it removes only the most damaged areas of cartilage, and replaces these surfaces. The Freedom Unicompartmental Knee product was introduced in April 2005 and has gained rapid acceptance amongst ASDM's existing surgeon client base as well as other new surgeons. The intellectual property in this product was acquired by Stryker Australia Pty. Limited's Orthopaedic Asia Pacific Division, accessing a far greater sales force for this innovative design.

The Freedom Unicompartmental Knee design has the following features, which have contributed to its rapid acceptance.

– a special double curve profile, which provides better anatomic conformity, minimises the possibility of impingement on soft tissue and reduces the amount of bone that needs to be removed;

– ASDM's exclusive ultrapolishing technology, which confers better surface wetting and the potential for longer joint life;

– the design allows the surgeon the flexibility of employing either inlay or onlay techniques in implanting the prosthesis; and

– the tibial implant is designed with a positive locating plug to assist in ensuring surgical accuracy and resistance to lift-off.

Supplemental Surgical Products

ASDM manufactures a range of surgical screws, sawblades and kirschner wires (special wires used to secure bone fragments). These supplement ASDM's knee products and provides essential componentry to orthopaedic surgeons.

4.4 Products Under Development

Clavicle Pin

In conjunction with a surgeon inventor, ASDM has developed a novel and patented clavicle pin design, which is currently undergoing further clinical trials listing on the TGA's Australian Register of Therapeutic Goods (ARTG). In repairing broken collarbones (clavicles), surgeons traditionally use a sling but a means of stabilising the break is often important to a successful healing process. Surgical approaches include plates and pins, which may need to be removed once the bone has healed. This design is an intramedullary pin, which can be installed with keyhole surgery and does not necessarily require removal. ASDM shares the intellectual property for the clavicle pin with the inventor and has used some of its own patented technologies in the surgical design.

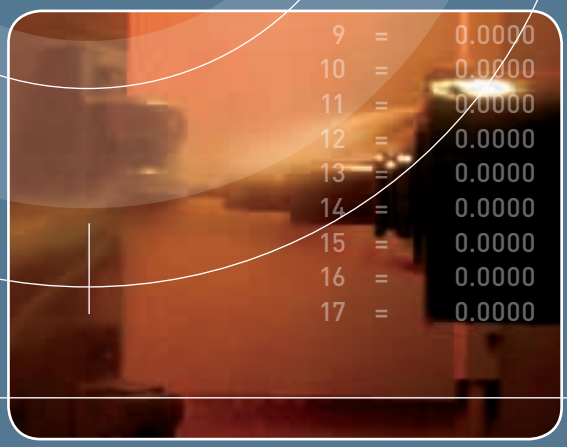
Carpal Plate

ASDM has developed and markets a novel carpal plate design, used to treat wrist fractures and for the fusion of arthritic and osteoporotic carpal bones. The design has been patented by the inventing surgeon and the initial clinical trials have been a success. The plate and innovative screws have received CE marking and approval for sale in Australia.

Mobile Bearing "Ultrahigh Performance" Version of the Active Knee

This is an enhancement to the Active Knee design. In the mobile bearing variant of the Active Knee, the polyethylene is allowed to move on a polished tibial bearing surface promising, for certain patients, an enhanced range of movement and reduced stresses on the polyethylene bearing. This further reduces the stress on the implant/bone interface. ASDM has a patent granted for its mobile bearing design, which is novel in that it provides for deep flexion of the knee without a retaining peg or other mechanical linkage. ASDM has had its mobile bearing Active Knee in active

ASDM



EXISTING PRODUCTS:

- SURGICAL SCREWS, SAWBLADES AND KIRSCHNER WIRES
- TITAN CRANIO-FACIAL RANGE

PRODUCTS UNDER DEVELOPMENT:

- CLAVICLE PIN
- CARPAL PLATE
- MOBILE BEARING "ULTRAHIGH PERFORMANCE" VERSION OF THE ACTIVE KNEE

use in 200 patients for up to 10 years. ASDM intends to complete its review of the clinical performance of this design so that it can be introduced as a commercial offering by the end of the 2007 calendar year complete with a comprehensive 10 year clinical history.

4.5 Collaborative Research Management and Manufacturing Agreements

Vascular Peripheral Access Device

ASDM has secured the exclusive worldwide manufacturing rights to a novel device, called a Peripheral Access Device (PAD), that aims to improve the lives of patients suffering vascular insufficiency, or Peripheral Vascular Disease (PVD). In the western world alone, more than 300,000 legs are amputated each year due to PVD, primarily caused by smoking and diabetes. Each amputation costs the health system more than $100,000. The PAD has potential application in this area and may enable limb recovery.

ASDM was approached by a leading vascular surgeon who had developed the leg treatment and needed a medical device to allow the treatment to be effected in patients. ASDM worked with the surgeon in developing the device through bench testing, animal testing and now human trials. The clinical trials are being project managed by ASDM and in light of ASDM's exclusive manufacturing agreement (under which ASDM receives 25% of the sale price of the end user) with AllVascular ASDM is planning a scale up of manufacture should the trials be successful. It is anticipated the clinical trials will be completed within six months following the initial pilot trial and broadening of the trials to a multi-centre study.

Hip and Knee System Instrument Sets

ASDM currently has an agreement with a major international manufacturer of knee and hip implants for the design and manufacture of the instrument sets that are used to install their knee and hip designs. To win this business, ASDM has agreed to a non-compete clause in favour of the other party that prevents ASDM from manufacturing certain types of hip implants. ASDM considers that this is a valuable contract since it illustrates ASDM's design competence and its capability for meeting the highest industry standards.

Polishing Technology

ASDM has the exclusive world-wide licence for a proprietary electropolishing process on medical cobalt alloy implants which removes embedded polishing particles and surface carbides, improves friction against polyethylene and improves surface tension. It is currently used on ASDM manufactured femoral components, leading to improvements in the wear performance of the knee prosthesis. It is the Company's intention to license this technology to other multi-national manufacturers of implants.

4.6 Prototyping and Manufacturing Capabilities

ASDM design and manufacturing facilities are located at a 3,000 m2 leased site at St Leonards, New South Wales. The manufacturing facilities cover an area of 1,800m2 and hold a variety of precision, multi-axis, computer numerical controlled machines which allow ASDM to produce a wide variety of metal and plastic components.

The design department has the capability to generate complex 3-dimensional models using a range of Computer Assisted Design (CAD) software, and uses finite element analysis software to measure stress in designs and thereby helps ensure safety aspects and efficacy are considered concurrently with the design process.

Directors believe ASDM is the only Australian medical device company which has a hydroxyapatite plasma spraying unit. This computer-controlled process allows ASDM to apply a bioactive hydroxyapatite coating onto medical implants.

ASDM cleans and packages medical implants in a class 350 clean room, which exceeds the required standard for clean room use in medical device manufacturing. Implants can be packaged in blister packs or flexible pouches within heat shrink wrapped boxes.

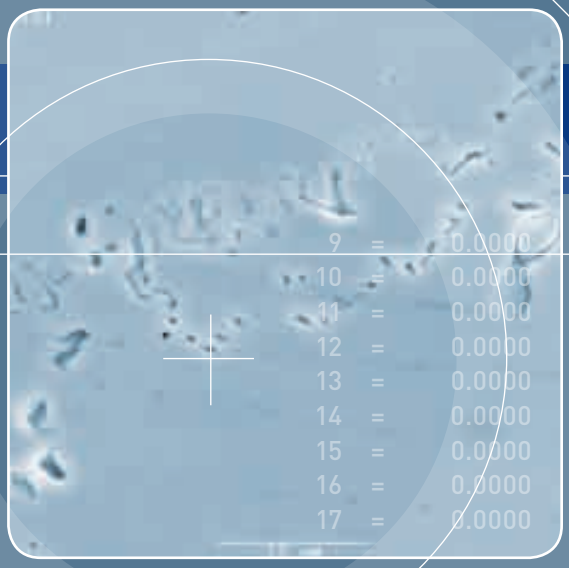
4.7 Regulatory Bodies and Licensing

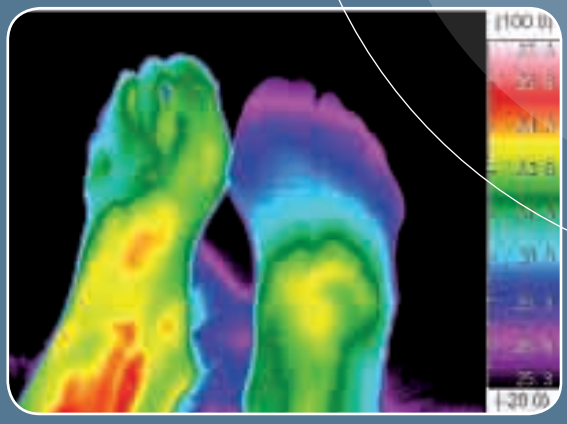
Regulation of Medical Drugs and Devices

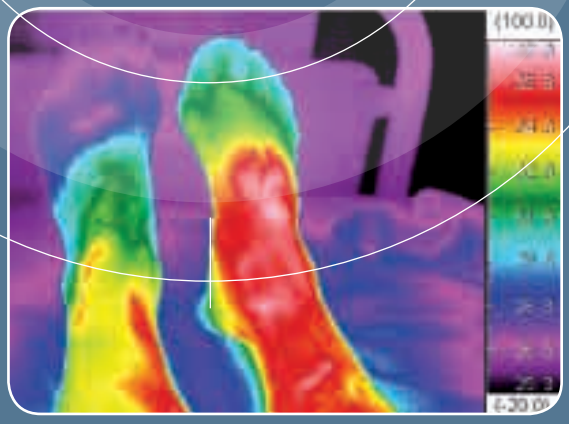
Manufacturers of medical devices are subject to stringent government regulation. In Australia, ASDM falls within the regulatory requirements of the Therapeutic Goods Administration (TGA). By virtue of the Mutual Recognition Agreement in force between Australia and the EU, as ASDM holds a current CE Certificate, compliance with TGA requirements automatically leads to compliance with European CE mark standards. In the United States of America, the regulator is the Food & Drug Administration (FDA).

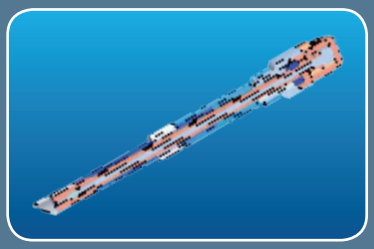
The EU and US regulatory bodies have different product certification processes and conduct regulatory audits to different standards. The EU, like Australia, is a self-assessment system, where companies licenced to a certain standard may attach the CE mark following their own assessment. In the US, approval of the FDA is required for every product.

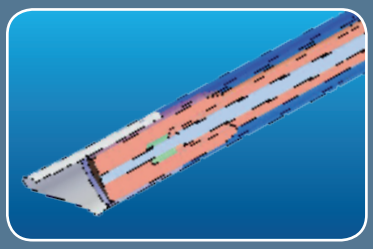
ASDM

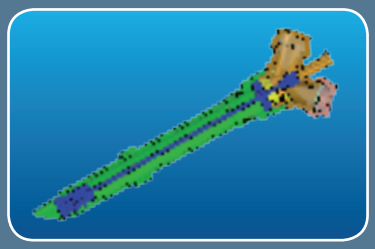


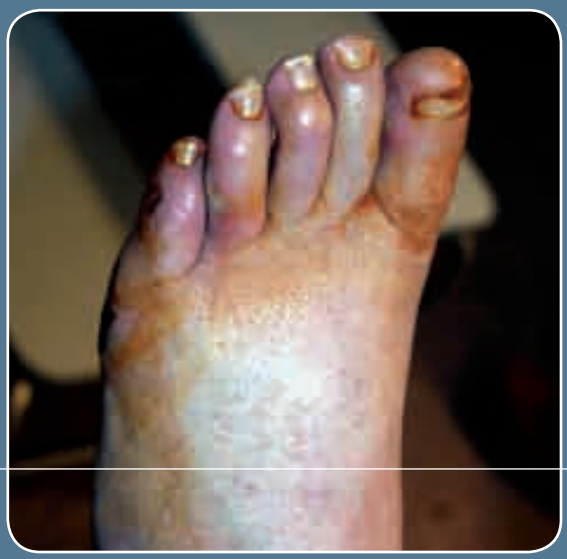












PRODUCTS UNDER DEVELOPMENT:

- VASCULAR PERIPHERAL ACCESS DEVICE (PAD)
- HIP AND KNEE SYSTEM INSTRUMENT SETS
- POLISHING TECHNOLOGY

Both regulatory bodies require a manufacturer to be licensed before they are permitted to manufacture therapeutic goods for sale. The licence is issued for specific items only, and extensions to this licence require the regulatory bodies to ascertain if the licensee has the capabilities to have the licence broadened. Licences may be issued for sterile or non-sterile products, or both, as well as products for human, or veterinarian use.

ASDM's Compliance with Australian and European Standards

For Australia, ASDM holds a TGA licence based on the AS/ISO 13485:2003 standard permitting ASDM to manufacture sterile and non sterile therapeutic goods for human use, provided the sterile components are sterilised at an approved site by a contract sterilisation company.

For the EU, ASDM holds a current CE certificate, issued by the TGA under the same AS/ISO 13485:2003 standard. The Mutual Recognition Agreement in force between Australia and the EU allows the TGA to issue this certificate. This certification permits ASDM to make its own conformity assessment and attach the CE mark, followed by the numbers 0805, signifying assessment by TGA to those products covered under the scope of certification. Further products may, if accepted by the TGA be added by ASDM to the certificate, provided ASDM determines that they meet the requirements of certification. These assessments are checked by TGA at the annual surveillance audit.

The TGA licence is granted subject to the Company meeting, and maintaining the requirements of the Code of Good Manufacturing Practice, and the supplementary annexes incorporated within the Code. The Code covers all aspects of the manufacture of medical products, and was written and incorporated to facilitate the removal of barriers to trade, particularly for trade between Australian companies and the countries forming the European Union.

The CE logo cannot be attached to any device that has not been assessed by an authority approved by the EU member states to conduct the assessment. The assessment is based on the requirements of the EU Directive 93/42/EEC on medical devices. This directive permits certification, and hence the permission to attach the CE mark. To be eligible, the Company must pass an audit that certifies the Company has incorporated a full quality assurance system that conforms to the requirements of the directive. ASDM has achieved this certification.

ASDM's Compliance with US Standards

A similar code of good manufacturing practice is part of the requirements for obtaining a licence to manufacture medical devices intended for sale in the United States of America. While this licence, or registration, allows manufactureof medical devices, the devices may not be sold until each device has been approved for sale by the FDA. Depending on the type of device, this approval is sought by different types of application. Currently devices manufactured by ASDM are covered by the lodgement of a 510(k) application.

Technical Files

Both regulatory bodies require a comprehensive history be maintained regarding the design, testing, validation and verification of devices prior to the full manufacture of the product. ASDM maintains full technical files for products currently offered for sale. Devices that are still being designed have a full Device History Record (DHR) maintained under project control. The DHR forms the basis for the technical file, which is compiled and passed to the ASDM quality department when the products are deemed ready for manufacture. The technical files then become controlled documents under the ASDM quality system.

As part of the quality system incorporated at ASDM, documents that relate to product, manufacturing, specifications and procedures are maintained under ASDM's document control procedures. This control is maintained by the quality department, and monthly reports are passed to management.

External Audits

Certificates and licences issued to medical device manufacturing companies are issued subject to regular quality audits to ensure the Company is maintaining the quality system as required by the codes of good manufacturing practice, and applicable standards.

ASDM has annual surveillance audits by TGA, and continues to meet these requirements. FDA audits are conducted on an as required basis. The last FDA audit was conducted in 2003, with all items mentioned in the report corrected and reported to the FDA within three weeks of the audit. The next FDA audit is expected on or around 2008..

5.1 Industry Overview

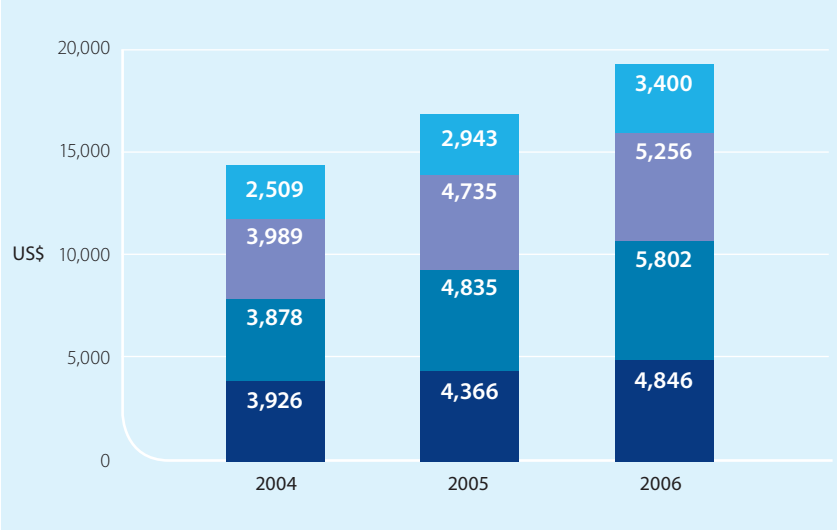
The term prosthesis refers to an artificial device that replaces some part of the body. Prostheses are typically used to supplement body parts that have deteriorated with disease and age, to replace parts lost by injury or that are missing from birth. The entire field includes replacement joints (such as hips and knees), artificial limbs, facial implants, corrective lenses, cochlear implants and the like.

Within the orthopaedic (musculoskeletal) branch of medicine, the principal types of prostheses in use are for joint replacement, particularly knees, hips, and shoulder, which account for approximately three quarters of the worldwide market. Prostheses used for trauma patients, such as broken bones are another big category of orthopaedic implants.

Since the 1960s, hip and knee prostheses have come into widespread usage and have become the preferred treatment for severe cases of arthritic joint pain. With a replacement joint prosthesis, patients that had experienced debilitating pain are able to live near-normal lives and undertake most day-to-day physical activity with little or no noticeable pain or restriction.

Worldwide, the field of orthopaedic reconstructive devices, which is principally hip, knee and spinal implants, is now believed to account for sales of nearly US$20 billion (2006). With the progressive ageing of the world's population, increased longevity, and increasing incidence of obesity (thus putting greater stress on the joints), demand for hip, knee and other prostheses is strongly expanding. Overall, the worldwide market is believed to be growing at about 15% per annum in real terms.

Worldwide Othopaedic Implant Sales, USD



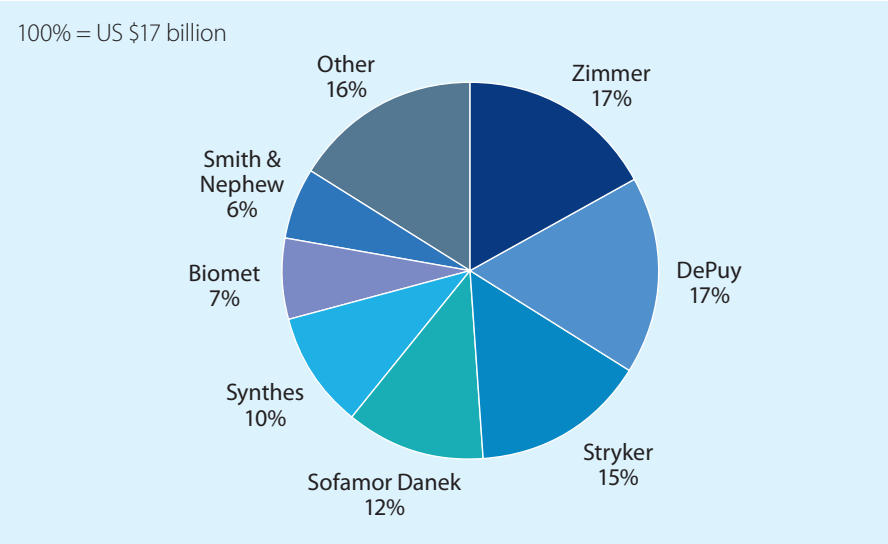
Source: Robin Young Consulting Group

New prostheses arrive to market in one of three main ways. One way is from the efforts of an individual surgeon, who might work with a small workshop to produce a unique design. Availability is generally confined to a limited clientele. In a second way, a new design is developed and the imprimatur of a large circuit of "design panel members" is sought. This method is used commonly by the large established orthopaedic prosthetic implant companies. In the third approach, a new design is introduced for limited production and a series of closely monitored patient trials. After a long follow-up, which may extend to ten years or more, the product can be introduced to a broader market with the assurance of a depth of clinical evidence and experience. The latter approach takes much more time, but is the best way of ensuring that the design is proven.

5.2 Industry Structure

In the Western world, the orthopaedic implant market is dominated by major groups. In the knee and hip market, DePuy (USA, a division of Johnson & Johnson), Zimmer (USA), Stryker (USA), Smith & Nephew (UK) and Biomet (USA) account for the bulk of implant sales. Medtronic Sofamor Danek (USA) is dominant in the spinal implant sector, and Synthes (Switzerland) is the major player in trauma implants.

Worldwide Othopaedic Implant Market Share, 2005



Source: Robin Young Consulting Group

About 16% of the world market (nearly US$3 billion in sales) is accounted for by smaller companies. There are a large number of smaller orthopaedic implant manufacturers, some of them quite small and catering for niche areas of the market. This reflects the high level of innovation in the industry and indicates the scope of opportunity available to companies such as ASDM.

5.3 Orthopaedic Surgeons and their Requirements

In the joint prosthesis industry, although the patient is the ultimate customer, the decision on the specific prosthesis to be employed is made by the orthopaedic surgeon. Orthopaedic surgeons are licensed medical practitioners who have undergone the necessary specialist training to be admitted to the relevant specialist organisation (in Australia, this is the Australian Orthopaedic Association).

Marketing prostheses to orthopaedic surgeons is a complex process, and the supply of prostheses to orthopaedic surgeons has some special requirements. There are many aspects that need to be addressed in the selling and supply cycle.

Firstly, the orthopaedic surgeon needs to become familiarised with the benefits and requirements of a given design. Accordingly, they tend to be heavily influenced by the demonstrated results of use in patients and the endorsement of other leading medical practitioners.

Secondly, the details and unique features of the implantation procedure have to be communicated to the orthopaedic surgeon. For example, each knee type has its own special requirements, which extends to measurement of the patient, preparation of the joint, and the alignment and bonding of the joint to the bone. This training and familiarisation extends to other surgical staff.

Thirdly, there is the kit of instruments, required for the measurement, joint preparation and alignment, that must be provided to the hospital (obtained through loan or consignment) so that the necessary tools are available to the orthopaedic surgeon at the time of the operation. For a typical knee or hip system, it is usual for such instruments to extend to 3 – 6 suitcase-sized containers of jigs and tools. Each set must be sterilised after each and every operation.

Fourthly, there is the complete set of actual replacement prostheses, one of each size and type, that must be available to the orthopaedic surgeon in the operating theatre, so that he or she is able to make an exact and immediate match to the patient's knee. Following each operation, there must be a rapid replenishment of the parts used from the set so that it is complete and ready for the next patient operation.

As a result, suppliers in the industry must have the skill, financial resources and capability to meet all of these specialised requirements. The client orthopaedic surgeons must be appropriately trained and provided with the necessary kit of instruments and a full set of prostheses. Orthopaedic surgeons are highly intolerant of suppliers who cannot support the delivery of all the above dimensions of product and service.

ASDM believes that it has built an excellent base for expanding its distribution network both in Australia and overseas. It has built a loyal base of orthopaedic surgeons who use the Active Knee extensively (often for virtually all their knee implants) and has accumulated an extensive clinical history spanning more than 15 years.

5.4 Pricing

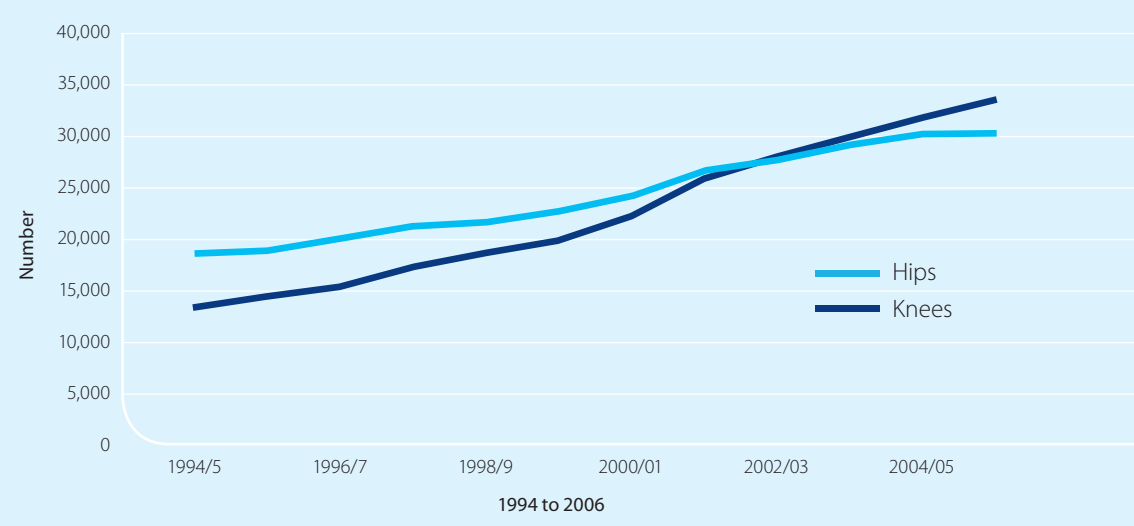
In the Australian, USA and European markets, the market price for orthopaedic implants is generally related to the reimbursement price, determined by the medical insurer or reimbursement authority in the country concerned. Like all manufacturers, ASDM needs to enter into a negotiation to establish the reimbursement rate for its products in the light of its manufacturing cost, features and performance. ASDM believes that the reimbursement rate it has been able to achieve is generally fair in relation to its competitors and provides a sound economic return in relation to its manufacturing cost and investment in development.

5.5 Australia

The Australian orthopaedic implant market has shown similar characteristics to demand in the USA and advanced European countries. Over the last 10 years, demand for implants has more than doubled so that over 60,000 prostheses are implanted each year.

The Australian Orthopaedic Association compiles detailed statistics on orthopaedic procedures performed in Australia. This includes data on the number and type of operations performed. Their data is compiled by the type of implant used, so over time, a comprehensive picture of the performance of each implant design is built up.

Numbers of Hip and Knee Replacements



Source: Australian Orthopaedic Association National Joint Replacement Registry 2007

There are some subtle differences between the Australian and overseas markets. For example, in the knee area, cementless designs are more popular than is the case in markets such as the USA. But in general terms, the markets are similar.

6.1 Board of Directors

Peter Kazacos B.E, B. Sc (53)
Non Executive Chairman

Mr. Kazacos has over 30 years experience in the IT industry. He founded KAZ in 1988 and led the company over its 17-year history. Mr. Kazacos was responsible for guiding KAZ from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers. KAZ grew from 350 employees at its inception, through its listing on the ASX in 2000, to over 4000 employees, as a fully owned subsidiary of Telstra. Prior to establishing KAZ, he held a number of senior technical positions in the Australian IT industry with leading Australian organisations.

Mr Kazacos is currently CEO for PK Business Advantage. Mr Kazacos is also the immediate past Chairman for the Australian Information Industry Association (AIIA). He is a former member of the advisory board for BMC Software Inc.

Mr. Kazacos was the recipient of the inaugural, Australian Entrepreneur of the Year 2001 award in the Technology, Communications, E-Commerce and Biotechnology category. Mr. Kazacos was also inducted into the Hall of Fame for the 3rd Annual IT&T Awards in October 2004. This Award was in the category of "Champion of the vendor community". Most recently, Mr Kazacos was inducted into the Hall of Fame at the inaugural ARN IT Industry Awards Ceremony (September 07).

He holds a Bachelor of Electrical Engineering and a Bachelor of Science (Applied Mathematics and Computer Science) from the University of New South Wales.

Greg Roger MB BS (Syd) M Eng (Res) (Syd) (46)
Chief Executive Officer

Dr Greg Roger holds a Bachelor of Medicine and a Masters of Engineering Research from the University of Sydney.

Dr Greg Roger commenced practising medicine in 1984, and has extensive experience in accident and emergency medicine and orthopaedics, including a period of service as the Medical Director of the Surf Lifesaving Association Rescue Helicopter Service. Dr Greg Roger's cross-disciplinary background in medicine and engineering has placed him in a unique position to understand the application of engineered devices and principles to medical applications. He founded ASDM in 1994, and has guided its research, marketing and manufacturing activity since then.

In addition to his business interests, Dr Greg Roger maintains active academic and teaching involvement in the field. He served 6 years as the Research Director of the Australian Institute of Musculo-Skeletal Research, and currently sits on its board. In addition, he has served with a number of prominent government and regulatory bodies including 5 years as chair of the Technology Industries Exporters Group, and currently a member of the Medical Device Evaluation Committee of the TGA, the Biological Committee of the Department of Industry tourism and Resources Commercial Ready Grants Board and Deputy Chair of the Medical Devices Industry Action Agenda Implementation Group. Recently Greg was appointed to the Board of AllVascular Pty Limited.

Since 2003, Dr Greg Roger has taught Orthopaedics in Engineering part time at the Faculty of Engineering at Sydney University and he continues there as an Adjunct Associate Professor. Dr Greg Roger has been the applicant for 16 Australian and international patents. He maintains an active involvement in orthopaedic medicine and has 30 conference papers and 8 published academic papers to his credit.

Walter Kmet BComm, GDhthSrvMt, MBT, FAIM
Non-executive Director

Walter Kmet has a strong history in international healthcare management, with leadership roles in Health Services Australia (Group Managing Director February 2006 to August 2007), Nations Healthcare UK (CEO August 2003 to December 2005), and senior executive roles with MIA Limited and Mayne Nickless Limited.

Walter Kmet's international experience in the healthcare industry provides a source of guidance to ASDM as its international operations are expected to expand in the forthcoming years. In addition Walter Kmet's practical experience in team building and organisational growth matches ASDM's current growth phase.

6.2 Senior Management Team

Dr Jari Hyvarinen BE PhD
Head of Design

Dr Jari Hyvarinen's career has concentrated in the bio-engineering and medical device field. He first graduated with a Bachelor of Engineering (Hons 1) from the University of Wollongong, and then with a PhD in Biomedical Engineering, specialising in the surface coating of orthopaedic implants. He worked for a number of companies in the biomedical field before joining ASDM in 2003. Dr Jari Hyvarinen now heads ASDM's design team of engineers and scientists. He is currently studying part-time, for a Masters in Business Administration.

Mark Wilson B App Sc
National Sales and Marketing Manager

Mark Wilson has had over 20 years' experience in the medical services and devices field. After graduating with a Bachelor in Applied Science from the University of New South Wales, he worked in a pathology firm as a Scientific Officer and Laboratory Manager. He then worked in a number of sales and marketing management roles in the industry, including Stryker and Johnson & Johnson Medical (DePuy), most recently, Mark was the National Sales Manager for Zimmer Australia. He has also completed a sales and marketing program through the Harvard Business School.

Graham Blucher
Quality Manager

Graham Blucher has worked in organisations as diverse as the Royal Australian Navy and Telectronics. Following a career in the Royal Australian Navy as a weapons and electrical engineering officer, in 1987 he commenced a long career working in the sales support and servicing of medical equipment, including companies such as Hybritech and Toshiba Medical. Upon formally gaining qualifications as a quality auditor, in 1991 Graham joined Telectronics in 1991 under the leadership of the late Paul Trainor, as their quality executive. He later worked for Halas Dental as a technical and quality administrator and then for Hanimex Medical Imaging.

In 2003, he joined ASDM. As Quality Manager, Graham oversees ASDM's TGA, FDA and CE mark approvals, ensuring that ASDM's regulatory compliance and quality systems development are of the highest standard.

Mark Fielding
Manufacturing Manager

Mark Fielding leads a dedicated team of tradesman and apprentices manufacturing medical implants and instruments that are consistently to CE mark standards. Mark Fielding has extensive practical experience in all aspects of metal working, Computer Numerical Control (CNC) machine programming, hydroxyapatite plasma spraying, and clean room management. He is a qualified fitter and machinist, and has been trained in welding and CNC engineering.

Tom Milicevic B.Comm, CPA
Chief Financial Officer

Tom Milicevic has over 15 years' financial management experience and has held senior finance roles with a number of ASX listed companies, including Babcock & Brown Limited, Avantogen Limited and Cochlear Limited. During this time there was a focus on a number of activities including capital markets, corporate reporting, mergers, acquisitions, business integrations, strategic planning and forecasting and IT systems implementations. Most recently Tom held the position of CFO with one of Babcock & Brown's listed investment funds Babcock & Brown Residential Land Partners Limited. His key skills in strategic development and implementation as well as financial and management reporting give ASDM great strength in this area.

7.1 Introduction

The financial information disclosed in this section should be read in conjunction with the summary of significant accounting policies, assumptions and sensitivity analysis set out below, the Risk Factors in Section 8 and other information contained in this Prospectus.

The historical income statements and forecasts have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) applicable to financial reporting periods ending on 30 June 2007. The Company's significant accounting policies are set out in Section 7.7 and have been consistently applied throughout the period.

As disclosed in the Investigating Accountant's Report in Section 9, the Income Statements for the year ended 30 June 2005, 2006 and 2007 do not include any costs related to operating as a publicly listed company. The forecast for the year ending 30 June 2008 includes such costs.

7.2 Historical and Forecast Adjusted Income Statements

Set out below is a summary of the adjusted financial performance of the Company for the years ended 30 June 2005, 30 June 2006 and 30 June 2007 for the Company. The forecast financial performance for the year ended 30 June 2008 has also been included.

The historical results for the year ended 30 June 2007 were audited by PricewaterhouseCoopers for which an unqualified audit opinion was issued. The historical results for the year ended 30 June 2006 are also based on audited accounts prepared by another audit firm.

PricewaterhouseCoopers Securities Limited has reviewed the work undertaken by the relevant audit firms as part of its role as Investigating Accountant.

Amounts presented in the Income Statements below have been reclassified where appropriate to aid comparability.

	Year ended 30 June 2005 Actual $'000	Year ended 30 June 2006 Actual $'000	Year ended 30 June 2007 Actual $'000	Year ended 30 June 2008 Forecast $'000
Revenue and Other Income	5,561	5,640	5,822	7,228
Expenses				
Cost of goods sold	(2,157)	(2,458)	(2,031)	(2,239)
Research and development expenses	(460)	(524)	(534)	(708)
Sales and marketing expenses	(183)	(239)	(631)	(685)
Adminstration expenses	(1,481)	(1,372)	(1,889)	(2,674)
Earnings before interest, income tax, depreciation and amortisation	**1,280**	**1,047**	**737**	**922**
Depreciation and amortisation	(642)	(608)	(656)	(587)
Earnings before interest and income tax	**638**	**439**	**81**	**335**
Interest expense	(276)	(189)	(145)	(86)
Profit / (loss) after adjustments and before income tax	**362**	**250**	**(64)**	**249**
Taxation expense	(80)	(36)	(17)	(77)
Adjusted net profit / (loss) after tax	**282**	**214**	**(81)**	**172**

Notes – Adjustments to audited financial statements

1. The historical results and forecast are adjusted to eliminate all finance costs pertaining to loans with related parties that were settled prior to the IPO. The improvements in the financial performance of the Company as a result of these adjustments are as follows:

Year ending 30 June	Adjustment $'000
2005	15
2006	156
2007	200
2008	33

2. Costs totalling approximately $199,000 associated with a previous capital raising was eliminated from the results for 30 June 2007.

3. In 2006 the Company revised its accounting policy relating to instrument sets. Previously instrument sets were recognised as inventory and carried at cost. As instruments are used by surgeons to implant the other products of the Company it was determined that their classification as Property, Plant & Equipment was more appropriate. This resulted in a one-off write-down in the carrying value of instrument sets. This write down has been eliminated from the 30 June 2006 results.

7.3 Forecast Assumptions

The forecasts must be read in conjunction with material contained in other sections of this Prospectus, particularly this Section and the risk factors in Section 8.

The financial forecasts for the financial year ended 30 June 2008 reflect an assessment based on present circumstances of what the Directors regard as the most likely set of operating and economic conditions and the Company's most likely courses of action. The financial forecast is based on various assumptions, relating to future events and/or actions, which the Directors, at the date that the financial forecasts were prepared, expect to take place. These events and/or actions may or may not take place. Accordingly, no guarantee or assurance is given that the financial forecasts will be achieved and it is likely that the Company's actual performance will not exactly match those forecasts.

The industry in which the Company operates is uncertain and opportunities and threats regularly arise which are difficult to anticipate or quantify. The Company intends to be opportunistic and to capitalise on attractive opportunities as and when they arise. The Company will also have to contend with threats as and when they arise. This may result in costs being incurred which are not included in the forecasts.

The material assumptions made by the Directors in preparing the financial forecasts are as follows:

7.3.1 General Assumptions

- the Offer is fully subscribed and all the Offer proceeds have been made available to the Company on or about November 2007;
- there will be no significant changes in the nature of the competitive environment in which the Company operates or in the strategy or performance of any major competitor during the Forecast Period;
- no future acquisitions or disposals of businesses or assets are included in the forecasts;
- there are no material beneficial or adverse effects from changes in technology or the actions of competitors;
- there are no material beneficial or adverse effects from changed economic conditions in the markets in which the Company operates;
- there are no material industrial or political disturbances or material disruptions through damage to facilities;
- there will be no changes in statutory, legal or regulatory requirements in any markets in which the Company operates that would have a material effect on the Company's results;
- there will be no material changes in existing Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act, which would have a material effect on the compilation or reporting of the financial performance, cash flows or financial position of the Company;
- there will be no changes in current tax legislation in the relevant operating jurisdictions, in particular the current corporate, goods and services, sales and withholding tax rates;
- GST will apply to the provision of the Company's services as provided for in the legislation existing at the date of this Prospectus;

7.3.1 General Assumptions
continued

- there will be no material movement in the Australian dollar relative to the currencies of countries in which the Company carries on business;
- there will be no loss of key executives and senior staff during the Forecast Period;
- other than as contemplated in this Prospectus and the Offer, there are no proposed changes in the Company's funding or capital structure during the Forecast Period;
- there will be no material amendment to any material agreement relating to the Company's business;
- the Company has applied a long term USD exchange rate of $0.74 USD for every $1.00 AUD. It is noted that the unhedged portion of the Company's foreign currency exposure is not material;
- the Company continues to maintain quality accreditation with both the TGA and FDA in accordance with the AS/ISO 13485:2003 standard;
- the Company is not and will not be a party to any material litigation; and
- forecast costs include inflation increases of 3% per annum for 2008.

7.3.2 Specific Assumptions
Revenue
- the Company has engaged a sales force to initiate trials of its products with leading orthopedic surgeons. In December 2006, the Company commenced trials with nine surgeons. The forecasts assume that three of these surgeons will choose the Company as their preferred supplier by February 2008;
- the Company also expects the continued usage of its products by existing surgeons at historic volumes, allowing for a growth in price of up to 16% for some products;
- the Company has been engaged by AllVascular Pty Limited to provide consulting services in relation to the development of a new product. These services are forecast to generate revenues of $50,000 during the Forecast Period; and
- no account is taken in the forecast of any sales revenue from other new products currently under development by the Company.

Expenses
- Discretionary Research and Development expenditure is expected to be approximately $291,000 for the Forecast Period.

Other
- the income tax expense has been forecast at an effective rate of 30% throughout the Forecast Period;
- The Company's accounting policies will remain consistent with prior years and are as disclosed in Section 7.7;
- interest income at the rate of 6% per annum will be earned on surplus cash throughout the Forecast Period;
- there will be no material change in the workers compensation claims experience of the Company over the Forecast Period; and
- operating expenses have been based on Management's assessment, according to both past experience and anticipated requirements. The determined level of expenses has been increased in line with the forecast rate of inflation (3%), where appropriate.

The Directors have given due care and attention to the forecasts before their adoption. However, forecasts are, by their nature, subject to uncertainty and unexpected events, many of which are beyond the control of the Directors. Accordingly, the Directors' assessment of the forecasts may vary materially from the actual results, and no guarantee or assurance is given that any of the forecasts will be achieved.

7.3.3 Sensitivity Analysis
The Company is not subject to significant impact due to changes in interest rates and/or foreign exchange rates. Consequently, no sensitivity analyses have been included as part of the forecast information.

7.4 Review of Historical Results

7.4.1 Year Ended 30 June 2005

The financial year ended 30 June 2005 was characterised by increasing sales of the core product, the Active Total Knee Replacement following appointment of Active Orthopaedics Pty Limited as the Company's exclusive distributor in Australia. At the same time the Company's invested in a range of research and development projects for new products in the orthopaedic area. Costs relating to these research activities were expensed as incurred.

These Research and Development efforts bore fruit in the form of the Active Unicompartmental Knee, which was first implanted in that period as well as the early workings of the CCS Clavicle Pin and the Carpal Plates.

7.4.2 Year Ended 30 June 2006

The financial year ended 30 June 2006 was characterised by further increasing sales, in terms of units sold, of the Active Total Knee Replacement through the distributor, Active Orthopaedics. This was not refected in revenue growth due to the lower sales price to the distributor. The Company's investment in equipment and the refinement of manufacturing procedures led to increased competency in areas of product innovation and concept development. Bringing new equipment and processes on line led to an increase in the costs associated with the product, however this was a transient effect. With the licensing of the Active Unicompartmental Knee Replacement to Stryker Corporation, manufacturing processes and business processes were worked on to bring them into line with the practices at Stryker Corporation.

Through the latter half of this financial year, the early research and development work on the PAD was commenced and the Company's collaboration with AllVascular Pty Limited in animal trials started. This absorbed a large amount of engineering and development focus.

The Company increased the level of collaboration with scientists, in particular at the University of Sydney, and entrepreneurs Australia wide to identify opportunities for joint commercialisation of innovative medical devices. The work on the Clavicle Pin and Carpal plates came to fruition in this financial year, with both products being implanted in clinical trials and CE mark registration process being initiated

7.4.3 Year Ended 30 June 2007

By the financial year ended 30 June 2007, there were a suite of new products and manufacturing processes implemented at the Company. Both the Clavicle Pin and the Carpal Plates were CE marked and the clinical trial for the PAD had commenced. The Company had entered into negotiations for an increase in the private health fund reimbursement for its products, particularly the Active Total Knee and this was achieved late in the financial year, setting the following year up for a further increase in gross margins.

In addition, the 2007 financial year has seen a continuation of the research and development drive and a closer focus in manufacturing on cost cutting and reduced wastage. This has led over the period, to a markedly improved gross margin. Furthermore, the Company's entry into clinical trial management with the PAD and various OEM design and management projects with multinationals led to a greater return from the engineering department, reflecting the skills that had been developed there.

7.5 Pro-Forma Balance Sheet

The Pro-Forma Balance Sheet of the Company as of 30 June 2007 is prepared under AIFRS as described in Section 7.7 of this Prospectus. It reflects the pro-forma adjustments detailed in Section 7.8. The pro-forma historical balance sheet of the Company demonstrates the impact of the significant transactions that are likely to occur after 30 June 2007. All of these adjustments, with the exception of the repayment of borrowings, are contingent upon the completion of the Offer.

7.5 Pro-Forma Balance Sheet

continued

	Notes	Audited 30 June 2007 $'000	Pro-Forma 30 June 2007 $'000
Current assets			
Cash and cash equivalents	7.9.2	778	1,413
Receivables		1,655	1,655
Inventories	7.9.3	2,764	2,764
Current tax receivables		44	44
Other current assets		117	40
Total current assets		**5,358**	**5,916**
Non-current assets			
Property, plant and equipment	7.9.4	3,799	3,799
Intangible assets		210	210
Deferred tax asset		411	411
Other non-current assets		89	89
Total non-current assets		**4,509**	**4,509**
Total assets		**9,867**	**10,425**
Current Liabilities			
Payables		727	687
Borrowings		2,763	383
Total current liabilities		**3,490**	**1,070**
Non-current liabilities			
Borrowings		783	783
Deferred tax liabilites		57	57
Provisions		160	160
Total non-current liabilities		**1,000**	**1,000**
Total liabilities		**4,490**	**2,070**
Net assets		**5,377**	**8,355**
Equity			
Contributed equity	7.9.1	5,547	8,589
Reserves		–	116
Retained profits		(170)	(350)
Total equity		**5,377**	**8,355**

Note: If the maximum subscription is achieved then the pro-forma cash and cash equivalents will be approximately $2,313,000 and pro-forma contributed equity will be approximately $9,489,000.

7.6 Pro-Forma Statement of Cash Flows

The statement of pro-forma adjusted cash flows for the year ended 30 June 2007 has been prepared on the basis that the transactions outlined in Section 7.8 had occurred on or before 30 June 2007:

	Notes	Audited Year ended 30 June 2007 $'000	Pro-Forma Year ended 30 June 2007 $'000
Cash flows from operating activities			
Receipts from customers		5,607	5,607
Payments to suppliers and employees		(6,619)	(6,619)
Interest paid		(346)	(346)
Interest received		22	22
Income tax paid		(35)	(35)
Net cash (outflow) inflow from operating activities		**(1,371)**	**(1,371)**
Cash flows from investing activities			
Payments for property, plant and equipment		(547)	(547)
Proceeds from the sale of property, plant and equipment		11	11
Payments for patents		(152)	(152)
Net cash (outflow) inflow from investing activities		**(688)**	**(688)**
Cash flows from financing activities			
Proceeds from issues of shares		3,914	5,414
Costs of issuing shares		(207)	(767)
Repayment of related party loans		(100)	(405)
Repayment of borrowings		(142)	(142)
Finance lease payments		(373)	(373)
Net cash inflow (outflow) from financing activities		**3,092**	**3,727**
Net increase (decrease) in cash and cash equivalents		**1,033**	**1,668**
Cash and cash equivalents at the beginning of the financial year		(268)	(268)
Cash and cash equivalents at end of year	**7.9.2**	**765**	**1,400**

Note: If the maximum subscription is achieved then the pro-forma proceeds from issues of Shares included in cash flows from financing activities will be approximately $6,314,000. The pro-forma cash and cash equivalents will be approximately $2,300,000.

7.6 Pro-Forma Statement of Cash Flows

continued

The reconciliation of the audited loss attributable to members of the Company for the year ended 30 June 2007 to net cash outflow from operating activities:

	Audited Year ended 30 June 2007 $'000	Pro-Forma Year ended 30 June 2007 $'000
Loss for the year	(419)	(419)
Depreciation and amortisation	656	656
Capital raising expenses	199	199
Write down of property plant and equipment	72	72
(Increase) in trade debtors and bills of exchange	(944)	(944)
Decrease (Increase) in inventories	135	135
(Increase) decrease in deferred tax assets	(66)	(66)
(Increase) decrease in other operating assets	106	106
(Decrease) increase in trade creditors	(1,258)	(1,258)
(Decrease) increase in other operating liabilities	69	69
Increase (decrease) in deferred tax liabilities	42	42
Increase (decrease) in other provisions	37	37
Net cash (outflow) from operating activities	**(1,371)**	**(1,371)**

Note: The above reconciliation is not impacted by the level of subscriptions received.

7.7 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

This financial information has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

(b) Revenue recognition and Other income

Revenue and other income are measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue and other income when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. The amount of revenue and other income are not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(c) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects

neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(d) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(e) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement wi thin 30 days.

(h) Inventories

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

7.7 Significant Accounting Policies

(i) Property, plant and equipment

continued

Depreciation on other assets is calculated using either the diminishing value or straight line method to allocate their cost or reval ued amounts, net of their residual values, over their estimated useful lives, as follows:

Manufacturing plant and equipment	2 to 20 years
Office furniture and equipment	5 to 25 years
Leasehold improvements	2.5 to 10 years
Leased plant and equipment	2.5 years
Instrument sets	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

(j) Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight line basis over its useful life, which varies from 10 to 20 years.

Patents and website costs

Patents and website costs are recognised at the cost of acquisition and carried at cost less accumulated amortisation and any impairment losses. These are amortised over the period in which their benefits are expected to be realised.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in other income or other expenses

(m) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(n) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

(o) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

7.8 Pro-Forma Adjustments

The pro-forma balance sheet as at 30 June 2007 and the pro-forma adjusted statement of cash flows for the year ended 30 June 2007 have been prepared on the basis that the following significant transactions had occurred as at 30 June 2007:

	Notes	Balance sheet classification	Debit $'000	Credit $'000
Value of related party loans at 30 June 2007	7.8.1	Borrowings	2,380	
Settlement of related party loans		Cash		305
Conversion of related party loans to equity		Contributed equity		2,075
Vesting amount of CEO and Director share options granted	7.8.2	Retained earnings	116	
Vesting options granted to the CEO and Directors		Reserves		116
Shares granted as a bonus to all employees	7.8.3	Retained earnings	64	
Issue of 106,667 shares to employees		Contributed equity		64
Shares issued to Director in lieu of Director's fees	7.8.4	Accounts payable	40	
Issue of 80,000 Shares to Director in lieu of Director's fees		Contributed equity		40
Range of funds raised from IPO Listing (net of transaction costs)	7.8.5	Cash	940 – 1,840	
Transaction costs relating to the IPO		Contributed equity	637	
Previous transaction costs capitalised		Other current assets		77
Issue of between 2,500,000 and 4,000,000 Shares pursuant to the IPO		Contributed equity		1,500–2,400

7.8.1 Conversion of Related Party Loans

At 30 June 2007 the Company had loans payable to related parties of $2,380,000 as follows:

Related Parties	Amount
Greg Roger (Director and CEO of the Company)	300,000
Cryptych Pty Limited (A company controlled by Greg Roger)	280,000
Peter & Jill Welsh (Peter Welsh was a former director of the Company)	200,000
Welsh Superannuation Fund (Controlled by Peter Welsh)	1,300,000
Marie and Dawson Carroll (ASDM shareholder)	300,000
Total	**2,380,000**

This pro-forma adjustment accounts for the conversion of loans owed to the above related parties totalling $2,075,000 into Shares at a price of $0.50 per Share. Greg Roger and the Welsh Superannuation Fund had loan amounts totalling $305,000 repaid in cash.

These conversions were carried out at the request of the related parties in question, on 15 August 2007.

7.8.2 Granting of Options

Chief Executive Officer's Options

On 27 September 2007, the Company issued 254,000 Options at an exercise price of $0.50 per Option to the Chief Executive Officer of the Company.

7.8 Pro-Forma Adjustments

7.8.2 Granting of Options

continued

These Options will vest on 30 June 2009 and have an expiry date of 30 June 2012. An adjustment has been recognised in the pro-forma balance sheet to reflect the granting of these Options.

Director's Options excluding Chief Executive Officer

On Official Quotation of the Company on the ASX, the non-executive Directors will be issued 206,000 Options at an exercise price of $0.50 per Option.

These Options will vest on the date they are granted and have an expiry date of 5 years from the date of grant. An adjustment has been recognised in the pro-forma balance sheet to reflect this.

7.8.3 Shares Issued to Employees

The Company will issue 106,667 Shares at nil consideration on the close of the Offer to the value of $2,000 per employee to the employees of the Company. Each employee will be issued with 3,333 Shares, based on a value of $0.60 per Share.

An adjustment has been recognised in the pro-forma balance sheet above to reflect this.

7.8.4 Shares Issued to Director

On 27 July 2007, 80,000 Shares were issued to Walter Kmet, a Director, at $0.50 per Share in lieu of Director's fees owed, at his request.

An adjustment has been recognised in the pro-forma balance sheet offsetting the liability recognised at 30 June 2007.

7.8.5 IPO Fund Raising

Minimum Subscription

This pro-forma adjustment reflects the net proceeds expected from the issue of 2,500,000 Shares at a price of $0.60 each ($1.5 million) less estimated costs of issue of $0.637 million, subject to the successful completion of the listing process. Transaction costs of approximately $77,000 previously capitalised will be recognised against contributed equity but do not affect net proceeds.

Maximum Subscription

In the event of a maximum subscription the net proceeds will be higher to reflect the issue of 4,000,000 Shares at a price of $0.60 each ($2.4 million) less estimated costs of issue of $0.637 million.

7.9 Notes to the Financial Information

7.9.1 Contributed Equity

Minimum Subscription

The movement in the contributed equity of the Company in the pro-forma statement of financial position at 30 June 2007 after the proposed share issue is detailed below:

	Number of shares issued	Pro-Forma $'000
Ordinary Shares	27,827,636	5,547
Shares issued on conversion of loans	4,150,000	2,075
Shares issued to employees	106,667	64
Fully paid Shares issued to the public at a cost of $0.60 per share	2,500,000	1,500
Shares issued to Walter Kmet in lieu of Director's fees at his request	80,000	40
Less: costs of the IPO	–	(637)
Total Contributed Equity	**34,664,303**	**8,589**

Maximum Subscription

The movement in the contributed equity of the Company in the pro-forma statement of financial position at 30 June 2007 after the proposed share issue is detailed below:

	Number of shares issued	Pro-Forma $'000
Ordinary Shares	27,827,636	5,547
Shares issued on conversion of loans	4,150,000	2,075
Shares issued to employees	106,667	64
Shares issued to Walter Kmet in lieu of Director's fees at his request	80,000	40
Fully paid Shares issued to the public at a cost of $0.60 per share	4,000,000	2,400
Less: costs of the IPO	–	(637)
Total Contributed Equity	**36,164,303**	**9,489**

7.9.2 Cash and cash equivalents

The breakdown of cash and cash equivalents of the Company in the pro-forma statement of financial position at 30 June 2007 is detailed below:

	Pro-Forma $'000
Cash at bank and in hand	778
Repayment of related party loans	(305)
Net funds raised from IPO listing	940
Total cash	**1,413**
Less: Bank overdrafts	(13)
Total cash balance per pro-forma statement of cash flows	**1,400**

7.9.3 Inventory

The breakdown of Inventory of the Company in the pro-forma statement of financial position at 30 June 2007 is detailed below:

	Pro-Forma $'000
Raw materials – at cost	691
Work in Progress – at cost	429
Finished goods – at the lower of cost and net realisable value	1,644
Total Inventory	**2,764**

7.9.4 Property, Plant and Equipment

The breakdown of Inventory of the Company in the pro-forma statement of financial position at 30 June 2007 is detailed below:

	Plant and equipment $'000	Furniture and fixtures $'000	Motor vehicles $'000	Leasehold improvements $'000	Leased plant & equipment $'000	Instrument sets $'000	Total $'000
At 30 June 2007							
Cost	6,587	448	38	263	–	641	7,977
Accumulated depreciation	(3,470)	(315)	(11)	(85)	–	(297)	(4,178)
Net book amount	3,117	133	27	178	–	344	3,799
Year ended 30 June 2007							
Opening net book amount	3,476	135	–	238	19	97	3,965
Additions	39	45	53	12	–	399	548
Disposals	–	–	(8)	–	–	–	(8)
Write down recognised in profit and loss	–	–	–	(13)	–	(59)	(72)
Transfers in/(out)	19	–	–	–	(19)	–	–
Depreciation charge	(417)	(47)	(18)	(59)	–	(93)	(634)
Closing net book amount	3,117	133	27	178	–	344	3,799

The Directors strongly recommend that Applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for the Shares offered pursuant to this Prospectus.

Applicants should be aware that there are economic and business risks associated with an investment in the Company. There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business, which are largely beyond the control of the Company and the Directors, because of the nature of the Company's business. In addition, the price of Shares as traded on the ASX may rise or fall, including by reason of general stock market fluctuations. Therefore, the Shares offered pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or their market value.

Further, the ASX imposes requirements on the continued listing of companies on the ASX, which may be changed from time to time. Investors cannot be assured that the Company will continue to meet the requirements necessary to maintain a listing on the ASX.

While it is impossible to identify all risks, the risks and other factors which may affect the value of the Company's assets, and the market value of its Shares, are detailed in the following Sections 8.1 and 8.2.

8.1 Risks Specific to ASDM

Marketing

Investors should be aware of the long lead times involved in bringing products to market. The future success of ASDM lies in its ability to get its products accepted in both the domestic and international marketplace.

Market Acceptance of Products

The commercial success of ASDM's product range will depend on several factors including the demand for more innovative products than are currently offered by competitors and the establishment of the advantages of ASDM's products. There may be a reluctance by surgeons to use products they have not previously utilised.

Market Perception of the Company and Manufacturing Scale-Up

The Company is proposing to expand its business around the world. In existing markets the Company is presently perceived as a relatively small player. Further in new markets the Company has no present market reputation. This may inhibit the Company's ability to secure and convert business opportunities, which are expected by the Board to develop in the future in those markets. Further, as manufacturing of the Company's products has not yet had to scale-up to meet large-scale customer demands, there is no assurance that the Company will be able to manage that scale-up, and this may have a material adverse effect on the profitability of the Company.

Competition

ASDM's current and future potential competitors include certain companies with substantial resources or first-mover advantages. While the Directors are confident about the quality, technical and cost advantages of ASDM's products and proposed products and the intellectual property protecting them, there is no assurance that it will be able to win market share from its competitors, and that its competitors will not succeed in developing products that are more effective or cost effective than ASDM's products. Competitive factors consist primarily of product features and design, innovation, service, the ability to maintain new product flow, relationships with key orthopaedic surgeons and hospitals, strength of distribution network, and price.

Dependence on Route to Market

The business of the Company is based on relationships throughout the world with a number of arms-length distributors, sales agents and through the activities of a number of surgeons. A significant proportion of the Company's future revenues are expected to be generated through those activities. The Company's operations are, as a result, dependent on this continuing and, wherever practicable, improving their effectiveness in their respective markets. However, not all of the Company's distribution arrangements and other activities contain, or will in future contain, minimum sales commitments from those distributors, sales agents and usage by surgeons.

Where counterparties to the exclusive distribution arrangements or sales agencies are incorporated and/or operate in foreign jurisdictions, enforcement of a breach of the agreements is likely to be expensive and the successful outcome of any legal action is uncertain. Currently, the Directors are unaware of any threatened or potential litigation in respect of any of the exclusive distribution arrangements.

Risk of Product Liability and Uninsured Risk

The products manufactured by the Company are for medical use, often involving implantations in the human body. It is always possible that, notwithstanding the precautions taken by the Company, one or more examples of a product defective in either design or manufacture will cause harm. In this event, the Company would be, at a minimum, obliged to recall

or replace the product, and would very possibly be subject to claims for injury, loss or damage. Such claims would have a direct financial cost and may also damage the Company's reputation and sales.

The Company does maintain product liability insurance in the course of maintaining its business. However, there can be no assurance that that insurance will be adequate, or that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient quantum in the future, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of ASDM irrespective of such insurance.

Need for Research and Development and Risk of Rapid Technology Change

The orthopaedic implant industry is subject to rapid technological change and in order for the Company to remain competitive and to retain market share ASDM must continually develop new products as well as improve its existing ones. Accordingly, the Company must devote substantial resources to Research & Development. There can be no assurance that the Company will be successful in developing competitive new products and/or improving existing products so that such products remain competitive and avoid obsolescence. There can be no assurance that any or all of the Company's Research & Development projects for new products will result in commercial products, or that, if such products are successfully designed and launched, they will be profitable.

New Therapies

It is conceivable that, at some point in the future, an effective treatment for diseases such as rheumatoid arthritis and osteoarthritis will be developed so that primary patient demand for joint replacement devices will be reduced. Any such reduction may have a material adverse effect on the Company's profitability.

Patents

The costs of enforcing existing and potential patent rights against infringers, or defending infringement charges by other patent holders may be significant. In addition, no assurances can be given that the patent applications currently pending by ASDM will be granted. Further, all patents have a limited life, and some of ASDM's patents may expire before ASDM is able to fully exploit the exclusivity arising from these patents. In addition, the granting of a patent does not guarantee that the rights of others are not infringed, or that competitors will not develop technology to avoid the patented technology. Thus, the Directors of ASDM must warn Applicants of the vagaries of patents pending and patents currently granted on ASDM products. For further information, including other risks relevant to patents and patent applications, please refer to Section 11 of this Prospectus.

Effect of Government Regulation

The development, testing, labelling, distribution, marketing and manufacture of medical devices, including implant products, are subject to extensive and rigorous regulation in Australia, the United States of America and other countries. The primary regulatory authority in the United States of America is the US Food & Drug Administration (FDA) and in Australia the Therapeutic Goods Administration (TGA). The process of obtaining approval of clearance from the FDA and other regulators for the sale and marketing of new products is time-consuming, expensive and uncertain. In addition, regulatory approval or clearance of products can subsequently be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial marketing. Regulators have the power to ban products manufactured or distributed by the Company, as well as to require the recall, repair, or replacement of or refund for such products. A significant recall of one or more of its products could have a material adverse effect on the Company.

Business Contract Risk

There are a number of existing contracts which are material to the Company's business (see Section 12 for further details). Further contracts will likely be entered into by the Company which will also be material to the Company's business.

Many of those contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual vicissitudes of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on the Company's ability to collect payments and otherwise to enforce its contracts, and may have a significant adverse effect more generally on the Company's business and profitability.

Apart from that, the business dealings of the Company are necessarily exposed to the potential of third party insolvency. If a third party with whom the Company has dealings becomes insolvent, this may also have a significant adverse effect on the Company and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

8.1 Risks Specific to ASDM
continued

Uncertainty Relating to Third Party Reimbursement
Health care providers, including hospitals and orthopaedic surgeons, that purchase the Company's products, generally rely on thirdparty payers particularly private health insurance plans, to pay for all or a portion of the cost of joint reconstructive procedures, including the cost of the Company's products utilised in such procedures. There can be no assurance that thirdparty reimbursement for the Company's products will continue to be available.

Litigation Risks
If the Company fails to meet its contractual commitments or has other claims made against it, including product liability claims, it may be exposed to litigation that may materially adversely affect the financial position of the Company. This is particularly the case in more litigious jurisdictions in which the Company may carry on business, including the USA.

Need to Maintain Substantial Inventory Levels
Because orthopaedic surgeons require immediate access to a broad range of sizes and types of reconstructive implant products, the Company is required to maintain substantial levels of inventory. The maintenance of relatively high levels of inventory requires the Company to incur significant expenditures of its resources. There can be no assurance that the Company will be able to maintain the levels of inventory of such products necessary to support the expansion of its business. The failure by the Company to maintain required levels of inventory could have a material adverse effect on the Company's expansion.

Loss of Key Management
The Company's performance is substantially dependent on its senior management and key technical personnel to continue to develop and manage the Company's products and services. Competition for such personnel with competitors may be intense. The loss of key management could have a material adverse effect on the business and on its financial performance.

The future success of the Company is also dependent on its ability to attract and retain highly qualified technical and managerial personnel. The inability to attract such personnel may result in a material adverse effect on the business.

Management of Growth
ASDM's anticipated growth may place a significant strain on its managerial, operational and financial resources. To manage its potential growth, ASDM must further develop its operational and financial systems. There can be no assurance that ASDM will be able to effectively manage the expansion of its operations, that its facilities, systems, procedures or controls will be adequate to support is operations or that it will be able to achieve the expansion necessary to fully exploit market opportunities. Any inability to manage growth effectively could have a material adverse effect on ASDM's business, results of operations and financial condition.

Key Machinery
The Company is heavily reliant on its key machinery located at its premises at St Leonards. Any breakdown or damage to these key machines could have a material adverse effect on the Company's business operations.

8.2 General Investment Risks

Apart from the foregoing, there is a risk that the price of the Shares, and returns to Shareholders, may be affected by:

- changes in local and world economic conditions and cycles, industrial and other business disruptions, and customer loss or default;
- changes in interest rates, foreign currency exchange rates, and inflation;
- changes in levels of tax, taxation laws and policies, and accounting practices and policies;
- changes in government legislation, or government or other regulatory intervention;
- changes in employment rates; and
- natural disasters, social upheaval or war in Australia or overseas.

Investors are strongly advised to regard an investment in the Company as a long-term proposition, and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur from time to time.

PRICEWATERHOUSECOOPERS

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Holder of Australian Financial Services Licence No 244572

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The Board of Directors
Advanced Surgical Design & Manufacture Limited
Unit 2, 12 Frederick Street
ST LEONARDS NSW 2065

26 October 2007

Subject: Investigating Accountant's Report on Historical and Forecast Financial Information

Dear Sirs

We have prepared this report on the historical and forecast financial information of Advanced Surgical Design & Manufacture Limited (the Company) for inclusion in a Prospectus dated on or about 19 October 2007 (the Prospectus) relating to the issue of between 2,500,000 and 4,000,000 ordinary shares in the Company at $0.60 per share.

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Corporations Act 2001 (Cwlth). PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare an Investigating Accountant's Report (the Report) covering the following information:

Historical financial information

(a) the adjusted historical income statements of the Company for the years ended 30 June 2005, 30 June 2006 and 30 June 2007; and

(b) the historical and pro-forma balance sheet and cash flow statement as at 30 June 2007 which assumes completion of the contemplated transactions disclosed in Section 7.7 of the Prospectus (the pro forma transactions).

(the Forecast).

Forecast financial information

(c) forecast financial performance of the Company for the year ended 30 June 2008

(collectively, the Historical Financial Information).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Forecast to which it relates for any purposes other than for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 7 of the Prospectus has been extracted from the following sources:

Year Ended 30 June	Type of opinion issued*	Qualified (Y/N)	Explanation
2005	Review Opinion	N	A statutory review was completed for the year ended 30 June 2005.
2006	Audit Opinion	Y	A review was completed for the year ended 30 June 2005, and therefore no attendance at the physical stocktake of inventory conducted on 30 June 2005. The qualification relates to this issue and the consequent potential risks associated with the opening carrying value of inventory at 30 June 2005.
2007	Audit Opinion	N	N/A

* PricewaterhouseCoopers acted as auditor for the year ended 30 June 2007. Prior to their appointment, another firm acted in the capacity of auditor.

The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of the Company going forward. The directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the adjustments made to the historical financial performance
- a review of the assumptions used to compile the pro forma statement of financial position
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in Section 7.6 of the Prospectus, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma statement of financial position has not been properly prepared on the basis of the pro forma transactions
- the pro forma transactions do not form a reasonable basis for the pro forma statement of financial position
- the Historical Financial Information, as set out in Section 7.2 of the Prospectus does not present fairly:
  (a) the adjusted historical financial performance of the Company for the years ended 30 June 2005, 30 June 2006 and 30 June 2007; and
  (b) the historical and pro forma balance sheet and cash flow statement of the Company as at 30 June 2007

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in Section 7.6 of the Prospectus.

Scope of review of Forecast financial information

The Directors are responsible for the preparation and presentation of the Forecast, including the best estimate assumptions, which include the pro forma transactions, on which they are based.

Our review of the best estimate assumptions underlying the Forecast was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions provide a reasonable basis for the Forecast. These procedures included discussion with the Directors and management of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast and whether, in all material respects, the Forecast is properly prepared on the basis of the assumptions and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Company disclosed in Section 7.6 of the Prospectus so as to present a view of the Company which is consistent with our understanding of the Company's past, current and future operations.

The Forecast has been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgement involved in the preparation of the Forecast. Actual results may vary materially from the Forecast and the variation may be materially positive or negative. Accordingly, investors should have regard to the investment risks set out in Section 8 of the Prospectus.

Our review of the Forecast that is based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing and Assurance Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecast included in the Prospectus.

Review statement on the Forecast

Based on our review of the Forecast, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Forecast, nothing has come to our attention which causes us to believe that:

(a) the best estimate assumptions set out in Section 7.9 of the Prospectus do not provide a reasonable basis for the preparation of the Forecast, and

(b) the Forecast is not properly prepared on the basis of the best estimate assumptions and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies disclosed in Section 7.6 of the Prospectus

(c) the Forecast is unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Forecast. Accordingly, we do not confirm or guarantee the achievement of the Forecast, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

Andrew Sneddon
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

PricewaterhouseCoopers Securities Limited Financial Services Guide

This Financial Services Guide is dated 26 October 2007

1 About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("PwC Securities") has been engaged by Advanced Surgical Design & Manufacture Limited ("ASDM") to provide a report in the form of an Investigating Accountant's Report in relation to the historical and pro forma forecast financial information (the "Report") for inclusion in the Prospectus dated 26 October 2007.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2 This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5 Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees have been based time expected to be incurred at our usual hourly rates as set out Section 11.9.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

6 Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers have been appointed as auditors for the financial year ended 30 June 2007.

7 Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Service ("FICS"), an external complaints resolution service. You will not be charged for using the FICS service.

8 Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Andrew Sneddon
201 Sussex Street
SYDNEY NSW 1171

20 September 2007

The Directors
Advanced Surgical Design & Manufacture Limited
Unit 2 12 Frederick Street
St Leonards NSW 2065

FB RICE & CO

Dear Sirs

1. INTRODUCTION

FB Rice & Co was engaged to prepare this Report by Advanced Surgical Design & Manufacture Limited (ACN 066 281 132) (hereinafter "ASDM") for inclusion in a Prospectus to be lodged with the Australian Securities & Investments Commission.

1.1 Executive Summary

This Report provides details of certain intellectual property currently owned by ASDM including the current status of granted patents, pending patent applications, registered designs, registered trade marks and pending trade mark applications. A number of patents have been granted in various countries, while a number of patent applications are still undergoing examination or are yet to be examined by the respective national Patent Offices. ASDM also has a number of registered designs, registered trade marks and pending trade mark applications as referred to in this Report. This summary should be read subject to the rest of this Report.

1.2 FB Rice & Co

FB Rice & Co is a firm of Patent and Trade Mark Attorneys specialising in the law and practices relating to intellectual property and, more particularly, patents, trade marks, registered designs and plant breeders rights. All of the partners of FB Rice & Co. with the exception of Gail Hill, Wayne Willis and Joanne Martin, are registered Australian patent attorneys, registered New Zealand patent attorneys, and also Fellows of the Institute of Patent and Trade Mark Attorneys of Australia. The patent attorneys of FB Rice & Co are specialists in the technology areas of electrical and engineering, electronics, chemistry, biotechnology, medical devices, pharmaceuticals, computers and information and communication technology. Each of the professional staff members in the patent department of FB Rice & Co holds tertiary qualifications in the technology area in which that person practises. A number of the professional staff members of FB Rice & Co in the patent department also hold postgraduate qualifications.

1.3 Inventorship and Ownership

Typically, a patent for an invention may only be granted to the inventor or inventors or to a person who has entitlement to the invention by way of assignment or other means. The inventorship of the various patents and patent applications is set out in Section 3. At present, all of the intellectual property is owned by **"Advanced Surgical Design & Manufacture Limited"**. Other than as noted in Section 1.4, we are unaware of any issues regarding the ownership or entitlement of ASDM to the intellectual property listed in Section 3.

1.4 Change of Corporate Name

ASDM has changed its name from "Australian Surgical Design & Manufacture Pty Ltd" during the pendency of many of the properties detailed in this report.

1.5 Report Scope

This Report outlines the technologies covered by the patent portfolio and sets out details of the various patents and patent applications as well as their current status.

FB RICE & Co
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FB RICE & Co also has
a Melbourne Office
FB RICE & Co is associated with
Computer Patent Annuities (CPA)

1.5 Report Scope
continued

For the purposes of this Report we have not undertaken any independent patentability searches or considered any prior art cited by any Patent Office in relation to any of the patent families. Accordingly, we have not:

(a) formulated any patentability opinions in relation to any patent or patent application in a patent family; nor

(b) considered the validity of any patent or patent application in a patent family.

This Report also sets out details of the various registered designs, trade marks and trade mark applications as well as their current status.

This Report is subject to the limitations and qualifications set out in Section 5 of this Report and, in particular, the limited sources of information described in Section 5.1 of this Report.

2. INTELLECTUAL PROPERTY

2.1 Meaning of Intellectual Property
Intellectual property may be regarded as an exclusive right in relation to a new product, process, trade mark, shape, pattern, or plant variety, or an original work in the fine arts such as a literary, artistic, musical or dramatic work. Patents are a forwm of intellectual property that cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. Patents are typically an important component of an intellectual property portfolio. Patents are essentially national rights and, to obtain protection in any jurisdiction, it is necessary to file an application for registration of the relevant right in that jurisdiction.

2.2 Patents

Patents are granted for inventions that are new or improved useful products, such as medical devices, or processes, such as processes of manufacturing or using such medical devices. A patent has a finite term, generally 20 years, and provides the owner with a period in which others may be excluded from commercially exploiting an invention that is covered by the claims of the granted patent. However, the granting of patent rights does not confer a right on the patentee to exploit an invention as this is subject to the existence of any intervening third party rights such as an earlier patent in the same field which is in force in respect of over-arching technology. Commercialisation of developments, improvements or new uses of patented products and processes may be subject to the monopoly afforded by an earlier existing patent and may require any party wishing to use such developments to obtain a licence subject to the payment of royalties if such a licence is available.

Remedies available to the patent owner for infringement of his or her patent by a third party vary from country to country but include the payment of monetary damages or an account of profits, equitable remedies such as injunctions and bars to importation of infringing goods.

As indicated above, the standard statutory term of a patent is generally 20 years, subject to the payment of renewal fees. However, in the case of certain pharmaceuticals requiring regulatory approval prior to marketing and sale, it is sometimes possible to obtain an extension of term in certain jurisdictions for a prescribed period of time, normally not exceeding 5 years.

2.3 Process for Obtaining Patent Protection
The initial step in obtaining patent protection for an invention in a number of countries conventionally commences with the filing of a first patent application in a country which is a signatory to the Paris Convention or the Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement) of the World Trade Organisation. In a number of jurisdictions, including Australia and the USA, the first filed application may be a provisional patent application. The first filed application establishes a priority date for the invention. This is the date against which the novelty and inventive step of the invention are assessed during examination of the patent application and/or any subsequent enforcement of the patent. Any public disclosure made after the priority date is in most countries not taken into consideration when assessing inventiveness of the invention. In Australia for example, such public disclosure can only be taken into consideration for novelty purposes if the disclosure was made in an earlier patent application claiming an earlier priority date and is, or is capable of forming, the subject matter of a claim of that earlier application.

The provisions of the Paris Convention and the TRIPS Agreement provide a 12 month period from the filing date of the first application in which to file corresponding applications for the invention in other signatory countries, such applications having the same priority date as the first application.

Certain countries are not signatories of the aforementioned conventions or agreements. In those countries, absent a bilateral agreement between countries, it may be necessary to file applications there at the same time as the first patent application is filed in a convention country. Australia has bilateral agreements with some countries which have the effect of granting a convention-type year for filing corresponding patent applications in those countries.

A patent cannot be granted on a provisional application nor is a provisional patent application examined. The filing of a provisional patent application must be followed by the filing of a non-provisional patent application, also called a complete application, in each country in which protection is desired within the 12 month period, and it is this latter application which is subjected to examination by the Patent Office of the relevant country, and which is either granted or rejected.

Thus, within 12 months from the filing date of the provisional application, a non-provisional patent application, or a complete application, must be filed to pursue protection for the invention.

If protection is required in a number of countries, the step of filing a non-provisional patent application, or a complete application, in each country in which protection is required, can be delayed by the filing of an International Application filed under the terms of the Patent Cooperation Treaty (PCT). The International Application is subjected to a search and an initial assessment is made by a patent examiner to determine if the invention is novel and non-obvious over the prior art. The filing of an International Application delays the payment of national filing fees in those countries that are signatories to the treaty by up to 30 months or 31 months from the priority date. Instead of filing an International Application, separate so-called "Convention" applications can be filed in each jurisdiction in which protection is sought within the 12 month period. As the major industrialised nations are signatories to both the Paris Convention and the PCT, the filing of a provisional application followed by an International Application under the PCT is a quite common route in a patenting programme to obtain protection for an invention in the major markets for the medical devices sector.

Since January 2004, it is no longer necessary to designate those countries or regions (for example, Europe) in which it is desired to obtain protection at the time of filing the International Application. All countries that are signatories to the treaty are now automatically designated at filing of the international application.

Within 30 months or 31 months from the priority date, depending on the country or region concerned, the International Application must enter the national/regional phase in each jurisdiction for which patent protection is sought. This is achieved by the payment of a national filing fee and, where necessary, the translation of the specification into the language of the country concerned. In the majority of the developed countries of the world, the national or regional applications are examined to ensure that the invention satisfies the patentability laws of the country or region concerned. Common requirements for which applications are examined include that the invention is useful or industrially applicable, is novel and is not obvious (i.e. involves an inventive step) in the light of what has gone before. Such requirements are generally judged as at the earlier of the application's filing date or the priority date. Novelty requirements and inventive step requirements differ from country to country. As a consequence, patents with claims of differing scope may be granted in different jurisdictions for the same invention. In addition, in the medical field, certain countries or regions do not permit patenting of methods of treating the human body or methods of diagnosis carried out on or within the body. Alternative claiming strategies may, in certain circumstances, be available to obtain effective patent protection for such uses.

At least in the major jurisdictions of the world, patent applications are subjected to a substantive examination procedure to ensure compliance with the requirements of the patent law of the country or region concerned. Generally, an examination report (called an "office action" in the USA) is issued by the examiner, to which a response must be made within a specified period of time. Often, the initial examination report is an adverse report and submissions by way of amendments and/or arguments must be submitted in order to overcome objections raised by the examiner. Additionally, all objections may not be overcome in the first submission resulting in the issuance of further examination reports each requiring a response. If an applicant is unable to convince the examiner of the patentability of the invention forming the subject matter of that patent application, the patent application may be finally rejected. This means that no patent will be granted for that invention in that jurisdiction. Generally, there are avenues for appeal or review if the applicant is of the view that the examiner's rejection of the patent application is unreasonable.

2.4 Dealings with Patents and Patent Applications

Patents and patent applications can be considered as assets and are capable of sale, transfer, licence, recordal of legal interests, or the like. Patents and patent applications may be in the name of one or more entities. Where there are joint holders of a patent, the owners are considered to hold equal, undivided interests in the patent unless there is a specific agreement to the contrary. In the USA, all patent applications are required to be filed initially in the name of the inventors but can issue in the name of an assignee or assignees.

3. INTELLECTUAL PROPERTY PORTFOLIO

3.1 Patent Portfolio

Set forth below are details of patents and patent applications which make up the patent portfolio owned by ASDM in title, on which we have been asked to report.

This overview of the patent portfolio is not to be taken as a definition of the scope of the patent portfolio and merely serves to provide a general explanation of the technology to which the patent portfolio relates.

Information concerning the status of each of the patents and patent applications is based on information obtained from each of the applicable Patent Offices. The specifications for the International (PCT) Application and the granted patents in the patent portfolio can also be obtained from the applicable Patent Offices.

3.1.1 Patent Family 1 entitled "Knee prosthesis"

Information concerning the status of each of the patents and patent applications is based on information obtained from each of the applicable Patent Offices. The specifications for the International (PCT) Application and the granted patents in the patent portfolio can also be obtained from the applicable Patent Offices.

Country	Priority Date	Application Date	Application No.	Patent No.	Status
Australia	3 February 1995	5 February 1996	45323/96	707766	In-force
Australia	3 February 1995	30 April 1999	26026/99	714764	In-force
France	3 February 1995	5 February 1996	96901198.0	0848602	In-force
Germany	3 February 1995	5 February 1996	96901198.0	69628309.3-08	In-force
Italy	3 February 1995	5 February 1996	96901198.0	0848602	In-force
United Kingdom	3 February 1995	5 February 1996	96901198.0	0848602	In-force
USA	3 February 1995	5 February 1996	08/875743	5935173	In-force

Inventors

Gregory James ROGER and Mervin John CROSS.

(6) Current Owner

Advanced Surgical Design & Manufacture Limited.

Overview

This patent family relates to an artificial knee prosthesis.

Australian patent 707766 issued on 4 November 1999. Claim 1 of this patent describes the femoral component of the knee prosthesis as having a bearing surface having a first anterior bearing portion having a first radius of curvature in an anterior-posterior plane and a second posterior bearing portion having a second radius of curvature that is smaller than the first radius. The prosthesis also has a tibial component having a substantially planar surface that provides a resurfacing of the tibial plateau, and an intervening meniscal bearing that is placed between the planar surface of the tibial component and the bearing surface of the femoral component. The meniscal bearing has a substantially planar lower surface to enable unconstrained slidable movement of the bearing relative to the substantially planar surface of the femoral component in all directions along the plane. The meniscal bearing is further described as having an upper surface which is concave when seen along the anterior-posterior plane and having a first anterior bearing surface and a second posterior bearing surface congruent, respectively, with the first and second bearing portions of the femoral component. Claim 1 further describes the first and second bearing surfaces of the meniscal bearing as being separated by a short area which is planar or of

longer radius of curvature than either of the first and second bearing surfaces in the anterior-posterior plane. The next renewal fee for Australian patent 707766 is due for payment by 5 February 2008.

Australian patent 714764 issued on 4 May 2000 out of a divisional application filed prior to grant of Australian patent 707766. Claim 1 of this patent describes the knee prosthesis as having a femoral component, a tibial component and a meniscal bearing. The meniscal bearing has a planar lower surface to enable unconstrained slidable movement relative to the planar surface of the tibial component in all directions along the plane. The meniscal bearing is further described as having an upper surface having a concave portion that receives the bearing surface of the femoral component and also a portion that extends posteriorly beyond the extent of the concave portion of the upper surface. The specification describes the advantage of the posterior extension of the meniscal bearing as being that this "heel" resists any tendency of the meniscal bearing to be tilted upwardly when the knee is fully flexed. The next renewal fee for Australian patent 714764 is due for payment by 5 February 2008.

The patents in France, Germany, Italy and the UK were validated out of granted European patent 0848602 which issued from the European Patent Office on 21 May 2003. Claim 1 of this European patent describes the femoral component of the knee prosthesis as having a bearing surface having a first anterior bearing portion having a first radius of curvature in an anterior-posterior plane and a second posterior bearing portion having a second radius of curvature that is smaller than the first radius. The prosthesis also has a tibial component having a substantially planar surface that provides a resurfacing of the tibial plateau, and an intervening meniscal bearing that is placed between the planar surface of the tibial component and the bearing surface of the femoral component. The meniscal bearing has a substantially planar lower surface to enable unconstrained slidable movement of the bearing relative to the substantially planar surface of the femoral component in all directions along the plane. The meniscal bearing is further described as having an upper surface which is concave when seen along the anterior-posterior plane and having a first anterior bearing surface and a second posterior bearing surface congruent, respectively, with the first and second bearing portions of the femoral component. Claim 1 further describes the first and second bearing surfaces of the meniscal bearing as being separated by a short area which is planar or of longer radius of curvature than either of the first and second bearing surfaces in the anterior-posterior plane. The French, German, Italian and UK patents are recorded as having a renewal fee next due for payment by 5 February 2008.

USA patent 5935173 issued on 10 August 1999. Claim 1 of this patent describes the femoral component of the knee prosthesis as having a bearing surface having a first anterior bearing portion having a first radius of curvature in an anterior-posterior plane and a second posterior bearing portion having a second radius of curvature that is smaller than the first radius. The prosthesis also has a tibial component having a substantially planar surface that provides a resurfacing of the tibial plateau, and an intervening meniscal bearing that is placed between the planar surface of the tibial component and the bearing surface of the femoral component. The meniscal bearing has a substantially planar lower surface to enable unconstrained slidable movement of the bearing relative to the substantially planar surface of the femoral component in all directions along the plane. The meniscal bearing is further described as having an upper surface which is concave when seen along the anterior-posterior plane and having a first anterior bearing surface and a second posterior bearing surface congruent, respectively, with the first and second bearing portions of the femoral component. Claim 1 further describes the first and second bearing surfaces of the meniscal bearing as being separated by a short area which is planar or of longer radius of curvature than either of the first and second bearing surfaces in the anterior-posterior plane. Claim 22 of this patent describes a different knee prosthesis with this prosthesis having a femoral component, a tibial component and a meniscal bearing. The meniscal bearing in claim 22 is defined as having a planar lower surface to enable unconstrained slidable movement relative to the planar surface of the tibial component in all directions along the plane. The meniscal bearing is further described as having an upper surface having a concave portion that receives the bearing surface of the femoral component and also a portion that extends posteriorly beyond the extent of the concave portion of the upper surface. The specification of the USA patent describes the advantage of the posterior extension of the meniscal bearing as being that this "heel" resists any tendency of the meniscal bearing to be tilted upwardly when the knee is fully flexed. The next renewal fee for the USA patent is due for payment by 10 February 2011.

3.1.2 Patent Family 2 entitled "Surface preparation of an implant"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
Australia	12 February 2003	6 February 2004	2004212213		Application
Germany	12 February 2003	6 February 2004	11 2004 000 285.0		Application
New Zealand	12 February 2003	6 February 2004	541413		Application
United Kingdom	12 February 2003	6 February 2004	0515722.7	2412338	In-force
USA	12 February 2003	6 February 2004	10/545226		Application

Inventor

Gregory James ROGER.

(7) Current Assignee

Advanced Surgical Design & Manufacture Limited

Overview

The granted patent and pending patent applications in this patent family are directed to a process of forming a metal alloy component of a prosthetic implant, such as a femoral component of an artificial knee. In the United Kingdom where the patent has been granted and in Germany and New Zealand where amendments have been filed in response to examination reports, the process is defined in one claim as having a number of steps including forming the component from a metal alloy in a shape approximating the desired final shape, subjecting the cast component to an elevated temperature and pressure (e.g. hot isostatic pressing), subjecting the component to a cooling regime comprising solution annealing, machining the surface of the component, and polishing the surface of the component. The purpose of the processes is described as providing a surface that will not cause undue wear on a component that bears against the component formed using the process and also provides an optimal surface for coating.

The next renewal fee for the Australian patent application is due for payment by 6 February 2009. The next renewal fee for the German patent application is due for payment by 6 February 2008. The next renewal fee for the UK patent application is due for payment by 6 February 2008. Renewal fees are not payable on pending New Zealand and USA patent applications but will become due after grant.

3.1.3 Patent Family 3 entitled "High tibial osteotomy device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	5 June 2001	4 June 2002	10/479628		Application

Inventor

Gregory James ROGER.

(8) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This USA patent application describes a device and method for use in corrective orthopaedic surgery. In particular, the device and method of using the device can be used for bone fixation secondary to a high tibial osteotomy. High tibial osteotomy is a surgical procedure that is commonly used in the correction of "bowed legs" and in some circumstances "knock knees". Renewal fees are not payable on pending USA applications.

3.1.4 Patent Family 4 entitled "Acetabular component of total hip replacement assembly"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
Germany	2 June 1999	31 May 2000	100 84 650.5		Application
USA	2 June 1999	31 May 2000	09/926684	6712857	In-force
USA	2 June 1999	20 February 2004	10/781860		Application

Inventor

Gregory James ROGER.

(9) Current Owner/Assignee

Australian Surgical Design & Manufacture Pty Ltd.

Overview

This patent family is directed to a device for use in a surgical procedure involving arthroplasty or repair of a joint of a patient, in particular the hip joint.

USA Patent 6712857 issued on 30 March 2004 with claim 1 defining a socket member having a bone engaging surface having at least a first surface portion and a second surface portion with these being arranged relative to each other such that the bone engaging surface is devoid of a step or a corner. The patent describes how the absence of a step or a corner prevents the application of undue stress to the surrounding bone following placement of the device in the bone. The next renewal fee for the USA patent is due for payment by 30 September 2011.

USA Application 10/781860 is a continuation-in-part (CIP) application in respect to this invention. This CIP application also describes a device for use in a surgical procedure involving arthroplasty and a method of inserting such a device. In this application, the device has a liner that is positioned between a bearing member and a bone engaging member. The liner is described in one embodiment as being formed of a biocompatible material including titanium and acting to reduce relative movement between the bearing member and the bone engaging member thereby reducing the amount of wear debris produced as a result of relative movement between the bearing member and the bone engaging member. Renewal fees are not payable on pending USA applications.

German Application 100 84 650.5 is pending and presently awaits examination by the German Patent Office. The next renewal fee for the German patent application is due for payment by 31 May 2008.

3.1.5 Patent Family 5 entitled "Method and apparatus for removing prosthetic cement"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	29 July 1988	28 July 1989	07/646618	5171277	In-force

Inventor

Gregory James ROGER.

(10) Current Owner

Advanced Surgical Design & Manufacture Limited.

Overview

This USA patent issued on 15 December 1992. Claim 1 of this patent is directed to a process for removing prosthetic cement from the medullary canal of a patient's long bone during replacement of a joint prosthesis. The process is defined as comprising the steps of:

(a) determining the profile of a line of intersection of a plane, which extends longitudinally through the bone, the prosthetic cement and a prosthetic cavity therein, and a cement/bone interface intersected by that plane,

(b) determining the thickness of the prosthetic cement in that plane at least at selected points along the said bone,

(c) forming or selecting a substantially planar cutting blade with a cutting edge having a profile substantially corresponding to the profile of the line,

3.1.5 Patent Family 5 entitled "Method and apparatus for removing prosthetic cement"

continued

(d) inserting the cutting blade into the prosthetic cavity with the blade lying in that plane, the cutting edge directed towards the cement/bone interface, and to a depth such that corresponding points on the cutting edge are adjacent corresponding points on the line,

(e) causing the cutting blade to reciprocate,

(f) inserting into the prosthetic cavity between a non-cutting edge of the blade and a wall of the prosthetic cavity spaced from the cement/bone interface a guide member adapted to urge the cutting edge of the blade into the prosthetic cement towards the cement/bone interface but substantially not beyond it,

(g) repeating steps (e) to (f) to form at least one other cut through the prosthetic cement, and

(h) removing the segments of prosthetic cement so formed from medullary canal.

The specification describes how this process is particularly suitable for use in operations where an old hip prosthesis is being removed from the femur and replaced with a new prosthesis. All renewal fees have been paid on this patent and the patent will expire at the end of its term on 15 December 2009.

3.1.6 Patent Family 6 entitled "Surgical screw and guidewire"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	26 August 1999	23 August 2000	09/807864	6592587	In-force

Inventor

Gregory James ROGER.

(11) Current Owner

Advanced Surgical Design & Manufacture Limited.

Overview

This USA patent issued on 15 July 2003 and is directed, in part, to a fastening device for fastening at least two objects, such as two portions of bone on each side of a fracture site, together in a desired alignment. The device includes a non-cannulated securing member, such as a bone screw, having a head, a shank and an end region. The device also has a guidewire that is removably connectable or integrally connected to the end region and which extends away from the head of the securing member. In one embodiment, the guidewire is described as being a "Kirschner wire" or "K-wire". In another embodiment, the guidewire has a screw thread along at least a portion of its length. The presence of the screw thread on the guidewire has the stated advantage of ensuring the two portions of bone are pulled together as the fastening device is rotated into place across the fracture site. The next renewal fee for this patent is due for payment by 15 January 2011.

3.1.7 Patent Family 7 entitled "Surgical fixation device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	10 July 2001	10 July 2002	10/482921		Application

Inventor

Gregory James ROGER.

(12) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This USA patent application describes a device for use in bone fixation and a method of using the device. The device can be used to repair cranio-facial fractures. In one claim, the device relies on use of a first and at least a second bone anchoring devices that are respectively positionable on each side of a fracture. A resorbable or permanent linking thread, suture or wire extends between the anchoring devices across the fracture and is encased within a settable compound. The settable compound is described as being preferably biocompatible and bioresorbable with examples of such material given including calcium phosphorous sulphates and poly-l-lactic acid compounds.

The combination of the bone anchors, the linking member and the cured settable compound provides rigid fixation of the fractured bone. Renewal fees are not payable on pending USA applications.

3.1.8 Patent Family 8 entitled "Sterile screw delivery system"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	6 September 2001	5 September 2002	10/488863		Application

Inventor

Gregory James ROGER.

(13) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

The patent applications in this family are directed to a holder for a surgically implantable device such as a surgical screw, nail or pin.

The USA application 10/488863 is undergoing examination by the United States of America Patent and Trademark Office. Renewal fees are not payable on pending USA applications.

3.1.9 Patent Family 9 entitled "Arthroscopic chondrocyte implantation method and device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	12 February 2003	5 February 2004	10/545225		Application

Inventor

Gregory James ROGER.

(14) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This patent application describes a device and method for delivering chondrocytes into a bone of a patient, such as the site of the knee joint. Chondrocytes are specialised cells that form the extracellular matrix that makes up cartilage. One claim describes how a chondrocyte delivery device can be partially insertable into a bone of the patient. Chondrocyte cells can then be caused or allowed to elute from the device. In one described embodiment, the device can be a dart that is insertable into the bone and which has a chamber that can house a quantity of cultured chondrocyte cells. The chamber has a number of openings through which chondrocytes can elute from the chamber following insertion. The dart can have an osmotic pump that is used to expel chondrocyte cells from the chamber. In another described embodiment, an apparatus can be used to inject the delivery device into the patient. The chondrocyte cells can be cultured from chondral tissue harvested from the patient. An aim of using the device is to allow performance of only relatively minimally invasive surgery in ensuring appropriate delivery of chondrocytes into the patient. Renewal fees are not payable on pending USA applications.

3.1.10 Patent Family 10 entitled "Method and apparatus for delivering bio-active compounds to specified sites in the body"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
Australia	22 January 1999	14 January 2000	24247/00	760258	In-force
USA	22 January 1999	14 January 2000	09/889797	6544266	In-force

Inventors

Gregory James ROGER and Mervin John CROSS.

(15) Current Owner

Advanced Surgical Design & Manufacture Limited.

3.1.10 Patent Family 10 entitled "Method and apparatus for delivering bio-active compounds to specified sites in the body"

continued

Overview

This patent family is directed to an apparatus for use in surgical procedures, such as high tibial osteotomy, and which can also deliver bio-active substances to specified sites of action within the body.

The Australian patent 760258 issued on 21 August 2003. In one claim, the Australian patent claims a device comprising a plate member and a spacer member that is positionable, for example, in a wedge cut into a bone such as that formed during a high tibial osteotomy. The plate has a first orifice and a second orifice for receiving respective bone fasteners with the first orifice being circular and the second orifice being ovoid or elongate in shape with its long diameter being longitudinally aligned with the longitudinal axis of the plate member. The spacer member is engageable or integral with the plate member and is also described as having a built-in substance delivery system being such that when the device is placed in a desired location, a selected bio-active substance can be delivered form the spacer member to the desired site of action. The Australian patent also describes a method of implanting the device and a process of carrying out a high tibial osteotomy using the device. The next renewal fee for the Australian patent is due for payment by 14 January 2008.

The USA Patent 6544266 issued on 8 April 2003. In one claim, the USA patent claims a device comprising a plate member and a spacer member that is positionable, for example, in a wedge cut into a bone such as that formed during a high tibial osteotomy. The plate has a first orifice and a second orifice for receiving respective bone fasteners with the first orifice being circular and the second orifice being ovoid or elongate in shape with its long diameter being longitudinally aligned with the longitudinal axis of the plate member. The spacer member is engageable or integral with the plate member and is also described as having a built-in substance delivery system having a chamber and at least two restricted orifices. When the device is placed in a desired location, a selected bio-active substance can be caused to leak out through the second restricted orifice and delivered to the desired site of action. The USA patent also describes a method of implanting the device and a process of carrying out a high tibial osteotomy using the device. The next renewal fee for the USA patent is due for payment by 8 October 2010.

3.1.11 Patent Family 11 entitled "Ear irrigation device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	9 May 1996	6 May 1997	09/180527	6210358	In-force

Inventor

Gregory James ROGER.

(16) Current Owner

Advanced Surgical Design & Manufacture Limited.

Overview

This USA patent issued on 3 April 2001 and is directed to an earpiece for releasable attachment to an auriscope and which allows at least partial visualisation of the ear canal when the earpiece is in the ear canal. In one aspect, the earpiece is described as having a first portion that can enter the ear canal, an ear abutment portion that is of a larger diameter than the first portion and positioned thereon so setting a maximum distance the first portion can be inserted in to the ear canal. The first portion also includes a fluid outlet through which fluid may be directed into the ear canal. The fluid outlet is adapted to direct the fluid at an oblique angle to the longitudinal axis of the earpiece and against the surface of the ear canal. The described advantage of directing the fluid in this manner reduces the risk of perforation of the eardrum. The next renewal fee for this patent is due for payment by 3 October 2008.

3.1.12 Patent Family 12 entitled "Heart valve"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	22 January 2004	21 January 2005	10/586883		Application
Japan	22 January 2004	21 January 2005	2006-549782		Application
Europe	22 January 2004	21 January 2005	05700099.4		Application

Inventor

Gregory James ROGER.

(17) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This patent application describes a valve assembly, for use in particular as an artificial heart valve. The assembly has a support ring and an annular body portion that is mountable to the support ring. The annular body portion has a plurality of movable leaflets that are movable between a closed position and an open position and which define a first fluid pathway through the assembly. The mounting of the annular body portion is such that the annular body portion can move relative to the support ring between a sealed position and an unsealed position with the unsealed position defining a second fluid pathway through the valve. In one embodiment, the annular body portion is also described as being mounted to the support ring and being relatively rotatable thereto.

The USA application is awaiting examination by the United States of America Patent and Trademark Office. Renewal fees are not payable on pending USA applications. The Japanese application is pending and faces a deadline of 21 January 2008 to file a Request for Examination. Renewal fees are not payable on pending Japanese applications. The European application is pending with the next renewal fee due for payment by 21 January 2008.

3.1.13 Patent Family 13 entitled "Medical implant distribution method and system"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
USA	19 October 2004	19 October 2005	11/252887		Application

Inventor

Gregory James ROGER.

(18) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This patent application describes a method of supplying medical implants from an implant manufacturer to a hospital without going via a distributor. The method includes the hospital maintaining its own inventory of medical implants, including a stock of medical implants and an inventory record. Renewal fees are not payable on pending USA applications.

3.1.14 Patent Family 14 entitled "Image guided surgery "

Country	Priority Date	Application Date	Application No.	Patent No.	Status
International PCT Application	12 September 2005	8 September 2006	PCT/AU2006/001327		Application

Inventor

Gregory James ROGER.

(19) Current Assignee

Advanced Surgical Design & Manufacture Limited.

3.1.14 Patent Family 14 entitled "Image guided surgery "

continued

Overview

This patent application describes a bone marker device for use in conjunction with a bone mapping system. The bone marker device can be attached to cancellous bone or bone that is to be resected following its mapping. This international application faces a deadline of 12 March 2008 by which ASDM will need to enter the national phase in those countries where patent protection is desired.

3.1.15 Patent Family 15 entitled "A bone fixation device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
International PCT Application	27 April 2006	13 April 2007	PCT/AU2007/000491		Application

Inventor

Gregory James ROGER.

(20) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This patent application is not yet available to the public. Accordingly, in order to maintain confidentiality in this invention, a detailed description of the invention has not been provided. This international application faces a deadline of 27 October 2008 by which ASDM will need to enter the national phase in those countries where patent protection is desired.

3.1.16 Patent Family 16 entitled "A bone reinforcement device"

Country	Priority Date	Application Date	Application No.	Patent No.	Status
International PCT Application	24 July 2006	23 July 2007	PCT/AU2007/001022		Application

Inventor

Gregory James ROGER.

(21) Current Assignee

Advanced Surgical Design & Manufacture Limited.

Overview

This patent application is not yet available to the public. Accordingly, in order to maintain confidentiality in this invention, a detailed description of the invention has not been provided. This international application faces a deadline of 24 January 2009 by which ASDM will need to enter the national phase in those countries where patent protection is desired.

3.1.17 Pending Australian Provisional Patent Applications

Priority Date	Official No.	Title	Statuss
(b) 29 November 2006	2006906678	Artificial tissue	Application

(1) Overview

This provisional application is not yet available to the public. Accordingly, in order to maintain confidentiality in the invention, a detailed description of the invention has not been provided. The deadline for proceeding with national applications and/or an international PCT application is 12 months from the priority date provided above.

3.2 Registered Design Portfolio

Registered designs are a type of intellectual property that protects the overall appearance of a product resulting from one or more visual features of the product. Set forth below are some details of registered designs owned by ASDM on which we have been asked to report.

Registered Designs

Country	Date Filed	Official No.	Title	Status
Australia	5 September 2002	151003	Sterile screw delivery device	In-force
Australia	12 August 2004	300387	Femoral component of a prosthetic device	In-force
Australia	12 August 2004	300386	Tibial component of a prosthetic device	In-force

AU 151003

Recorded Author: Gregory James ROGER.

Current Owner: Advanced Surgical Design & Manufacture Limited.

This registered design is next due for renewal by 5 September 2008. The maximum potential term is to 5 September 2018.

AU 300387

Recorded Authors: Greg ROGER, Jari HYVARINEN and Martin DAVIDSON.

Current Owner: Advanced Surgical Design & Manufacture Limited.

This registered design was granted under the Designs Act 2003. As such, the registered design did not undergo examination prior to grant and cannot presently be enforced. Enforcement will be possible if a Request for Examination is filed and the registered design is subsequently certified by the Australian Designs Office. This registered design is next due for renewal by 12 August 2009. The maximum potential term is to 12 August 2014.

AU 300386

Authors: Greg ROGER, Jari HYVARINEN and Martin DAVIDSON.

Owner: Advanced Surgical Design & Manufacture Limited.

This registered design was granted under the Designs Act 2003. As such, the registered design did not undergo examination prior to grant and cannot presently be enforced. Enforcement will be possible if a Request for Examination is filed and the registered design is subsequently certified by the Australian Designs Office. This registered design is next due for renewal by 12 August 2009. The maximum potential term is to 12 August 2014.

3.3 Trade Mark Portfolio

Trade marks are marks or signs used to distinguish the products and services of one trader from those of another. A registered trade mark typically gives the owner the exclusive right to use, sell or license the trade mark in the country in which it is registered for the goods and/or services covered by the registration. The process to achieve a trade mark registration varies from country to country, but generally involves filing a trade mark application which identifies the mark, the owner and the goods and/or services to be protected. The application is then examined for registrability under the trade marks legislation of the relevant country. If accepted, there is typically an opposition process allowing other traders a period of time within which to object to registration of the trade mark. Once a trade mark application has passed the examination and opposition processes, registration fees are payable and the trade mark is registered. A registered trade mark can be maintained indefinitely by the payment of renewal fees.

A review of the available database records in Australia, the United Kingdom, the International Trade Mark (Madrid Protocol) System, and the USA has been made by FB Rice & Co, and the details provided below are subject to the accuracy of those database records. An international convention enables an application to be filed in the countries of interest claiming an earlier date of up to 6 months based on the filing date of an overseas application. There may be a delay of some weeks between the filing of an application and when that application appears on the public database for searching purposes.

Ownership is generally dependent upon the first to apply for registration or the first to use (whichever is earlier). Other parties may also have prior rights at common law despite now having applied for or obtained a registration.

3.3 Trade Mark Portfolio

continued

A registered trade mark which has not been used for some time may be vulnerable to removal from the relevant register.

Set forth below are some details of trade marks owned by ASDM on which we have been asked to report.

Trade Marks

Country	Date Filed	Official No.	Title	Status	Renewal Due
Australia	29 January 1999	784188	ASDM	In-force	29 January 2009
Australia	30 August 2001	887577	ACTIVE KNEE	In-force	30 August 2011
International	30 August 2005	864036	ASDM	In-force	N/A
UK	30 August 2005	864036	ASDM	Protected	30 August 2015
USA	30 August 2005	864036	ASDM	Protected	30 August 2015
Australia	14 February 2006	1099118	ACTIVE UNI	In-force	14 February 2016

4. FURTHER ISSUES

4.1 Method of Treatment Claims in Patents

While claims to methods for the treatment or prophylaxis of diseases or conditions in animals and human beings are generally allowable in Australian and the USA, such subject matter is excluded from patentability in most other major jurisdictions around the world. However, patent protection may be able to be obtained in at least some such jurisdictions by recasting the claims into a format allowed in those jurisdictions, provided of course, that the requirements for patentability have been met (see Section 5.2).

4.2 Patent Opposition Proceedings

Some jurisdictions provide for third party opposition once an application has been examined and found to be allowable. Australia, for instance, provides for pre-grant opposition to the grant of a patent. Europe, in contrast, provides for post-grant opposition. Opposition proceedings may result in the claims of the application or patent being held invalid, or claims of the application or patent being cancelled, or amended in a way which may restrict the scope of the claims.

4.3 Enforceability

Once a patent or registered design has been granted (certified in the case of Australian innovation patents or registered designs granted under the Designs Act 2003) the owner may initiate infringement proceedings against an alleged infringer of the property. Infringement proceedings cannot be initiated on the basis of a pending application. Once a patent or registered design is granted, however, in many jurisdictions, damages may be awarded for any infringements occurring from the date on which the patent specification or design application was initially published (see Sections 5.5 and 5.6 of this Report) provided certain criteria are met. We have not been informed that any property in the intellectual property portfolio referred to in this Report is the subject of litigation.

4.4 Validity of the Properties

We can confirm that each of the properties listed in Section 3, including the granted patents and patent applications, have been prepared and filed on behalf of ASDM or its predecessor in title in the mentioned countries using firms of registered patent attorneys having experience in the jurisdiction in which they practise. The validity of the claims of a patent cannot be guaranteed and can be challenged in court during revocation proceedings brought by a third party, or during infringement proceedings initiated against an alleged infringer by the patentee. The validity of a registered design cannot be guaranteed and can be challenged in court during revocation proceedings brought by a third party, or during infringement proceedings initiated against an alleged infringer by the owner of the registered design. A number of the properties listed in Section 3 are still pending patent applications and, as these applications are undergoing or will undergo examination, it cannot be assumed that these applications or any applications stemming from them will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the pending patent applications may be restricted during the examination of the application.

4.5 Rights of Third Parties

As stated in Section 1.2, our investigations confirm that each of the patents, patent applications, designs, trade marks and trade mark applications are owned by ASDM. Further, our investigations have not identified any third party, whether that party be a mortgagee, licensee or otherwise, having recorded any right, title or interest in or to any of the properties.

A patent may be granted even though technology in respect of which the patent has been granted falls within the scope of, and may thus infringe, a patent of a third party. We have not conducted any searches or taken other steps to identify any patents which may be infringed by the exploitation of any product or method referred to in the patent portfolio the subject of this Report.

To the best of our knowledge, to date, there has been no third party challenge to the validity of any of the patents, patent applications, designs, trade marks or trade mark applications referred to in this Report.

5. LIMITATIONS AND QUALIFICATIONS

5.1 Information Sources

In preparing this Report, we obtained copies of the specifications for the international (PCT) application and the specifications for the granted patents and registered designs identified in Section 3 of this Report from Patent Office records and/or arms-length commercial sources. The details set out in the tables in this Report were derived from the records of the appropriate national Patent Office. The information contained in the tables is correct as at 20 September 2007.

5.2 Jurisdictional Requirements

To obtain valid patent protection, an invention must be novel and constitute an inventive step (that is, be non-obvious). An invention must also have utility and be industrially applicable. More specifically, each jurisdiction has its own patent laws and particular requirements that need to be met for the grant of a patent. Accordingly, the assessment of novelty and non-obviousness varies from jurisdiction to jurisdiction, and subject matter which may be patentable in one jurisdiction may be excluded from patentability in another. Moreover, the different jurisdictional requirements may result in variation in the scope of patent protection obtained for the same invention in different jurisdictions.

5.3 Timing Considerations

The outcome of substantive examination of a complete patent application by the Patent Office of one jurisdiction is not binding on the Patent Office of any other jurisdiction. The examination of the patent applications of a patent family also occurs at different times in different jurisdictions. As such, there is always a risk that a patent may be granted on a patent application in one jurisdiction, and that prior art relevant to the validity of the patent may be subsequently cited during substantive examination of another patent application in the patent family that has been filed elsewhere.

5.4 Patentability Search Limitations

A patentability search conducted by a Patent Office during the patent application procedure cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Such searches are generally computer based searches and, as such, are dependent on the databases searched and the coverage provided by the databases used. Databases may, for instance, not include older documents and may only include information sourced from particular organisations or geographical areas. All patentability searches are subject to the accuracy of records as well as the indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the key words selected for the search.

5.5 Further Limitations of Patentability Searches

Non-provisional patent applications are not normally published until at least 18 months from the earliest applicable priority date. Accordingly, a patentability search would not normally identify any third party patent applications potentially relevant to the assessment of patentability that have a priority date which is less than 18 months prior to the date of the patentability search.

5.6 Publication in the United States

Prior to 29 November 2000, publication in the USA did not occur until the time of grant of the patent in that jurisdiction. Non-provisional USA patent applications having a filing date on or after 29 November 2000 are now published 18 months after the priority date of the application. However, the applicant of a non-provisional USA patent application can request that the application not be published if the invention to which the application relates has not, and will not, be the subject of a patent application filed in another jurisdiction in which patent applications are published 18 months from the priority date.

5.7 Other Forms of Prior Art Disclosures

Besides documentary prior art, public use of an invention and non-confidential oral disclosures before the priority date of a patent application may also be relevant to the assessment of patentability of the invention to which the patent application relates. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

5.8 Commercialisation/Secret Use

Commercialisation or secret use of an invention in a jurisdiction by, or with the authority of, a patent applicant (or their predecessor in title) before the priority date of a patent application that has been filed in the jurisdiction by the applicant in respect of the invention, can also be relevant to the patentability of the invention and the validity of any patent that may ultimately be granted on the application. Such commercial exploitation or secret use would not normally be identified by documentary patentability searches of publicly accessible databases.

5.9 Entitlement to Claimed Priority Dates

For subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application, in Australia at least, there must be a real and reasonably clear disclosure of the subject matter in the priority application. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

5.10 Renewal Fees

The Patent Offices of most jurisdictions around the world levy official renewal fees on non-provisional patent applications and/or granted patents. Typically, an initial renewal fee is payable a number of years after the filing date of a non-provisional patent application, and subsequent renewal fees fall due on each following anniversary of the filing date of the life of the application and/or patent. If a renewal fee is not paid on time, the application or patent becomes abandoned with loss of rights.

Our investigations of the records of the various Patent Offices indicate that, at the time of preparing this Report, all renewal fees have been paid in respect of all non-provisional patent applications in the portfolio, and that all patents listed in the tables are currently in force.

6. STATEMENT OF INDEPENDENCE

FB Rice & Co was commissioned to prepare this report by ASDM. FB Rice & Co has no interest in ASDM other than fees for professional services and has prepared this Report on a fee-for-service basis. FB Rice & Co has had no involvement in the preparation of the Prospectus by ASDM other than the preparation of this Report.

Yours faithfully
FB RICE & CO

11.1 Capital Structure

The issued share capital of ASDM after the close of the Offer (assuming subscription of all the Offer Shares occurs) under this Prospectus, will be:

	Minimum raising of 2.5 million Shares		Maximum raising of 4 million Shares	
Shareholder	Shares	Percentage of Shares after the Offer	Shares	Percentage of Shares after the Offer
Promoters	25,251,418	72.8%	25,251,418	69.8%
Remaining Shareholders	6,806,218	20%	6,806,218	18.8%
Employees [1]	106,667	0.3%	106,667	0.3%
Public	2,500,000	7.2%	4,000,000	11.1%
Total	**34,664,303**	**100 %**	**36,164,303**	**100%**

Note:

1 The Company will issue 106,667 Shares to 32 employees of the Company on the close of the offer at nil consideration to the value of $2,000 per employee at an issue price of $0.60 per Share. The Company will apply for Official Quotation of these Shares.

The issued Options of ASDM on close of the Offer will be:

Country	Number Outstanding	Exercise Price
Directors [1]	460,000	$0.50
Other Employees [2]	200,000	$0.60
Total	**660,000**	

Notes:

1 The Company has issued 106,000 Options and 100,000 Options, which will vest on official quotation and expire 5 years from that date to each of Peter Kazacos and Walter Kmet, or entities associated with them, respectively. Greg Roger holds 254,000 Options which vest on 30 June 2009 and expire on 30 June 2012.

2 Prior to close of the Offer the Company's Chief Financial Officer, Tom Milicevic, or entity associated with him, will be issued 200,000 Options, which vest 3 years from the date of issue and expire 6 years from the date of issue.

Immediately following the close of the Offer, the Company intends to offer up to 1,299,000 Options to employees on the terms of the Employee Share Option Plan as described in Section 11.3. All of these Options will have an exercise price of $0.60 per Option and an expiry date of 30 June 2011. None of the Options will be officially quoted.

11.2 Rights Attaching to Shares

Immediately after issue and allotment, the Offer Shares will be fully paid ordinary shares in the capital of the Company. There will be no liability on the part of Shareholders to pay any calls and the Offer Shares will rank equally in all respects with all Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company.

A summary of the rights attaching to the Offer Shares under the Constitution and the Corporations Act is set out below.

Each Share will confer on its holder:

(a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable), subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);

(b) the right to receive dividends, according to the amount paid up on the Share;

11.2 Rights Attaching to Shares

continued

(c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to the rights of a liquidator to distribute surplus assets of the Company (with the consent of members by special resolution); and

(d) subject to the Corporations Act and the Listing Rules, the right to transfer the Shares.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

11.3 Employee Share Option Plan

The Company has established an Employee Share Option Plan (ESOP). The full terms of the ESOP may be inspected at the registered office of the Company during normal business hours. Some of the provisions relating to the rights attaching to Options under the ESOP are summarised below.

Objectives

The objective of the ESOP is to assist in the recruitment, reward, retention and motivation of employees of ASDM.

Consideration

Each Plan Option will be issued for no cash consideration.

Exercise Price

The exercise price for Plan Options will be fixed by the Board prior to the grant of the Plan Options or, if no price is so fixed, subject to any reconstruction of the capital of the Company, will be the higher of:

(a) the volume weighted average price of Shares quoted on the ASX for the 5 business days preceding the Grant Date or, if no Shares were traded on any of those days, the 5 business days on which Shares were actually traded preceding the relevant Grant Date; or

(b) $0.20.

Exercise Restrictions

A Plan Option may be subject to such other restrictions on vesting or exercise as are determined by the Directors prior to grant of the Plan Option including financial or other performance hurdles, length of service by the employee and threshold prices at which Shares are traded on the ASX. Any restrictions so imposed by the Directors must be set out on the certificate evidencing the allotment of the relevant Plan Option.

Participation in Dividends, Rights Issues and Bonus Issues

The Plan Options granted under the ESOP do not give any right to participate in dividends or rights issues until Shares are allotted pursuant to the exercise of the relevant Plan Option. The number of Shares issued on the exercise of Plan Options will be adjusted for bonus issues made prior to the exercise of the Plan Options.

Eligibility

Under the ESOP, the Directors may invite employees of ASDM to participate in the ESOP and receive Plan Options. An Eligible Employee may receive the Plan Options or nominate a relative or associate to receive the Plan Options.

The number of Shares underlying Plan Options when aggregated with:

(a) the number of Shares that could be issued on exercise of unexercised Plan Options and any other Options that have been issued and allotted under the provisions of any other employee incentive share or option plan; and

(b) the number of Shares issued on exercise of Plan Options and any other Options that have been issued and allotted under the provisions of any other employee incentive share or option plan in the last 5 years, must not exceed 5% of the issued Shares at the time of grant of any Plan Options. This restriction will not apply to any Options that have been issued and allotted under a prospectus that is current at the time that those Options are allotted, or Options are issued without the need for a disclosure document under Section 708 of the Corporations Act.

Term of Options

The Plan Options granted under the ESOP have a term specified on the face of each certificate.

Subdivision or Consolidation

If ASDM, after having granted any Plan Option, reduces its issued share capital or subdivides or consolidates its Shares, the number of the Shares issued to a Plan Optionholder on exercise of a Plan Option will be reduced, subdivided or consolidated, as the case may be, in accordance with the Listing Rules.

Restrictions on Transfer

Plan Options granted under the ESOP are not transferable.

11.4 Material Contracts Summary

Manufacturing & Distribution Arrangements

ASDM has entered into a number of exclusive manufacturing arrangements, some of which the Directors consider are material to the operations of the Company. The table below identifies the arrangements considered material to the Company:

Designer	Manufacturer	Distributor	Product	Term
AllVascular Pty Limited	ASDM	All Vascular Pty Limited	Peripheral Access Device	15 years
AllVascular Pty Limited	ASDM	All Vascular Pty Limited	Venocuff in its range of sizes, sterile packed	Indefinite

Each of the above agreements provides that ASDM will manufacture products that embody the technology of the designer. The agreements can be terminated immediately if an insolvency event occurs in respect of a party.

The first agreement can be terminated if a material breach of the agreement is unremedied within 30 days of the defaulting party receiving notice. The second agreement can be terminated on one years notice.

Exclusive Distribution Arrangements

ASDM has entered into a number of exclusive distribution arrangements which cover certain overseas jurisdictions, some of which the Directors consider are material to the operations of the Company. The table below identifies the arrangement considered material to the Company:

ASDM as Supplier

Party	Territory	Product	Term
Omer Oztaban Ve Ort (Medeks Medikal)	Turkey	ASDM Active Cemented, Fixed Bearing Total Knee Replacement ASDM Active Cemented, Mobile Bearing Total Knee Replacement ASDM Saw Blades	6 years from 21 June 2005

The above agreement provides that ASDM will manufacture and supply products that embody technology ASDM owns or has the right to use.

Licence Agreement

Under an agreement dated 7 August 2002 between ASDM and Russamer Lab LLC, a company incorporated in the United States, ASDM has obtained an exclusive right to use a electrochemical method of polishing chrome cobalt alloys (Technology) in the field of orthopaedic surgery, being surgery related to treatment of conditions of bones or joints.

In consideration for the rights granted, ASDM has paid Russamer the sum of US$300,000 by six equal payments of US$50,000 on the last day of December and June each year commencing on 30 June 2001. ASDM has also agreed to pay Russamer 5% of the net proceeds from any sub-licensing or consulting arrangements in relation to the Technology.

The rights granted under the agreement continue until the earlier of 20 years from the date of the agreement or until the agreement is terminated in accordance with its terms. Russamer may terminate the agreement if ASDM commits a breach of any provision which is not remedied within the period specified in the notice, which must be at least 30 days, from Russamer, or immediately if ASDM is wound up or enters into a scheme of arrangement with its creditors.

11.4 Material Contracts Summary

continued

Indemnification Agreement

Under an agreement dated 20 April 2006, the Company agreed to indemnify Zeus Industrial Products Inc, a company incorporated in the United States, against all loss and damage arising out of or relating to the engineering and application by ASDM of products provided to it by Zeus, the safety and suitability of ASDM's products for the purpose to which ASDM applies Zeus' products, the length of time Zeus' products will last in the use to which ASDM puts them and the use of Zeus products as a part of or a component of a temporary or permanent medical implantable device.

Leases

Under a lease dated 13 February 2003, ASDM agreed to lease the factory and office space located at Unit 2, 12 Frederick Street, St Leonards, New South Wales. The total leased area is approximately 1,891.6m2, and the rental (including GST) is approximately $30,000 per month payable in advance. The lease term commenced on 1 March 2003, and continues for a term of 5 years, until 28 February 2008. ASDM has exercised an option to renew and a new lease on similar terms will commence on 1 March 2008 for a further 5 years.

Under a lease dated 18 July 2003, ASDM agreed to lease the factory and office space located at Unit 3, 12 Frederick Street, St Leonards, New South Wales. The total leased area is approximately 1,194m2, and the rental (including GST) is approximately $18,000 per month payable in advance. The lease term commenced on 1 July 2003, and continues for a term of 4 years and 8 months, until 29 February 2008. ASDM has exercised an option to renew and a new lease on similar terms will commence on 1 March 2008 for a further 5 years.

Manufacturing and Supply Agreement

Under a Manufacturing and Supply Agreement dated 10 July 2006 with Stryker Australia Pty Limited (Stryker) Stryker granted ASDM an exclusive right to use the intellectual property associated with the Uni-compartmental knee (comprising femoral and tibial components) known as the "Active Uni-Knee" (Product) for the purpose of manufacturing the Products and related instruments anywhere in the world. The term of the agreement is 5 years.

ASDM is prevented from engaging in any commercial activity, attempting to engage in any such commercial activity, or assisting any other party in engaging in any such commercial activity associated with any uni-compartmental knee prosthesis and associated instrumentation in the world until 10 July 2011.

Deed of Assignment of Intellectual Property

Under a Deed of Assignment dated 10 July 2006, ASDM and Active Orthopaedics Sales Pty Limited assign to Stryker all rights in the Active Uni Knee, excluding ASDM's rights in the "Active Knee" and "Active Uni" trademarks (Trademarks) for the purposes of the Manufacturing and Supply Agreement dated 10 July 2006 (described above).

ASDM has granted to Stryker a 10 year non-exclusive, non-transferable, non-sub-licensable licence to use the Trademarks in Australia for the purpose of marketing, distributing and selling the Active Uni Knee (Licence).

ASDM can terminate the licence if Stryker ceases or proposes to cease conducting its business in the normal manner.

Emerging Growth Capital Limited Engagement

ASDM has engaged Emerging Growth Capital Limited as Adviser for the purposes of this Offer on a fixed fee basis. The Offer is not underwritten.

11.5 Service Agreements

ASDM has appointed Dr Greg Roger as Chief Executive Officer reporting to the Board by way of an Executive Service Agreement. The Executive Service Agreement, dated 9 May 2006, has an initial term of approximately 3 years ending on 30 June 2009. The initial remuneration payable to Dr Roger comprises base remuneration having a total cost to ASDM of $220,000 per annum (inclusive of mandatory superannuation contributions). Dr Roger has undertaken not to engage in competitive conduct with ASDM for the term of the agreement and for a further period of up to 12 months thereafter.

ASDM has appointed Tom Milicevic as Chief Financial Officer reporting to the Board by way of an Executive Service Agreement. The Executive Service Agreement, dated 4 September 2007, commences on 15 October 2007 and may be terminated by either party on giving 3 month's written notice to the other party. The initial remuneration payable to Mr Milicevic comprises base remuneration having a total cost to ASDM of $185,300 per annum (inclusive of mandatory superannuation contributions). Mr Milicevic has undertaken not to engage in competitive conduct with ASDM for the term of the agreement and for a further period of up to 6 months thereafter

11.6 Director Protection Deeds

ASDM has agreed to provide access to the books and records of the Company to current officers of the Company while they are officers and for a period of 7 years from when they cease to be officers. The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. ASDM has also agreed to maintain in favour of each officer, a directors' and officers' policy of insurance for the period that they are an officer and for a period of 7 years after the officer ceases to be an officer of the Company.

11.7 Litigation

ASDM is not, and has not been, during the 12 months preceding the date of this Prospectus, engaged in any legal proceedings which would be likely to have a material adverse effect on its business, financial condition or the results of its operations nor, in so far as the Directors are aware, are any such proceedings pending or threatened.

11.8 Consents and Disclaimers of Responsibility

Written consents to the issue of this Prospectus have been given and, at the date of this Prospectus, have not been withdrawn by the following parties:

Watson Mangioni Lawyers Pty Limited has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Solicitors to the Offer in the form and context in which it is named. Watson Mangioni Lawyers Pty Limited specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. While Watson Mangioni Lawyers Pty Limited has provided advice to the Directors in relation to the issue of this Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Watson Mangioni Lawyers Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

Link Market Services Limited has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as the Share Registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Prospectus other than assisting in the design of the Application Form and recording its name as Share Registrar to the Company. Link Market Services Limited specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. Link Market Services Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name and the Application form.

Emerging Growth Capital Pty Limited has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Advisers to the Offer in the form and context in which it is named. Emerging Growth Capital Pty Limited specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. Emerging Growth Capital Pty Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name.

PricewaterhouseCoopers Securities Limited has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Investigating Accountants to the Offer, in the form and context in which it is named and consents to the inclusion of its Investigating Accountant's Report in the Prospectus. PricewaterhouseCoopers Securities Limited specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. PricewaterhouseCoopers Securities Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name and the Investigating Accountant's Report.

11.8 Consents and Disclaimers of Responsibility

continued

PricewaterhouseCoopers has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Auditors of the Company in the form and context in which its named and consents to the inclusion of extracts from the financial statements in the Prospectus. PricewaterhouseCoopers specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. PricewaterhouseCoopers has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name and extracts from the financial statements.

FB Rice & Co has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Patent Attorneys in the form and context in which it is named and consents to the inclusion of its Patent Attorneys' Report in the Prospectus. FB Rice & Co specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. FB Rice & Co has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name and the Patent Attorneys' Report.

11.9 Expenses of this Offer

All expenses connected with the Offer are being borne by the Company. Except as disclosed elsewhere in this Prospectus, no form of payment of any kind will be made or agreed to be made to any expert or firm other than for cash. The expenses of the Offer (excluding any applicable GST except where stated otherwise) are as follows:

Accounting	$177,000
Legal	$180,000
Tax	$70,000
Offer Management	$30,000
Printing	$20,000
Share Registry	$20,000
IP Report	$10,000
ASX and ASIC	$50,000
Marketing and other costs	$80,000
Total	**$637,000**

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Shares or otherwise by any person in connection with the formation or promotion of ASDM. Certain parties and employees of the above firms may subscribe for Shares in the context of the Offer.

11.11 Interests of Directors and Others

Other than as set out in this Prospectus:

- no Director or other person envisaged in Section 711(4) of the Corporations Act has, or has had in the 2 years before the date of this Prospectus, any interest in the Offer, in the formation or promotion of the Company or in any property of or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer;
- no amount, whether in cash, Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, to any Director to induce him or her to become, or to qualify him or her as, a Director; and
- no amount, whether in cash, Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for services provided by a Director or other person envisaged in Section 711(4) of the Corporations Act in connection with the formation or promotion of the Company or the Offer.

11.12 Shareholdings and Optionholdings of Directors

Directors are not required under the Constitution of the Company to hold any Shares in the Company. On completion of the Offer, Directors and their Associates will hold relevant interests in the following Shares and Options:

Shareholdings and Optionholdings of Directors and their Associates

Director	Shares	Options
Greg Roger	7,942,856	254,000
Peter Kazacos	572,000	106,000
Walter Kmet	18,278	100,000

Directors may apply for Shares under this Prospectus. As at the date of this Prospectus, none of the Directors had determined whether or not to apply for Shares under this Prospectus.

11.13 Remuneration of Directors

Under the Company's Constitution, each Director (other than the managing Director, or an executive Director) may be paid remuneration for ordinary services performed as a Director. Under the Listing Rules, the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time as deemed appropriate.

The aggregate remuneration that may be paid to non-executive Directors is $250,000 per annum. This remuneration may be divided among the non-executive Directors in such a fashion as the Board may determine. Notice of any proposed increase in the non-executive Directors' remuneration and the total amount of the remuneration payable to the non-executive Directors as a result of the proposed increase must be given to members in the notice convening the general meeting at which the increase is to be proposed. Directors will seek approval from time to time as deemed appropriate.

Executive Directors are full time employees of the Company. No director's fees are paid to Dr Greg Roger in addition to his annual remuneration as Chief Executive Officer. Details of remuneration payable under the Executive Service Agreement for Dr Roger are set out earlier in this Section 11.

The Directors may also be paid all travelling and other expenses properly incurred by them in attending meetings of the Directors or any committee of Directors or general meetings of the Company or otherwise in connection with the execution of their duties as Directors.

In addition, any Director who is called on to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond his ordinary duties or to go or to reside abroad or otherwise for the purposes of the Company may, subject to law, be remunerated either by a fixed sum or a salary as determined by the Directors. This sum may be either in addition to or in substitution for his share in the remuneration for ordinary services.

11.14 Related Party Transactions

As at the date of this Prospectus, the Company is a party to the following transactions with related parties:

(a) Dr Greg Roger has an Executive Service Agreement with ASDM under which the initial remuneration payable to Dr Roger has a total cost to ASDM of $220,000 per annum – see earlier in this Section 11; and

(b) Each director of ASDM has received and continues to receive the benefit of a Director Protection Deed - see earlier in this Section 11.

11.15 Escrow Arrangements

The Promoters have undertaken not to dispose of any interest in or to grant any security over any of the approximately 25.3 million Shares held by them on completion of the Issue. These restrictions will terminate in respect of 10% of those Shares on the date 3 months after the date of admission of ASDM to the Official List and in respect of the remaining 90% on the first anniversary of the date of admission of ASDM to the Official List. However, these restrictions will not prohibit any Promoter from accepting a takeover offer provided holders of not less than 50% of the remaining Shares then on issue have accepted the takeover offer.

The Directors have undertaken not to dispose of 460,000 Options held by them on completion of the Issue on the same restrictions imposed on the Promoters.

The ASX may review these restrictions during consideration of ASDM's application for admission to the Official List. The ASX may also, at its discretion, waive or vary the requirements in accordance with the Listing Rules in the event that an affected holder and ASDM applies for a review of any escrow restrictions.

The Company expects that ASX will class up to 16,774,830 Shares, or 48.4% of the issued capital of the Company (based on a minimum subscription) held by Promoters, and 660,000 Options held by the Directors and Tom Milicevic as restricted securities for 24 months after the date of admission of ASDM to the Official List. However, these restrictions will not prohibit any holder of restricted securities from accepting a takeover offer provided holders of not less than 50% of the remaining Shares then on issue have accepted the takeover offer.

11.16 Corporate Governance

The Company is committed to the development of a cohesive set of corporate governance policies, having regard to the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council. A description of the Company's main corporate governance practices is set out below:

Board of Directors

The Board operates in accordance with principles set out in the Board Charter described below. The Charter details the Board's composition and responsibilities.

Board composition

- The Board is to comprise of not less than three and not more than ten Directors; and
- The composition of the Board is subject to Shareholder approval.

Currently the Board comprises Peter Kazacos (non executive Chairman), Greg Roger (Chief Executive Officer) and Walter Kmet (non executive Director).

Responsibilities of the Board

The Board is responsible for the overall corporate governance of the Company. The Board's responsibilities include:

- setting the direction, strategies and financial objectives of ASDM;
- overseeing and monitoring organisational performance against these goals and objectives;
- assessing the risk management framework for the Company to ensure appropriate control, monitoring and reporting mechanisms are in place;
- monitoring financial performance and capital management;
- enhancing and protecting the reputation of the Company;
- appointing and assessing the performance of the managing director, and working with the managing director to appoint and assess other critical senior executives; and
- communicating with and protecting the rights and interests of all shareholders and other stakeholders.

Board Committees

The Board will initially establish two Board committees; the audit and risk committee and the nomination and remuneration committee.

Audit and risk committee

The members of the audit and risk committee consist of:

Walter Kmet (Chair) and Peter Kazacos

The main responsibilities of the audit committee include:

- the review of the effectiveness of the internal control environment;
- the prudent identification and management of financial and other business risks;
- the application of accounting policies to the Company's financial statements, and monitoring the integrity of the financial information provided to Shareholders;
- the maintenance of an effective and efficient audit; and
- the appointment, compensation and oversight of the external auditor and ensuring that the external auditor meets the required standards for auditor independence.

Nomination and remuneration committee

The members of the nomination and remuneration committee consist of:

Peter Kazacos (Chair) and Greg Roger

The main responsibilities of the nomination and remuneration committee include:

- setting Director competence standards, reviewing Board succession plans, evaluating the Board and making recommendations for the appointment and removal of Directors to the Board;
- making recommendations to the Board on:
  - executive remuneration and incentive policies and remuneration packages of senior management and of Directors;
  - recruitment, retention and termination policies for senior management; and
  - incentive schemes.

11.17 Interests of Experts

Other than as set out below, no expert nor any firm in which such expert is a partner or employee has any interest in the promotion of or any property proposed to be acquired by the Company.

Watson Mangioni Lawyers Pty Limited has acted as solicitors to the Offer and have performed work in relation to negotiating and reviewing certain of the material contracts, preparing the due diligence program and performing due diligence enquiries on legal matters. In respect of this Prospectus, the Company estimates that it will pay amounts totalling approximately $180,000 (excluding GST and disbursements) to Watson Mangioni Lawyers Pty Limited.

Emerging Growth Capital Pty Limited has acted as advisers to the Offer. In respect of this work, the Company estimates that it will pay up to $30,000 (excluding GST and disbursements) to Emerging Growth Capital Pty Limited.

PricewaterhouseCoopers Securities Limited has prepared the Investigating Accountant's Report included in this Prospectus and PricewaterhouseCoopers has also performed work in relation to the due diligence enquiries on financial and tax matters. In respect of this work, the Company estimates that it will pay up to $177,000 (excluding GST and disbursements) to PricewaterhouseCoopers Securities Limited.

FB Rice & Co has prepared the Attorneys' Report included in this Prospectus and has also performed work in relation to patent applications and registrations. In respect of this work, the Company estimates that it will pay up to $10,000 (excluding GST and disbursements) to FB Rice & Co.

Certain partners, directors and employees of the above firms may subscribe for Shares in the context of the Offer.

The Directors unanimously consent to, and have authorised the issue of, this Prospectus.

GLOSSARY OF TERMS

The following terms and abbreviations used in this Prospectus have the following meanings:

General Terms

Term/Abbreviation	Meaning
$, A$	Australian Dollars;
Active Orthopaedics	Active Orthopaedics Corporation;
AllVascular	AllVascular Pty Limited;
AOA	Australian Orthopaedic Association;
Applicant	a person who submits an Application;
Application	a valid application to subscribe for a specified number of Offer Shares;
Application Form	the application form which is attached to and forms part of this Prospectus in relation to the subscription of Offer Shares;
Application Monies	monies that are payable in accordance with the terms of the Offer by an Applicant when submitting an Application;
ARTG	Australian Register of Therapeutic Goods;
ASIC	Australian Securities & Investments Commission;
Associate	has the meaning ascribed to that term in the Corporations Act;
ASX	ASX Limited (ACN 008 624 691);
Board	the board of Directors;
Broker	a broker, being an Australian Financial Services Licensee authorised to make offers to people to arrange for the issue of Shares by the Company under the Prospectus;
CAD	Computer Assisted Design;
CHESS	Clearing House Electronic Subregister System;
Closing Date	the date on which the Offer closes, and which is expected to be 16 November unless the Directors, exercise their right to vary that date;
Code	the Code of Good Manufacturing Practice;
CNC	Computer Numerical Control. A machine controlled by a computer;
Company or ASDM	Advanced Surgical Design & Manufacture Limited (ACN 066 281 132);
Constitution	the constitution of the Company, as amended from time to time;
Corporations Act	the Corporations Act 2001 (Commonwealth);
DHR	Device History Record;
Directors	the directors of the Company;
Eligible Employee	an employee of the Company that is eligible to participate in the ESOP;
ESOP	the Employee Share Option Plan, the terms of which are more particularly set out in Section 11;
EST	Eastern Standard Time;
EU	the European Union;
Exposure Period	the period of 7 days commencing on the date of lodgement of this Prospectus with the ASIC, or such longer period determined by the ASIC;
FDA	the US Food & Drug Administration;
Financial Year	a year commencing on 1 July and ending on 30 June of the following year;
Forecast Period	the period from 1 July 2007 up to and including 30 June 2008;
GST	Goods and Services Tax;
Grant Date	the date on which an employee is granted Options under the ESOP as shown in the Options certificate;

Term/Abbreviation	Meaning
Issue	the issue and allotment of Offer Shares to Applicants pursuant to this Prospectus;
Listing Rules	the official Listing Rules of the ASX as amended from time to time;
OEM	Original Equipment Manufacturer;
Offer	the offer of Offer Shares under this Prospectus;
Offer Period	the period commencing on and including the first day after the expiry of the Exposure Period and ending on and including fourteen days later, unless extended by the Board;
Offer Price	$0.60 per Share;
Offer Shares	minimum of 2.5 million Shares and up to a maximum of 4 million Shares to be issued by the Company pursuant to Offer;
Official List	the official list of entities that the ASX has admitted and not removed;
Official Quotation	official quotation in the market operated by the ASX;
Option	an option to subscribe for a Share;
Optionholder	the holder of an Option;
PAD	Peripheral Access Device;
PVD	Peripheral Vascular Disease;
Plan Option	an Option that is allotted to an Eligible Employee in accordance with the provisions of the ESOP;
Promoters	a person or an associate of a person who is a Shareholder on the date of this Prospectus, being a person involved in ASDM's promotion, listing on the ASX or the Offer, or holder of over 10% of Shares at any time in the 12 months prior to ASDM's listing;
Prospectus	this Prospectus dated 26 October 2007 for the offer of the Offer Shares as modified by any Supplementary Prospectus issued by the Company and lodged with the ASIC from time to time;
R&D	research and development;
Remaining Shareholders	the Shareholders of ASDM as at the date of this Prospectus other than the Promoters;
Share	a fully paid ordinary share in the issued capital of the Company;
Share Registry	Link Market Services Limited, Level 12, 680 George Street, Sydney NSW 2000;
Shareholder	a holder of a Share;
TGA	the Therapeutic Goods Administration; and
US$, USD	American Dollars.

Interpretation

In this Prospectus, unless the context requires otherwise:

(a) a reference to a word includes the singular and the plural of the word and vice versa;

(b) a reference to a gender includes any gender;

(c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;

(e) headings are included for convenience only and do not affect interpretation;

(f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;

(g) a reference to a thing includes a part of that thing and includes but is not limited to a right;

(h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;

(i) a reference to a statute or statutory provision includes but is not limited to:

  (1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;

  (2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and

  (3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;

(j) reference to "$", "A$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia; and

(k) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

Pin cheque(s) here (do not staple)

ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED

ACN 066 281 132

Broker Code

Adviser Code

Broker Stamp

Public Offer Application Form

This is an Application Form for Shares in Advanced Surgical Design & Manufacture Limited ("ASDM") under the Public Offer on the terms set out in the Prospectus dated 26 October 2007. You may apply for a minimum of 3,334 Shares and multiples of 1,000 Shares thereafter. This Application Form and your cheque or bank draft must be received by **5:00pm (Sydney time) on 16 November 2007**.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in ASDM and you should read the entire Prospectus carefully before applying for Shares. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus.

A Shares applied for ,, (minimum 3,334 Shares, thereafter in multiples of 1,000 Shares)

at Price per Share **A$0.60**

B Application Monies A$,, .

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant – Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2 – Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

PLEASE COMPLETE ADDRESS DETAILS

D

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

E CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

F Telephone Number where you can be contacted during business hours ( )

Contact Name (PRINT)

Cheques or bank drafts should be made payable to "ASDM Float Account" in Australian currency and crossed "Not Negotiable".

G Cheque or bank draft Number | BSB - | Account Number

LODGEMENT INSTRUCTIONS You must return your Application so it is received before 5:00pm (Sydney time) on 16 November 2007 to: Link Market Services Limited, Locked Bag A14, Sydney South, NSW, 1235.

Broker Firm Applicants should complete and lodge this Application Form together with payment in accordance with the instructions from the Broker from whom the firm allocation of shares was received.

NO SIGNATURE IS REQUIRED

AMT IPO001

For personal use only

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are ASDM Shares. Further details about the Shares are contained in the Prospectus dated 26 October 2007 issued by ASDM. While the Prospectus is current, ASDM will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus and the applicant declares that it has received a paper or electronic copy of the Prospectus.

The Prospectus contains Important Information about investing in the Shares. You should read the Prospectus before applying for Shares. By lodging the Application Form, the Applicant agrees that this Application for Shares in ASDM is upon and subject to the terms of the Prospectus and the Constitution of ASDM and agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the Prospectus. The Applicant also declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 3,334 Shares and thereafter in multiples of 1,000 Shares. You may be issued all of the Shares applied for or a lesser number.

B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.

D Please enter your postal address for all correspondence. All communications to you from ASDM and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to ASDM's issuer sponsored subregister.

F Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

G Please complete the details of your cheque or bank draft in this section. The total amount should agree with the amount shown in section B.

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or

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Level 12, 680 George Street
Sydney NSW 2000 ***(do not use this address for mailing purposes)***

Link Market Services Limited advises that Chapter 2C of the *Corporations Act 2001* requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on this form. Our privacy policy is available on our website (www.linkmarketservices.com.au).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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CORPORATE DIRECTORY

Directors and Company Secretary

Mr Peter Kazacos (Chairman)
Dr Greg Roger (Chief Executive Officer)
Mr Walter Kmet (Non Executive Director)
Mr Richard Ulrick (Company Secretary)

Investigating Accountants

PricewaterhouseCoopers Securities Limited
Darling Park Tower 2
201 Sussex Street,
Sydney NSW 1171

Telephone: (02) 8266 0000
Facsimile: (02) 8266 9999

Solicitors

Watson Mangioni Lawyers Pty Limited
Level 13
50 Carrington Street,
Sydney NSW 2000

Telephone: (02) 9262 6666
Facsimile: (02) 9262 2626

Patent Attorneys

FB Rice & Co
Level 23
44 Market Street,
Sydney NSW 2000

Telephone: (02) 8231 1000
Facsimile: (02) 8231 1099

Registered Office

Unit 2
12 Frederick Street,
St Leonards NSW 2065

Advisers

Emerging Growth Capital Pty Limited
Level 3, 1 Castlereagh Street,
Sydney NSW 2000

Telephone: (02) 9222 1991
Facsimile: (02) 9222 2095

Share Registry

Link Market Services Limited
Level 12
680 George Street,
Sydney NSW 2000

Telephone: (02) 8280 7111
Facsimile: (02) 9287 0303

Auditor

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street,
Sydney NSW 1171

Telephone: (02) 8266 0000
Facsimile: (02) 8266 9999

ASDM

ADVANCED SURGICAL DESIGN & MANUFACTURE

www.asdm.com.au