

ASX Media Release

Company Update on Sale of Orthopaedic Asset

Summary

- Binding agreement executed for the sale of all the business assets, both tangible and intangible, of Allegra's Orthopaedics Division.
- Total consideration of AUD \$1 million cash, plus the cost value of inventory at completion in excess of \$3.3 million.
- In addition to the \$1 million consideration Allegra will benefit from an underwriting commitment for an amount of not less than \$1.2 million for any future capital raise.
- Key conditions precedent to the transaction include:
 - Allegra shareholder approval;
 - Before the Extraordinary General Meeting, there is no written notice from the ASX indicating that re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required;
 - Before completion, there is no written notice from the ASX indicating Allegra is not compliant with Listing Rule 12.1 (taking this Transaction into account);
- Allegra must ensure that the minimum cost value of the inventory on completion of the transaction is \$3,300,000. If not then the difference between that amount and the inventory cost value must be paid to the Purchaser on completion and can be set off against the purchase price.
- Allegra must pay the purchaser a \$250,000 break fee if Allegra breaches a material clause of the agreement, a non-conflicted director of Allegra recommends against the transaction or recommends an alternative proposal, and completion does not occur.
- Subject to shareholder approval and following completion of the transaction, Allegra plans to use the proceeds to extinguish existing debt obligations.
- Parties intend to complete the transaction before 31 July 2023, subject to receipt of ASX and shareholder approval.

SYDNEY 2nd May 2023 – Further to the ASX announcement dated 11th August 2022, the Board of Allegra Orthopaedics Limited (**Allegra**) (ASX: AMT) is pleased to announce the Company has entered into a binding agreement with Robinwood Investments Pty Ltd (**RIPL**), whereby RIPL will acquire all the business assets, both tangible and intangible, of Allegra's Orthopaedics Division (**Transaction**). RIPL is a substantial shareholder and an entity that is associated with Allegra's Non-Executive Director, Dr Nicholas Hartnell.

Under the Transaction, RIPL will pay the Company on completion of the Transaction \$1 million cash, plus the cost value of inventory being transferred to the Purchaser at completion in excess of \$3.3 million. A summary of the material terms of the Transaction is set out above.

This Transaction is the result of an extensive review of various alternatives to ensure the Company is well positioned to advance the business activities of the Innovations Division, particularly the Spinal Cage technology, whilst maintaining close connections with its existing Orthopaedics business. The existing relationship with RIPL will allow this to happen.

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Allegra has taken the decision to sell its Orthopaedics Division as this division has continued to underperform following the COVID 19 pandemic, with revenues being negatively impacted resulting in trading losses from this division in FY2022 and for the 6 months to Dec 2022. It is also expected this division will incur trading losses for FY2023.

The Company intends to use the proceeds from the Transaction to pay down debt as interest costs have increased significantly over the last 12 months.

Allegra's Board intends to undertake a capital raising in the near future to further support the commercialisation of the Sr-HT-Gahnite Spinal Cage Device (**Spinal Cage**) technology, which includes costs associated with U.S. Food and Drug Administration (**FDA**) approval (**510(k)**) clearance processes for the Spinal Cage, which is expected to be received in late 2023. The underwriting commitment from RIPL will support this activity.

As a result of this transaction, Allegra will become exclusively focused on medical innovations and therefore may attract new investors who are interested only in Allegra's innovation projects.

Allegra's Innovation Division continues to show promise with the announcement on the 31st March 2023 confirming the submission of the 510(k) for the Spinal Cage to the FDA.

This Transaction is conditional on approval of Allegra's shareholders under ASX Listing Rule 10.1 and 11.2. and other regulatory approvals. Shareholder approval of the transaction will be sought at an Extraordinary General Meeting. A notice of Extraordinary General Meeting will be circulated in due course.

Subject to all conditions precedent being satisfied or waived (including ASX and shareholder approval), the parties intend for completion of the Transaction to occur before 31 July 2023.

This announcement has been authorised for release by Jenny Swain, CEO.

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ABOUT ALLEGRA ORTHOPAEDICS:

We aim to help bring the freedom and happiness of pain-free movement to people's lives. We achieve this through providing the best possible solutions for patients, from world-wide industry leading orthopaedic products through to Australian innovations. Allegra's principal product, the Active Total Knee, has significantly improved the quality of life for many people and remains a focused product line. Allegra is also the exclusive distributor of Waldemar Link GmbH & Co. KG products in Australia. Link consists of a range of complex lower limb, hip and knee replacements, including oncology solutions. The Link products add to Allegra's well-developed range of products for distribution from international suppliers covering all specialties from foot and ankle to upper limb. The company is pleased to continue to build upon its extensive portfolio of patents. It has strong research relationships with universities, companies and surgeon inventors.

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