



ASX/MEDIA RELEASE

Shareholder Newsletter – May 2011

Dear Investor,

This is our fifth newsletter, intended to keep shareholders informed of recent developments at Advanced Surgical Design & Manufacture Limited. Our continued growth has been acknowledged by our inclusion in Biotech Daily's Top 40 Biotech Stocks. Biotech Daily is a leading newsletter reviewing the Biotech industry in Australia.

Highlights

- Strong year on year sales growth
- Expanded Product Range
- Innovation Opportunities

ASDM's management focus continues to be on growing sales revenues and delivering a positive operating cash flow whilst maintaining investment in key opportunities such as the PAD device and overseas market development. At the same time, over the years, we have established a world class design and manufacturing facility in Sydney.



Figure 1 Arthroscopic Devices

This financial year has seen continued investment in growth of our sales force along with the appointment of Jenny Swain as our National Sales Manager.

Strong Growth in Sales

We are pleased that the Active Knee continues to show strong growth with year on year growth in sales nearly 30%. Further surgeons in a number of regions are adopting the Active Knee as their implant of choice, based on its long and successful clinical history and advantageous design features. Our Clinical partners are currently undertaking a review of the first 350 patients to receive the Active Knee, more than 15 years ago. Early reports indicate outstanding results.

Expanded Product Range

With ASDM's excellent development of sales personnel and capability we are able to deliver a wider variety of solutions to orthopaedic surgeons and patients. This portfolio has been expanded through the addition of a number of product lines, most notably the Arthrosurface range from the USA, which is exceeding management's initial sales expectations. ASDM continues to review further opportunities to increase our product range.

As a result of growth in our core products and the addition of further product lines, management is now forecasting that ASDM will be able to return a dividend at the end of 2012 calendar year. This will be a notable benchmark for ASDM as it grows to become a profitable and strong medical device company.

Innovation Opportunities:

In addition to the PAD device which is still in clinical trial, ASDM has a number of other opportunities being developed or negotiated for development with clinical and academic partners. In the near future we will be announcing the outcomes of these discussions as well as a new method of exploiting the innovations for the benefit of ASDM shareholders.

We thank you again for your support of ASDM. If you have any further questions about ASDM and its progress, please visit our website (asdm.com.au) or feel free to email me at greg.roger@asdm.com.au or telephone on 02 9439 4448. Please forward your email address to us so we can provide updates electronically to as many shareholders as possible.

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ABOUT ADVANCED SURGICAL DESIGN AND MANUFACTURE

ASDM is Australia's largest manufacturer of orthopaedic devices. Our focus is to deliver exceptional service. Our goal is to build a large and highly profitable medical technology company.

Our principal product is the Active Total Knee, which has significantly improved the quality of life for 5,000 people globally. Our sales and technical support reach covers Australia, US, and Europe.

ASDM is a high quality organisation which provides a professional and effective integrated service to surgeons.

The company continues to build upon its extensive patent and product development portfolio. We have extensive research relationships with universities, companies and surgeon inventors. Our partnerships are building innovative products which will deliver significant shareholder wealth.