

ASX Announcement

Lodgement of Target's Statement

SYDNEY 4 July 2024— Allegra Medical Technologies (Allegra) (ASX: AMT) attaches, as required by item 14 of section 633(1) of the Corporations Act 2001 (Cth), a copy of the Target's Statement (**Target's Statement**) of Allegra in response to the off-market takeover bid by Allegra Innovations Pty Ltd (**AI**) to acquire all ordinary shares in Allegra (**Offer**). The Target's Statement includes an Independent Expert Report prepared by Stantons Corporate Finance Pty Ltd.

The Target's Statement sets out the reasons for independent Allegra Directors unanimously recommending that, in the absence of a superior proposal, Allegra shareholders **ACCEPT** the Offer.

The Target's Statement has been sent to AI and lodged with the Australian Securities and Investments Commission today. In accordance with section 110D of the Corporations Act, despatch of the Target's Statement to Allegra shareholders will occur today by the following means:

1. Allegra shareholders who have nominated an email address to receive communications from Allegra will receive an email to their nominated email address, providing a link to an electronic copy of the Target's Statement; and
2. Allegra shareholders who have not nominated an email address to receive communications from Allegra will receive the attached Letter of Access from Allegra to their registered postal address, providing a link to an electronic copy of the Target's Statement.

Allegra Shareholders are encouraged to read the Target's Statement in its entirety as it will assist them in making an informed decision with respect to the Offer. Shareholders may also wish to seek independent legal, financial, taxation or other professional advice in relation to the Offer.

This announcement has been authorised for release by the Independent Directors of Allegra.

Contact details:

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Company Secretary
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ABOUT ALLEGRA MEDICAL TECHNOLOGIES:

Allegra Medical Technologies (AMT), a listed biotechnology company on the Australian Securities Exchange (ASX), is at the forefront of innovation in the medical device industry with its pioneering 3D-printed Sr-HT and Sr-HT-Gahnite orthopaedic devices. AMT holds exclusive ownership of this groundbreaking bio ceramic material, along with registered patents and patent applications from the University of Sydney. This versatile material has several

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MEDICAL TECHNOLOGIES

applications, including its use as a cervical fusion cage in spinal surgeries, offering safe and effective treatment options for patients. The development of Sr-HT ceramic material began in 2010 at The University of Sydney, demonstrating the bioactivity required for bone regeneration. Subsequently, Sr-HT-Gahnite was developed, featuring bioactivity, biocompatibility, and mechanical properties suitable for load-bearing orthopaedic implants. AMT boasts a dedicated, highly qualified engineering team with a clear mandate to explore, collaborate, and transform early-stage innovations into commercially viable products. Their primary focus currently centres on commercializing the Sr-HT Gahnite Bone substitute.

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4 July 2024

Dear Shareholder

TARGET'S STATEMENT - TAKEOVER OFFER FROM ALLEGRA INNOVATIONS PTY LTD FOR ALLEGRA MEDICAL TECHNOLOGIES LIMITED

Allegra Medical Technologies Limited (**AMT** or the **Company**) refers to its previous ASX announcements regarding the off-market takeover offer from Allegra Innovations Pty Ltd. (**Allegra Innovations**) for all of the AMT shares not already owned by Allegra Innovations (**Allegra Innovations Offer**).

This letter sets out how you can access AMT's Target's Statement. It is an important document and requires your immediate attention. The Target's Statement sets out AMT's formal response to the Allegra Innovations Offer.

On 19 June 2024, Allegra Innovations released its Bidder's Statement in relation to the Allegra Innovations Offer. On 21 June 2024, Allegra Innovations released a Supplementary Bidder's Statement. On 1 July 2024, Allegra Innovations released a further Supplementary Bidder's Statement (**Bidder's Statement**).

The Bidder's Statement contains the detailed terms of the Allegra Innovations Offer and has been sent to all AMT shareholders with an accompanying personalised acceptance form.

The purpose of this letter is to inform you that AMT has now released its Target's Statement and, in accordance with section 110D of the *Corporations Act 2001* (Cth), to provide instructions as to how you can access it. The Target's Statement sets out AMT's formal response to, and important information about, the Allegra Innovations Offer, including the independent AMT directors' unanimous recommendation to **ACCEPT** the Allegra Innovations Offer in the absence of a superior proposal, and the reasons for that recommendation.

The Target's Statement also includes an Independent Expert's Report prepared by Stantons Corporate Finance Pty Ltd (**Independent Expert**) in connection with the Allegra Innovations Offer. The Independent Expert has

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concluded that the Allegra Innovations Offer is fair and reasonable to AMT shareholders. The Independent Expert's conclusion should be read in context with the full Independent Expert's Report, the Bidder's Statement and the Target's Statement.

HOW TO ACCESS THE TARGET'S STATEMENT
You can access the Target's Statement on AMT's website at the following link: https://www.allegraorthopaedics.com/company/asx-information/

If you are in any doubt as to the contents of this letter or the Target's Statement please contact your legal, financial or other professional adviser.

Please note that AMT will not be sending you a hard copy of the Target's Statement. However, you may request a hard copy via email to hello@automicgroup.com.au or by calling the AMT Share Registry from 08:30-17:00 Sydney Time on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (from outside Australia).

Thank you for your continued support of AMT.

Yours sincerely



Peter Kazacos
Non Executive Chairman

Allegra Medical Technologies Limited

Allegra Medical Technologies Limited

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TARGET'S STATEMENT

In response to the off-market takeover bid by
Allegra Innovations Pty Ltd
ACN 670 616 127
to purchase all of your ordinary shares in

Allegra Medical Technologies Limited
ACN 066 281 132
for \$0.004 cash per AMT Share

**Your directors unanimously
recommend that you**

ACCEPT

the Offer in the absence of a Superior
Proposal and the conclusion from the
Independent Expert's Report that the
Offer is Fair and Reasonable

The Offer is scheduled to close on 22nd July
2024

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you have any questions about the Allegra Innovations Offer or this document, or about how to accept the Allegra
Innovations Offer, please contact your legal, financial, taxation or other professional adviser.

Target's Statement

This is an important document and requires your immediate attention. If you are in any doubt as to how to deal with this document, you should consult your financial, legal, tax or other professional adviser immediately.

In relation to the takeover offer by **Allegra Innovations Pty Ltd (ACN 670 616 127)** ("**Allegra Innovations**") to purchase all of your fully paid ordinary shares in **Allegra Medical Technologies Limited (ACN 066 281 132)** ("**AMT**") in consideration for \$0.004 cash for every AMT share held.

Your Independent AMT Directors unanimously recommend, in the absence of a Superior Proposal, that you **ACCEPT** the **Allegra Innovations Offer**.

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KEY DATES

ASX Announcement Date of Offer	27 May 2024
Bidder's Statement lodged with ASIC and ASX	19 June 2024
Allegra Innovations Offer Opens	20 June 2024
Lodgement of Target's Statement	4 July 2024
Date for notice on the status of conditions as per Bidder's Statement	12 July 2024
Allegra Innovations Offer Closes (unless extended*)	7:00pm (Sydney time) on 22 July 2024

* The Allegra Innovations Offer may be extended to the extent permitted under the Corporations Act.

AMT SHAREHOLDER INFORMATION EMAIL

If you have any queries in relation to the Allegra Innovations Offer, please consult your professional adviser or the AMT Shareholder Information Email on info@allegraorthopaedics.com

SHAREHOLDER INFORMATION SUPPORT

If you require a hard copy of the Target's Statement or need any assistance with accepting the offer, you may the Company's Share Registry via email to hello@automicgroup.com.au or by calling the AMT Share Registry from 08:30-17:00 Sydney Time on 1300 288 664 (within Australia) or +61 (2) 9698 5414 (from outside Australia).

IMPORTANT NOTICES

Nature of this Document

This Target's Statement, dated 4 July 2024, and is given under section 633 of the Corporations Act by Allegra Medical Technologies Limited (ACN 066 281 132) (**AMT**) in response to the Bidder's Statement lodged by Allegra Innovations Pty Ltd (ACN 670 616 127) (**Allegra Innovations**), with ASIC and served on AMT on 19 June 2024.

Defined terms and interpretation

Capitalised terms used in this Target's Statement are either defined in brackets when first used or are defined in the Glossary in section 11.

References Sections

References to sections are to the named sections in this Target's Statement, unless the reference is explicitly to a section in the Bidder's Statement, in which case that reference is to a section in the Bidder's Statement.

ASIC and ASX disclaimer

A copy of this Target's Statement has been lodged with ASIC and ASX. Neither ASIC, ASX nor any of their respective officers take responsibility for the content of this Target's Statement.

No account of personal circumstances

This Target's Statement does not constitute financial product advice and has been prepared without reference to the individual investment objectives, financial situation, taxation position or particular needs of any AMT Shareholder or any other person. It is important that you read this Target's Statement before making any decision, including a decision on whether or not to accept the Allegra Innovations Offer. If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser.

AMT Shareholders should consult their taxation adviser as to the applicable tax consequences of the Allegra Innovations Offer. A summary of the Australian taxation considerations is detailed in section 9.

Risk factors

AMT Shareholders should note that there are a number of risk factors attached to their investment in AMT and other risks which apply in the event the Allegra Innovations Offer is accepted. sections 7 and 8 of this Target's Statement sets out further information regarding those risks.

Forward-looking Statements

This Target's Statement contains forward-looking statements, including statements of current intention or expectation. As such forward-looking statements relate to future matters, they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by such forward-looking statements. None of AMT or its Independent Directors, officers and advisers give any representation, assurance or guarantee to AMT Shareholders or any other person as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement. Except as required by applicable law or the Listing Rules, AMT does not undertake to update or revise these forward-looking statements nor any other statements (written or oral) that may be made from time by or on behalf of AMT, whether as a result of new information, future events or otherwise.

Disclaimer as to information on Allegra Innovations

The information on Allegra Innovations contained in this Target's Statement has been prepared by AMT using publicly available information (including information contained in the Bidder's Statement) and has not been independently verified by AMT. Accordingly, subject to the Corporations Act, AMT does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

AMT maintains a website at <https://www.allegraorthopaedics.com>. Information contained in or otherwise accessible through this website is not part of this Target's Statement. All references to this website in this Target's Statement are for information purposes only.

Diagrams, charts, maps, graphs and tables

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding (unless otherwise stated). Accordingly, the actual calculation of these figures may differ from the figures detailed in this Target's Statement, and any discrepancies in any table between totals and sums of amounts listed in that table or to previously published figures are due to rounding.

Currency

All references in this Target's Statement to "\$", "A\$" "AUD" Australian dollars" are to Australian currency.

Notice to Foreign Shareholders

The release, publication and distribution of this Target's Statement may be restricted by law or regulation in some jurisdictions outside Australia. Accordingly, persons outside Australia who come into possession of this Target's Statement should seek advice and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with law and regulations outside Australia.

Privacy and personal information

AMT has collected your information from the AMT share register for the purpose of providing you with this Target's Statement. Such information may include the name, contact details and shareholdings of AMT Shareholders and the names of persons appointed to act as proxy, attorney or corporate representative of AMT Shareholders. Without this information, AMT would be hindered in its ability to issue this Target's Statement. The Corporations Act requires that the name and address of AMT Shareholders is to be held in a public register. Personal information of the type described above may be disclosed to AMT, Allegra Innovations and their registries, print and mail and other service providers, authorised securities brokers, Related Bodies Corporate of AMT and Allegra Innovations, and may be required to be disclosed to regulators, such as ASIC. AMT Shareholders have certain rights to access personal information that has been collected. AMT Shareholders should contact AMT's Share Registry in the first instance, if they wish to access their personal information. AMT Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Allegra Shareholder Information Email

If you have any questions in relation to the Allegra Innovations Offer, please contact the AMT Shareholder Information Email on info@allegraorthopaedics.com

LETTER FROM THE CHAIRMAN

Dear AMT Shareholders,

ALLEGRA INNOVATIONS TAKEOVER OFFER

I am writing to you regarding the off-market takeover bid announced by Allegra Innovations Pty Ltd (ACN 670 616 127) (**Allegra Innovations**), to acquire all AMT Shares. On behalf of the Independent Directors, I am pleased to present this Target's Statement and the opportunity it presents to AMT Shareholders.

This Target's Statement outlines your Independent Directors' response to the Allegra Innovations Offer and includes their recommendation, the reasons for it, and other important information to consider when deciding whether to accept the Allegra Innovations Offer.

Under the Allegra Innovations Offer, AMT Shareholders are being offered \$0.004 in cash per AMT Share (**Offer Consideration**).

After evaluating the advantages and disadvantages of the Allegra Innovations Offer, the Independent Directors unanimously recommend that you ACCEPT the Allegra Innovations Offer, in the absence of a Superior Proposal.

It is relevant to note the following chronology, which provides context in relation to AMT's current financial circumstances. Please note these are not all the announcements during the period in the table below. All AMT's ASX announcements can be found on AMT's company announcements platform of the ASX:

Date of Announcement	Substance of Announcement
02 May 2023	AMT announces it has entered into a binding agreement for the sale of all the business assets, both tangible and intangible, of AMT's orthopaedics division
28 June 2023	AMT announces that Robinwood Investments Pty Ltd has agreed to an extension of Loan Agreement with AMT until 31 December 2024.
19 July 2023	AMT announces it is undertaking a non-renounceable entitlement offer of one share for every 3 shares held in AMT at a price of \$0.09 per share to raise approximately \$3,133,776.00.
24 July 2023	Notice of EGM to be held on 23 August 2023 in order to table a resolution to approve the disposal of the orthopaedics division of AMT to Robinwood.
23 August 2023	AMT announces the results of the EGM. Shareholders of AMT approve the disposal of the orthopaedics division of AMT to Robinwood.
28 August 2023	AMT announces that the sale of the orthopaedics division of AMT to Robinwood completes.
30 August 2023	AMT announces the results of the entitlement offer, which raised \$1,363,663.96
12 October 2023	AMT announces that, in the opinion of the ASX, the current level of operations and the financial conditions of AMT are adequate to warrant continued listing and quotation of AMT's securities with the ASX.
5 December 2023	AMT announces that the FDA has requested additional information in respect of the application for FDA approval for the Spinal Cage Device.
6 February 2024	AMT announces that it has made the decision to not proceed with and to withdraw its formal submission to the FDA in respect of the Spinal Cage Device. This decision was made following confirmation from the FDA that additional supporting information was required to support the FDA Application. AMT also confirmed, in light of the FDA position, AMT's limited working capital and additional expenses likely to be incurred in obtaining the required additional supporting information for the resubmission of the FDA Application, that AMT's preferred option was to now seek to sell the intellectual property rights to and in the Patents, which included the Spinal Cage Device.
23 February 2024	AMT announces that its securities will be suspended from quotation immediately under Listing Rule 17.2

As foreshadowed by the announcement on 6 February 2024, AMT made various attempts to dispose of the intellectual property rights to and in the Patents, including the Spinal Cage Device. Those attempts are outlined in section 1.2(c). None of those attempts to date have been successful.

AMT's current financial position is outlined in sections 1.2 (a) and 5.2. The costs estimated to be expended to make a resubmission to the FDA in respect of the Spinal Cage Device are outlined in section 1.2 (d) of this Target's Statement. The timeframe estimated to undertake the activities necessary to be in a position to make a resubmission to the FDA in respect of the Spinal Cage Device is outlined in section 1.2(d) of this Target's Statement.

AMT appointed Stantons Corporate Finance Pty Ltd (**Stantons**) as the Independent Expert to give an independent opinion as to whether the Allegra Innovations Offer is fair and reasonable to AMT Shareholders not associated with Allegra Innovations. Stantons appointed Acuity Technology Management Limited (**Acuity**) to provide an independent assessment of the valuation of the Patents (**Valuation Report**).

The Independent Expert has concluded that the Allegra Innovations Offer is both **Fair and Reasonable**. A full copy of the Independent's Expert Report, which references the Valuation Report, is set out in Appendix 1 to this Target's Statement.

After consideration of the matters raised in this Target's Statement, including the Independent's Expert Report, the Independent Directors, having regard to the current financial circumstances of AMT, the costs estimated to be expended to make a resubmission to the FDA in respect of the Spinal Cage Device, the timeframe estimated to undertake the activities necessary to be in a position to make a resubmission to the FDA in respect of the Spinal Cage Device, the unsuccessful attempts to sell the intellectual property rights to and in the Patents (including the Spinal Cage Device), the expected difficulty in obtaining additional debt finance and/or new equity to fund the working capital requirements of AMT and the costs associated with a New FDA Application, the term remaining on the relevant Patents and the other matters raised in this Target's Statement, recommend **ACCEPTANCE** of the Allegra Innovations Offer.

I encourage you to read both the Bidder's Statement and the Target's Statement and seek independent advice if needed.

If you have any queries about the recommended Allegra Innovations Offer, please consult your professional adviser or contact the AMT Shareholder Information Email at info@allegraorthopaedics.com.

On behalf of the Independent Directors, thank you for your continued support of AMT.

Yours faithfully,



Peter Kazacos OAM

Chairman

1. KEY CONSIDERATIONS AND RECOMMENDATIONS

1.1 RECOMMENDATION

The Independent Directors have considered the advantages and disadvantages of the Allegra Innovations Offer and unanimously recommend that you **ACCEPT** the Allegra Innovations Offer, in the absence of a Superior Proposal.

The reasons for this recommendation are set out below and broadly within this Target's Statement.

The Independent Directors recommend that you accept the Allegra Innovations Offer promptly to ensure that your acceptance is received before the closing date of the Allegra Innovations Offer at 7:00pm (Sydney time) on 22 July 2024 (unless extended). You should not assume that the Offer Period will be extended.

Each Independent Director has already ACCEPTED the Allegra Innovations Offer in respect of all AMT Shares they own or Control.

Specifically, each Independent Director has at the date of this Target's Statement, procured the acceptance of the Allegra Innovations Offer in respect of all AMT Shares they own or Control.

The Independent Directors acknowledge that there may be risks associated with accepting or not accepting the Allegra Innovations Offer, as highlighted in sections 7 and 8 of this Target's Statement, and that each AMT Shareholder's risk profile, investment strategy, tax position and financial circumstances are different. If in any doubt as to what to do, AMT Shareholders should obtain financial advice from their broker or financial adviser on the Allegra Innovations Offer and taxation, legal or other advice on the effect of accepting the Allegra Innovations Offer.

In considering whether to accept the Allegra Innovations Offer, the Independent Directors encourage you to:

1. read and carefully consider the whole of the Target's Statement and the Bidder's Statement;
2. have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
3. obtain independent advice from your investment, financial, tax or other professional adviser on the effect of accepting the Allegra Innovations Offer.

1.2 REASONS FOR RECOMMENDATION TO ACCEPT THE ALLEGRA INNOVATIONS OFFER

(a) *Current Financial Position of Allegra:*

The current financial position of AMT is set out in section 5.2 of this Target's Statement and in the IER which is behind Appendix 1 of this Target's Statement. Since the disposal of the orthopaedics division of AMT on 28 August 2023, AMT has been relying on cash reserves, Research and Development tax incentive refunds, equity raised and loans to meet its liabilities and ongoing working capital requirements. As at the Reference Trading Date, AMT:

- owed \$1,279,721 to Robinwood under the Robinwood Loan;
- had a cash balance in its bank accounts of \$2,191.23; and
- owed \$154,237 to Allegra Innovations under the Allegra Innovations Loan.

For further details about the Robinwood Loan and Allegra Innovations Loan see sections 10.1, 10.2 and 10.3 of this Target's Statement.

Given AMT has no income being generated from its business activities, funding of the New FDA Application is reliant upon new loans and/or new equity.

AMT estimates that it will require a minimum of approximately \$1.34M to fund the testing activities expected to be required for the New FDA Application. This amount does not include any amount on account of corporate costs and general operating expenses of AMT. This is set out in more detail in section 1.2(d) of this Target's Statement. Given the unsuccessful attempts to date to secure a sale of the Patents, including the Spinal Cage Device and the difficulty in attracting new equity, AMT considers that there is a Real Chance that it will be unable to secure any new debt or equity in sufficient amounts to fund any New FDA Application.

AMT expects in the near term to receive a Research and Development tax incentive in the amount of approximately \$160,000. Any amount received will be subject to assessment by the Australian Taxation Office. This amount has not been included in the adjustments in the IER as the claim has not yet been lodged and the amount to be received is currently uncertain.

(b) *Remaining Term of Patents*

AMT holds the benefit of the following Patents. The table below sets out each of the Patents, the country in which the Patents are registered and their respective expiry dates:

Ahurei Ref.	Official No.	Title	Status	Country	Filing Date	Expiry Date
004-013-US	8765163	Biocompatible material and uses thereof	Registered	United States of America	10 July 2009	03-Jan-2031
004-012-AU	2012262674	Biocompatible material and uses thereof	Registered	Australia	01-Jun-2012	01-Jun-2032
004-012-CN2	ZL201710327752.2	Biocompatible material and uses thereof	Registered	China	01-Jun-2012	01-Jun-2032
004-012-DE	602012063676.9	Biocompatible material and uses thereof	Registered	Germany	01-Jun-2012	01-Jun-2032
004-012-DK	2714055	Biocompatible material and uses thereof	Registered	Denmark	01-Jun-2012	01-Jun-2032
004-012-FR	2714055	Biocompatible material and uses thereof	Registered	France	01-Jun-2012	01-Jun-2032
004-012-GB	2714055	Biocompatible material and uses thereof	Registered	United Kingdom	01-Jun-2012	01-Jun-2032
004-012-HK	HK1196563	Biocompatible material and uses thereof	Registered	Hong Kong	01-Jun-2012	01-Jun-2032
004-012-JP	6072013	Biocompatible material and uses thereof	Registered	Japan	01-Jun-2012	01-Jun-2032
004-012-NL	2714055	Biocompatible material and uses thereof	Registered	The Netherlands	01-Jun-2012	01-Jun-2032
004-012-US	9220806	Biocompatible material and uses thereof	Registered	United States of America	01-Jun-2012	15-Jul-2032

The ability to reasonably commercialise the Spinal Cage Device is dependent upon obtaining FDA approval or an equivalent approval in jurisdictions outside of the United States. The period of time to exclusively commercialise the Spinal Cage Device with the protection of the Patents would be limited to the period from the date of the grant of FDA approval until the expiry date of the relevant Patents. Any delays in obtaining FDA approval would result in a shorter period of time to exclusively commercialise Spinal Cage Device with the protection of the Patents. For further information on both the:

- timeframes AMT expects it will take to be in a position to make the New FDA Application; and
- costs AMT reasonably expects will be incurred in undertaking the activities necessary to be in a position to submit a New FDA Application,

see section 1.2(d) of this Target's Statement.

(c) Attempts to Date to Raise Capital and Sell the Patents Before obtaining FDA Approval

On 19 July 2023, the Company announced a 1 for 3 entitlement offer at an issue price of \$0.09 per share, to raise up to \$3,133,776 (before costs). The offer closed on 28 August 2023, with the Company raising \$1,363,663 (before costs) via the issue of 15,151,825 new ordinary shares. 12,758,316 shares were issued to Robinwood in consideration for a prepayment of \$1,148,248 of outstanding loans under the Robinwood Loan. By virtue of the Robinwood Deed of Amendment, this amount was capable of being redrawn by AMT. See sections 10.1 and 10.2 for further details of the Robinwood Loan and the Robinwood Deed of Amendment. Accordingly, the entitlement offer was not fully subscribed, leaving a shortfall of 19,668,108 shares.

Following the announcement on February 6, 2024, regarding the withdrawal of the FDA Application for the Spinal Cage Device, AMT explored options to go to market to seek a buyer for the Patents, including the Spinal Cage Device. AMT made direct approaches to industry professionals and companies with an interest in orthopaedic products and engaged the services of a United States company skilled in identifying parties looking to fund projects in the medical devices sector. In total, over 40 local and international companies and individuals were contacted to gauge their interest in acquiring the Patents, including the Spinal Cage Device. Many of these organizations expressed interest only in circumstances where AMT obtained FDA approval for the clinical use of the Spinal Cage Device. Ultimately, AMT was unable to secure an offer from any of these parties.

Having regard to the above failed attempts to sell the Patents (including the Spinal Cage Device) and attract new debt and/or equity as set out in the above paragraphs of this section, the current financial position of AMT and the current ASX suspension of AMT Shares (see sections 7.5 and 10.4 of this Target's Statement for more details), there is Real Chance that AMT will be unable to secure either new debt and/or new equity in sufficient amounts necessary to fund the costs associated with the resubmission of the FDA Application and the ongoing working capital requirements of AMT.

(d) Pathway, Timing and Estimated Cost to Obtaining FDA Approval for the Spinal Cage Device

AMT submitted the FDA Application on 31 March 2023. For reasons set out in section 8.5, AMT elected to withdraw its application due to the costs involved to provide the additional required supporting information.

AMT expects that the activities required to be undertaken to support a New FDA Application would involve, at a minimum, the testing and activities set out in the table below. The estimated costs and timeframes for each of these tests and activities are estimates only and may be subject to change.

Required Information to be obtained to support a resubmission of the FDA Application	Estimated Cost	Estimated Timeframe
Manufacturing Development	\$100,000.00	12 months
Regulatory Pre-Submission & Planning, determine new testing requirements	\$15,000.00	8 months
Large animal study	\$1,000,000.00	28 months (4 months setup, 12 months in-life, 12 months reporting)
Bench testing	\$200,000.00	9 months
Regulatory Submission	\$25,000.00	15 months
Estimated FDA Cost (excluding staff and corporate)	\$1,340,000.00	

The total estimated costs (excluding staff and corporate costs) to undertake the testing and activities set out in the table above total approximately \$1.34 million and would involve a timeframe of approximately 3.5 years to undertake (assuming certain activities can be undertaken simultaneously).

AMT, in the ordinary course, would seek pre-submission advice from the FDA prior to formally submitting the New FDA Application to get clarity from FDA as to the requirements for a submission of the New FDA Application. In such circumstances, the FDA may indicate that it requires additional supporting information other than that set out in the table above. Conversely, the FDA may indicate that it requires less additional supporting information than that set out in the table above, although AMT consider this possibility, in light of the correspondence with the FDA to date, to be unlikely. If the FDA were to require additional supporting information than that set out in the table above, additional costs would need to be incurred to support the New FDA Application. If that additional information involved AMT having to undertake human clinical trials, that could cost a significant amount. For further information regarding this, see section 10.14 of this Target's Statement.

The estimated annual corporate and staffing costs required by AMT to support the business activities of AMT, including the FDA Application, equate to approximately \$1.36M per year, and include the following expenses in the table below. These costs and expenses are estimates only and have been based of historical costs and expenses of AMT:

Corporate and operation costs	Estimated Cost per annum
Director fees & company secretary fees	\$170,040
ASIC and ASX fees	\$49,380
Auditing and accounting fees	\$79,100
Insurance costs	\$75,000
Office rental	\$128,900
Staffing costs	\$860,000
Total Costs per annum	\$1,362,420

Over 3.5 years, these estimated corporate and staffing costs total \$4,768,470.

(e) Independent Expert's Report and Valuation

An Independent Expert Report was prepared by Stantons Corporate Finance Pty Ltd (**Stantons**), to assess the Allegra Innovations Offer, and to provide an opinion on whether or not the Allegra Innovations Offer is fair and reasonable to AMT Shareholders not associated with Allegra Innovations.

The Independent Expert's Report concluded that the Allegra Innovations Offer is both **Fair and Reasonable** to AMT Shareholders not associated with Allegra Innovations as the Allegra Innovation Offer falls within the assessed value range of an AMT Share on a control basis of between nil and \$0.0146, and is greater than the preferred value of \$0.0028.

In conducting the valuation of AMT Shares, Stantons engaged an independent specialist, Acuity, to value the intellectual property assets held by AMT. Acuity determined that the value of the Patents and intellectual property of AMT at between \$nil and \$2,900,000, with a preferred value of \$1,100,000. Furthermore, in determining the value of an AMT Share, Stantons notes that their calculation factors in an assumption that AMT would elect to convert the amount outstanding on the Robinwood Loan into AMT Shares (the conversion valued with reference to the most recent 90-day VWAP of AMT's shares). Notwithstanding this assumption, Stantons further notes that should AMT be required to repay the Robinwood Loan on the Repayment Date (assuming that the outstanding amount under the Robinwood Loan could not be converted to AMT Shares), **the fairness opinion would be unchanged and the assessment of the Allegra Innovations Offer would remain fair and reasonable.**

(f) Risk of shares not coming out of suspension

On 22 March 2024 ASX Compliance issued a market announcement in relation to AMT in which it stated that AMT Shares were suspended at the request of AMT pending the release of an announcement regarding its funding arrangements and sale process relating to the Spinal Cage Device critical to AMT's continued financial viability. It further stated that AMT's securities will continue to remain suspended until such time that ASX is satisfied with AMT's compliance with the Listing Rules, including Listing Rule 12.2 and that it is otherwise appropriate for AMT's securities to be reinstated to quotation.

For the reasons detailed in sections 7.5 and 10.4 of this Target's Statement, If the Allegra Innovations Offer is not accepted or does not reach the threshold for compulsory acquisition (see section 2.7 of this Target's Statement) and remains listed, there is a real risk that the ASX, having regard to AMT's current financial position, may take steps to remove AMT from the official list on the basis of any of Listing Rules 12.1, 12.2 and 12.5. If this were to occur, AMT Shares would cease to be able to be traded on the ASX, significantly reducing the prospect of AMT Shareholders being able to dispose of their AMT Shares.

1.3 DR NICHOLAS HARTNELL'S REASONS FOR NOT MAKING A RECOMMENDATION

Dr Nicholas Hartnell, is a substantial shareholder (via Robinwood) and sole director of Allegra Innovations. He is also a director and substantial shareholder of AMT. Given this, Dr Nicholas Hartnell does not consider himself to be independent for the purposes of the Allegra Innovations Offer.

For this reason, Dr Nicholas Hartnell has not participated in any AMT board meetings or the Independent Board Committee relating to consideration of the Allegra Innovations Offer, will not vote on any matters relating to the Allegra Innovations Offer (except to the extent the full AMT board is required by law to determine a particular matter), has not been provided with any

sensitive information concerning AMT's response to the Allegra Innovations Offer, and will not make a recommendation on whether the Allegra Innovations Offer should be accepted by AMT Shareholders.

In addition, this Target's Statement does not contain information known only to Dr Nicholas Hartnell in accordance with an ASIC exemption granted to AMT (see section 10.9 of this Target's Statement).

1.4 INDEPENDENT BOARD COMMITTEE

The Allegra Innovations Board has established an Independent Board Committee for the purposes of responding to the Allegra Innovations Offer. Dr Nicholas Hartnell is not involved in the Independent Board Committee.

2. OVERVIEW OF OFFER and KEY FEATURES OF OFFER

2.1 Summary of the Allegra Innovations Offer

Allegra Innovations is offering to acquire all of your AMT Shares for \$0.004 in cash for every AMT Share held. The Allegra Innovations Offer is subject to various conditions, which are outlined in Appendix 2 of the Bidder's Statement. Refer to the Bidder's Statement for full particulars of the Allegra Innovations Offer.

The following summary provides an overview of the Allegra Innovations Offer and is qualified by and should be read together with all sections of the Bidder's Statement and this Target's Statement.

The Allegra Innovations Offer	Allegra Innovations is offering to acquire all of your AMT Shares.
Offer Consideration and Value	The Offer Consideration is \$0.004 cash for each AMT Share held. This values the equity of AMT at \$478,444 on an aggregate basis.
Conditions to the Allegra Innovations Offer	The Allegra Innovations Offer remains subject to the following Conditions: • Allegra Innovations and its associates have a relevant interest in excess of 90% of the AMT Shares then on issue; • no material acquisitions, disposals, commitments in any property or other assets of AMT or any of its subsidiaries; • no Prescribed Occurrences between the date Allegra Innovations gives its Bidder's Statement to AMT and the end of the Offer Period; • no Prescribed Occurrences between the Announcement Date and service of the Bidder's Statement; • AMT has complied with conduct of business obligations between the Announcement Date and the end of the Offer Period; • no materially adverse action taken by a regulatory authority to restrain, prohibit or impede the Allegra Innovations Offer; • non-existence or exercise of certain rights; and • AMT enters into a deed with each holder of options over AMT Shares to cancel those options for an amount agreed by AMT, the relevant option holder and Allegra Innovations. These Conditions are set out in Appendix 2 of the Bidder's Statement.
Offer closing date	The Allegra Innovations Offer is scheduled to close at 7.00pm (AEDT) on 22 July 2024 unless the Offer is extended or withdrawn.

2.2 Recommendation of the Allegra Directors

The Independent Directors have carefully considered the Allegra Innovations Offer and unanimously recommend that AMT Shareholders **ACCEPT** the Allegra Innovations Offer, in the absence of a Superior Proposal. This Target's Statement details the formal response of AMT to the Allegra Innovations Offer, including the reasons why the Independent Directors unanimously recommend that you **ACCEPT** the Allegra Innovations Offer, in the absence of a Superior Proposal. The key reasons for the recommendation are detailed in section 1.2 and have regard to the risks outlined in sections 7 and 8 of this Target's Statement.

2.3 Intentions of the Allegra Directors

Each Independent Director who holds or controls AMT Shares has already accepted the Allegra Innovations Offer in respect of the AMT Shares they own or Control.

2.4 Consequences of Accepting or Rejecting the Offer

A. Consequences of Accepting the Offer

The effect of acceptance of the Allegra Innovations Offer is detailed in section 11 of the Bidder's Statement. You should read that section of the Bidder's Statement in full to understand the implications of accepting the Allegra Innovations Offer. It is important to note that if you accept the Allegra Innovations Offer whilst some of the Offer Conditions remain outstanding, then:

- (a) Allegra Innovations will not be obligated to acquire your AMT Shares and you will not receive the Offer Consideration, unless and until all the Offer Conditions are either satisfied or waived by Allegra Innovations;
- (b) You will be unable to accept any other competing offer that may emerge in respect of your AMT Shares unless and until the Allegra Innovations Offer closes without becoming or being declared unconditional or a right to withdraw your acceptance arises under the Corporations Act; and
- (c) You will not be able to trade your AMT Shares on market. Presently you are unable to trade your AMT Shares on market as they are in suspension. For further information refer to section 10.4 of this Target's Statement.

B. Consequences of Rejecting the Offer

The effect of rejection of the Allegra Innovations Offer is that you will remain an AMT Shareholder and will not receive the Offer Consideration under the Allegra Innovations Offer, subject to the following.

If Allegra Innovations were to acquire a Relevant Interest in 90% or more of AMT Shares on issue, Allegra Innovations intends to proceed with compulsory acquisition of the outstanding AMT Shares in accordance with the Corporations Act.

If your AMT Shares are compulsorily acquired by Allegra Innovations, it will be on the same terms as the Allegra Innovations Offer and you will receive the Offer Consideration. For more information on Allegra Innovation's intention to compulsorily acquire AMT, see section 2.7 of this Target's Statement.

If Allegra Innovations does not become entitled to compulsorily acquire your AMT Shares and you do not accept the Allegra Innovations Offer, you will:

- retain your AMT Shares;
- not receive the Offer Consideration; and
- remain an AMT Shareholder.

2.5 Payment of Consideration

The terms of payment stipulated by the Allegra Innovations Offer are set out in section 13 of the Bidder's Statement. You should read this provision in full to gain a full understanding of the payment terms stipulated by the Allegra Innovations Offer. Where the Offer Conditions of the Allegra Innovations Offer are satisfied or waived, subject to the Corporations Act and the provisions of paragraph 13 of the Bidder's Statement, Allegra Innovations will provide the consideration due to you for your AMT Shares on or before the earlier of:

- (a) one month after the date of your acceptance or, if the Allegra Innovations Offer is subject to a condition when you accept the Allegra Innovations Offer, within one month after the Allegra Innovations Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

This means that should you accept the Allegra Innovations Offer whilst it remains subject to one or more of the Offer Conditions, you will be subject to the restrictions set out in section 2.4 above of this Target's Statement from the time of your acceptance of the Allegra Innovations Offer.

2.6 Notice on Status of Conditions

Paragraph 8 in Appendix 1 of the Bidder's Statement provides that the date for giving the notice on the status of the conditions required by subsection 630(1) of the Corporations Act is 12 July 2024 being not more than 14 days and not less than 7 days before the end of the Offer Period (subject to extension in accordance with subsection 630(2) if the Offer Period is extended).

As at the Reference Trading Date the only Offer Condition which has been satisfied is the condition which provides that there be no prescribed occurrences between the Announcement Date and service of the Bidder's Statement.

2.7 Compulsory Acquisition

Allegra Innovations has indicated in section 5.2 of its Bidder's Statement that, if it satisfies the requisite thresholds, it intends to compulsorily acquire any outstanding AMT Shares.

Intentions upon acquisition of 90% or more of AMT Shares

If Allegra Innovations acquires a Relevant Interest in 90% or more of AMT Shares during or at the end of the Offer Period, Allegra Innovations will be entitled to compulsorily acquire any remaining AMT Shares not accepted into the Allegra Innovations Offer under Part 6A.1 of the Corporations Act.

Allegra Innovations currently has a Relevant Interest in 56.95% of AMT Shares taking into account acceptances to the Allegra Innovations Offer as announced on the company announcements platform of the ASX as at the Reference Trading Date.

If Allegra Innovations acquires a Relevant Interest in 90% or more of AMT Shares on issue, Allegra Innovations intends to seek to compulsorily acquire the outstanding AMT Shares in accordance with Part 6A.1 of the Corporations Act. Where this occurs, Allegra Innovations will have 1 month after the end of the Offer Period within which to issue compulsory acquisition notices to AMT Shareholders who have not accepted the Allegra Innovations Offer. If compulsory acquisition occurs, AMT Shareholders who have their AMT Shares compulsorily acquired are likely to be issued their consideration later than if they had accepted the Allegra Innovations Offer.

If compulsory acquisition is completed in accordance with Part 6A.1 of the Corporations Act:

- and you have not accepted the Allegra Innovations Offer, you will receive the same consideration for your AMT Shares as the Offer Consideration to be paid under the Allegra Innovations Offer; and
- Allegra Innovations would procure the removal of AMT from the official list of ASX.

2.8 Consequences of Allegra Innovations acquiring a Relevant Interest in 50.1% or more and less than 90% of the AMT Shares.

Assuming Allegra Innovations obtains a Relevant Interest in less than 90% of the AMT Shares, and waives the Compulsory Acquisition Condition and otherwise satisfies or waives all other Offer Conditions, AMT Shareholders who do not accept the Allegra Innovations Offer will be minority shareholders in AMT. This has a number of potential implications:

- (a) Allegra Innovations, subject to the Listing Rules and law, will be in a position to cast a majority of votes at a general meeting of AMT; and
- (b) The liquidity of AMT Shares may be further reduced.

If Allegra Innovations obtains a Relevant Interest in 75% or more of the AMT Shares, subject to the Listing Rules and law, it will be able to pass a special resolution of AMT. This may enable Allegra Innovations, amongst other things, to potentially pass a special resolution to alter AMT's constitution. It may also, subject to the ASX Listing Rules, seek to have AMT removed from the official list of the ASX. ASX Listing Rules - Guidance Note 33 contains some guidance concerning the removal of a company from the official list of the ASX after a takeover bid where the bidder attains control of at least 75% of the company's issued shares.

Please note that the above comments regarding a potential delisting do not derogate from the comments in section 7.5.

Further, Allegra Innovations could rely upon the creep exception in Item 9 of section 611 of the Corporations Act (increase its percentage shareholding in AMT by 3% every six months) to move towards compulsory acquisition. Once it obtained at least a Relevant Interest in 90% or more of the AMT Shares, should Allegra Innovation be entitled to do so, it could exercise the general compulsory acquisition rights pursuant to Part 6A.2 of the Corporations Act to compulsorily acquire AMT.

3. FREQUENTLY ASKED QUESTIONS

Question	Response
What is this Target's Statement?	This Target's Statement has been prepared by AMT and provides AMT's formal response to the Allegra Innovations Offer. This document contains important information to help you decide whether to accept the Allegra Innovations Offer.
What is the Bidder's Statement?	The Bidder's Statement is the document prepared by Allegra Innovations setting out the terms of the Allegra Innovations Offer, a copy of which was lodged with ASIC and released to the ASX on 19 June 2024. The Bidder's Statement was sent to Allegra Shareholders on 20 June 2024. A copy of the Bidder's Statement is available on AMT's company announcements platform of the ASX.
Who is Allegra Innovations	Allegra Innovations is an Australian company which was incorporated on 18 August 2023. It is a wholly owned subsidiary of Robinwood. Allegra Innovations is Controlled by AMT director Dr Nicholas Hartnell. The Bidder's Statement contains further information about Allegra Innovations
What is the Allegra Innovations Offer for my AMT Shares?	Allegra Innovations is offering to acquire each of your AMT Shares for consideration of \$0.004 cash per AMT Share held by you at the Register Date (being 17 June 2024), subject to the Offer Conditions (See section 2.1 of this Target's Statement).
What choices do I have as an AMT Shareholder?	As an AMT Shareholder, you have the following choices in respect of your AMT Shares: • Accept the Allegra Innovations Offer; or • Reject the Allegra Innovations Offer by doing nothing. Ordinarily you would be still able to sell your AMT Shares on the ASX (unless you have previously accepted the Allegra Innovations Offer). However, given that AMT Shares are currently in suspension, you will not be able to sell your AMT Shares on the ASX unless the suspension is lifted, which is considered unlikely prior to the close of the Allegra Innovations Offer. There are several implications in relation to each of the above choices. A summary of these implications is set out in section 2.4 of this Target's Statement.
What are the Independent Directors recommending?	Each Independent Director recommends that you ACCEPT the Allegra Innovations Offer, in the absence of a Superior Proposal.
What do the Independent Directors intend to do with their AMT Shares	Each AMT Director who holds or controls AMT Shares has already accepted the Allegra Innovations Offer in respect of the AMT Shares they own or control.
Have other AMT Shareholders accepted the Allegra Innovations Offer?	Based upon ASX announcements made prior to the Reference Trading Date, 68,117,741 AMT Shares have been accepted into the Allegra Innovations Offer since it opened, representing 56.95% of AMT's total share capital.
What is the opinion of the Independent Expert?	Allegra has appointed Stantons Corporate Finance Pty Ltd (an independent expert not associated with either AMT or Allegra Innovations), to prepare an Independent Expert's Report assessing the Allegra Innovations Offer, and to provide an opinion on whether or not the Allegra Innovations Offer is fair and reasonable to AMT Shareholders not associated with Allegra Innovations. The Independent Expert has concluded that the Allegra Innovations Offer was both Fair and Reasonable to non-associated AMT Shareholders.

	A full copy of the Independent Expert's Report, which references the Valuation Report, is set out in Appendix 1 to this Target's Statement. You should read the Independent Expert's Report carefully and in its entirety as part of your assessment of the Allegra Innovations Offer.
Does Allegra Innovations already have an interest in AMT Shares?	As at the Reference Trading Date and taking into account acceptances of the Allegra Innovations Offer received as at the Reference Trading Date, Allegra Innovations held an aggregate interest in 56.95% of AMT Shares via interests in AMT Shares Controlled by Dr Nicholas Hartnell.
How do I accept the Allegra Innovations Offer?	To accept the Allegra Innovations Offer you should follow the instructions set out on page 3 of the Bidder's Statement under the heading "How to Accept". You may only accept the Allegra Innovations Offer in respect of all AMT Shares held by you.
What happens if I accept the Allegra Innovations Offer while it remains conditional?	If you accept the Allegra Innovations Offer, then unless you are able to subsequently withdraw your acceptance, you will: • not be able to sell your AMT Shares on the ASX if the AMT Shares come out of suspension; • be unable to accept any other competing offer that emerges; and • give up your right to otherwise deal with your AMT Shares while the Allegra Innovations Offer remains open.
How do I reject the Allegra Innovations Offer?	To reject the Allegra Innovations Offer, simply do nothing.
What happens if I reject the Allegra Innovations Offer?	You will remain an AMT Shareholder and will not receive the Offer Consideration under the Allegra Innovations Offer if you reject the Allegra Innovations Offer. If Allegra Innovations were to acquire an interest in 90% or more of the AMT Shares on issue, Allegra Innovations intends to proceed with compulsory acquisition of the outstanding AMT Shares in accordance with the Corporations Act. If your AMT Shares are compulsorily acquired by Allegra Innovations, it will be on the same terms as the Allegra Innovations Offer and you will receive the Offer Consideration. For more information on Allegra Innovation's intention to compulsorily acquire AMT, see section 2.7 of this Target's Statement. If Allegra Innovations does not become entitled to compulsorily acquire your AMT Shares and you do not accept the Allegra Innovations Offer, you will: • retain your AMT Shares; • not receive the Offer Consideration; and • remain an AMT Shareholder. It is possible in certain circumstances that Allegra Innovations may seek to remove AMT from the official list of the ASX. For more information on possible removal of AMT from the official list, see section 2.8 of this Target's Statement
If I accept the Allegra Innovations Offer, can I withdraw my acceptance?	You cannot withdraw or revoke your acceptance unless a withdrawal right arises under the Corporations Act. A withdrawal right will arise if, after you have accepted the Allegra Innovations Offer, Allegra Innovations varies the Allegra Innovations Offer in a way that postpones, for more than one month, the time that Allegra Innovations

	has to meet its obligations under the Allegra Innovations Offer.
If I choose to accept the Allegra Innovations Offer, when will I receive my consideration?	If you accept the Allegra Innovations Offer and the Allegra Innovations Offer goes unconditional, then you will be sent the Offer Consideration due for your AMT Shares to which you are entitled under the Allegra Innovations Offer.
When does the Allegra Innovations Offer close?	The Allegra Innovations Offer is presently scheduled to close at 7.00pm (Sydney time) on 22 July 2024, but the Allegra Innovations Offer Period can be extended in certain circumstances. See section 2.5 of this Target's Statement.
What are the conditions to the Allegra Innovations Offer?	The Allegra Innovations Offer remains subject to the following Conditions: • Allegra Innovations and its associates have a relevant interest in excess of 90% of the AMT Shares then on issue; • no material acquisitions, disposals, commitments in any property or other assets of AMT or any of its subsidiaries; • no Prescribed Occurrences between the date Allegra Innovations gives its Bidder's Statement to AMT and the end of the Offer Period; • no Prescribed Occurrences between the Announcement Date and service of this Bidder's Statement; • AMT has complied with conduct of business obligations between the Announcement Date and the end of the Offer Period; • no materially adverse action taken by a Regulatory Authority to restrain, prohibit or impede the Allegra Innovations Offer; • non-existence or exercise of certain rights; and • AMT enters into a deed with each holder of options over AMT Shares to cancel those options for an amount agreed by AMT, the relevant option holder and Allegra Innovations. These Conditions are set out in full in Appendix 2 to this Bidder's Statement.
What happens if the Offer Conditions are not satisfied or waived?	If the Offer Conditions are not satisfied or waived before the end of the Offer Period, the Allegra Innovations Offer will lapse and any acceptances of the Allegra Innovations Offer will be void. In those circumstances, AMT shareholders who have accepted the Allegra Innovations Offer will continue to hold their AMT Shares and be free to deal with them as if the Offer had not been made.
Is there likely to be a competing proposal from another party?	The Independent Director's consider it unlikely that a competing proposal will be received from another party.
Can I be forced to sell my AMT Shares?	You cannot be forced to sell your AMT Shares unless Allegra Innovations compulsorily acquires your AMT Shares. Allegra Innovations will need to obtain a Relevant Interest in 90% or more of the total issued AMT Shares in order to proceed to compulsory acquisition in accordance with the provisions of Chapter 6A of the Corporations Act. If Allegra Innovations becomes entitled to compulsorily acquire AMT, Allegra Innovation's intention is to proceed with compulsory acquisition of the outstanding AMT Shares which are on issue after the close of the Allegra Innovations Offer. section 2.7 of this Target's Statement contains further details on compulsory acquisition.

Will AMT continue to be listed on the ASX if the Compulsory Acquisition Condition is not satisfied but waived by Allegra Innovations?	Although Allegra Innovations has not indicated their intentions in this regard, Allegra Innovations may seek to have AMT removed from the official list of the ASX even where it does not reach the thresholds for compulsory acquisition. If Allegra Innovations was able to have AMT removed from the ASX official list, this would affect the ability of AMT Shareholders to sell their AMT Shares, and the liquidity in trading of those AMT Shares. See section 2.8 of this Target's Statement for further details.
Will changes be made to the composition of the AMT Board?	Independent to the outcome of the Allegra Innovations Offer and upon Allegra Innovations and its associates acquiring a relevant interest in more than 50% of the AMT Shares, Allegra Innovations has stated that it intends to reconstitute the AMT Board with nominees of Allegra Innovations to reflect Allegra Innovation's ownership of AMT. Those nominees have not yet been identified by Allegra Innovations. A final decision on the selection of Allegra Innovations nominees will be made in light of the circumstances at the relevant time.
What are the tax implications of accepting the Allegra Innovations Offer?	A general outline of the tax implications of accepting the Allegra Innovations Offer is set out in section 9 of this Target's Statement. As the outline is a general outline only, AMT Shareholders are encouraged to seek their own independent professional advice as to the taxation implications applicable to their circumstances.
Is there a contact if I have further queries in relation to the AMT Offer?	If you have any further queries in relation to the AMT Offer, you can contact the AMT Shareholder information email on info@allegraorthopaedics.com .

4. YOUR CHOICES AS AN ALLEGRA SHAREHOLDER

The Independent Directors unanimously recommend that AMT Shareholders **ACCEPT** the Allegra Innovations Offer. However, as an AMT Shareholder, you have the following choices available to you:

4.1 *Accept the Allegra Innovations Offer*

The Independent AMT Directors unanimously recommend that AMT Shareholders **ACCEPT** the Allegra Innovations Offer. To accept the Allegra Innovations Offer, follow the instructions detailed on page 3 of the Bidder's Statement under the heading "How to Accept". Details of the Offer Consideration you will receive are outlined in section 2.1 of this Target's Statement. You will only receive the Offer Consideration if the Offer Conditions are either satisfied or waived. Refer to Appendix 2 of the Bidder's Statement for full details of the conditions of the Allegra Innovations Offer.

AMT encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your AMT Shares and seek advice from your legal, financial and other professional advisors.

AMT Shareholders should note that there are risks associated with acceptance of the Allegra Innovations Offer (see section 8 for further information).

4.2 *Can you sell some or all of your AMT Shares on-market?*

Given that shares in AMT are currently in suspension, you will not be able to sell your AMT shares on market unless that suspension is lifted. The Independent Directors consider it very unlikely that the suspension will be lifted before the end of the Offer Period.

4.3 *Do nothing*

If you do not wish to accept the Allegra Innovations Offer, you can choose to do nothing. By doing nothing you will continue to remain an AMT shareholder. AMT shareholders should note that if Allegra Innovations acquires a Relevant Interest in at least

90% of all the AMT shares during, or at the end of the Offer Period, Allegra Innovations will be entitled to compulsorily acquire the AMT Shares it does not already own (refer to section 2.7 of this Target's Statement for more details). AMT Shareholders should also note that there are risks associated with remaining an AMT Shareholder (see section 7 of this Target's Statement for more details).

5. INFORMATION ABOUT AMT

5.1 General

AMT is an Australian public company listed on the ASX that develops orthopaedic devices. AMT's main product is the Spinal Cage Device, which is yet to receive FDA approval. AMT has been suspended from trading on the ASX since 21 February 2024.

AMT completed the sale of its orthopaedics division to Robinwood, AMT's major shareholder and an entity associated with Dr Nicholas Hartnell, on 28 August 2023. AMT received cash consideration of \$1,000,000.

Since the sale of AMT's orthopaedics division to Robinwood, it has been exclusively seeking to obtain FDA approval for the Spinal Cage Device.

5.2 Financial Information of AMT

The selected income statement and balance sheet of AMT extracted below are derived from the audited consolidated financial statements of AMT for the year ending 30 June 2023.

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods. AMT Shareholders may view complete copies of the audited consolidated financial statements of AMT on AMT's company announcements platform of the ASX.

5.2a Statement of Profit or Loss and Other Comprehensive Income

Allegra Orthopaedics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023



	Note	Consolidated 2023 \$	2022 \$
Other income			
Other income	5	691,291	947,774
Interest revenue calculated using the effective interest method		134	8
Expenses			
Cost of sales and purchases of consumables		(13,916)	5,295
Corporate and administration expenses		(1,092,817)	(1,101,941)
Quality and research and development expenses		(1,369,962)	(1,732,375)
Finance costs	6	(301,040)	(134,442)
Loss before income tax expense from continuing operations		(2,086,310)	(2,015,681)
Income tax expense	7	-	-
Loss after income tax expense from continuing operations		(2,086,310)	(2,015,681)
Loss after income tax expense from discontinued operations	8	(1,561,427)	(519,647)
Loss after income tax expense for the year		(3,647,737)	(2,535,328)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(3,647,737)</u>	<u>(2,535,328)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(2,086,310)	(2,015,681)
Discontinued operations		<u>(1,561,427)</u>	<u>(519,647)</u>
		<u>(3,647,737)</u>	<u>(2,535,328)</u>

5.2b Statement of Financial Position

Allegra Orthopaedics Limited Statement of financial position As at 30 June 2023



	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	9	1,406	206,332
Trade and other receivables	10	1,138,257	1,197,529
Inventories		-	2,845,763
Prepayments		113,967	130,857
		1,253,630	4,380,481
Assets of disposal groups classified as held for sale	8	942,800	-
Total current assets		2,196,430	4,380,481
Non-current assets			
Property, plant and equipment	11	49,872	446,006
Right-of-use assets	12	266,167	135,614
Intangible assets	13	400,764	541,246
Security deposits		-	105,615
Total non-current assets		716,803	1,228,481
Total assets		2,913,233	5,608,962
Liabilities			
Current liabilities			
Trade and other payables	14	1,046,373	914,273
Borrowings	15	311,464	326,395
Lease liabilities	16	138,350	136,268
Employee benefits		155,784	198,687
		1,651,971	1,575,623
Liabilities directly associated with assets classified as held for sale	8	62,800	-
Total current liabilities		1,714,771	1,575,623
Non-current liabilities			
Borrowings	15	2,548,440	1,869,316
Lease liabilities	16	129,103	-
Employee benefits		-	21,717
Provisions	17	20,000	10,000
Total non-current liabilities		2,697,543	1,901,033
Total liabilities		4,412,314	3,476,656
Net (liabilities)/assets		(1,499,081)	2,132,306
Equity			
Issued capital	18	15,366,235	15,366,235
Share-based payments reserve	19	874,803	858,453
Accumulated losses		(17,740,119)	(14,092,382)
Total (deficiency)/equity		(1,499,081)	2,132,306

As at the Reference Trading Date:

- the current cash balance in AMT's bank accounts was \$2,191.23;
- the amount owed by AMT under the Robinwood Loan to Robinwood was \$1,279,721.04; and
- the amount owing to Allegra Innovations under the Allegra Innovation Loan was \$154,237.

For further details about the Robinwood Loan and Allegra Innovations Loan see sections 10.1, 10.2 and 10.3 of this Target's Statement.

AMT expects in the near term to receive a Research and Development tax incentive in the amount of approximately \$160,000. Any amount received will be subject to assessment by the Australian Taxation Office. This amount has not been included in the adjustments in the IER as the claim has not yet been lodged and the amount to be received is currently uncertain.

5.3 AMT Board

The below table contains the details of the current AMT Board.

Director	Position	Date Appointed	Details
Peter Kazacos	Non-Executive Chairman	11 May 2006	Mr Kazacos has over 40 years' experience in the IT industry. He founded KAZ in 1988, guiding it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Ltd, building it into one of Australia's leading IT&C service providers outside major metropolitan areas.
Sean Mulhearn	Non-Executive Director	19 November 2015	Mr Mulhearn has been involved in financial markets for over 30 years' with experience in Asia, Europe and the Americas. He has particular expertise in risk management. He founded Jacaranda Capital Partners, a boutique advisory and markets training business with offices in Singapore and Australia.
Nick Hartnell	Non-Executive Director	9 March 2018	Mr Hartnell is an orthopaedic surgeon. Since 1995, he has been focused on orthopaedic training and specialisation and has many years of experience in all facets of orthopaedic care.

6. INFORMATION ABOUT ALLEGRA INNOVATIONS

Allegra Innovations is an Australian company which was incorporated on 18 August 2023. It is a wholly owned subsidiary of Robinwood. Allegra Innovations is effectively controlled by AMT director Dr Nicholas Hartnell. Ms Jenny Swain is the CEO of both AMT and Allegra Innovations and also owns shares in Allegra Innovations. The Bidder's Statement contains further information about Allegra Innovations. See section 10.10 of this Target's Statement for further details as to how conflicts of interest have been managed.

7. RISK FACTORS

7.1 *Risks Generally*

In considering the Allegra Innovations Offer, AMT Shareholders should be aware that there are a number of risk factors associated with accepting the Allegra Innovations Offer and rejecting the Allegra Innovations Offer and continuing to hold AMT Shares.

In deciding whether to accept the Allegra Innovation Offer, AMT Shareholders should read this Target's Statement and the Bidder's Statement carefully and consider all these risks. The risks set out in sections 7 and 8 of this Target's Statement do not take into account the individual financial circumstances, objectives or particular needs of AMT Shareholders.

These risks are general in nature only and do not cover every risk that may be associated with an investment in AMT now or in the future. The risk factors set out in sections 7 and 8 of this Target's Statement are not an exhaustive list of all risks. There may also be additional risks and uncertainties not currently known to AMT.

7.2 *Risks in NOT ACCEPTING the Allegra Innovations Offer*

Sections 7.3 to 7.11 set out the risks associated with not accepting the Allegra Innovations Offer.

7.3 *Current Financial Position of AMT*

The current financial position of AMT is set out in sections 1.2(a) and 5.2 of this Target's Statement and in the IER which is behind Appendix 1 of this Target's Statement.

As set out in section 1.2(a) of this Target's Statement, AMT presently has insufficient funds to make a New FDA Application. AMT principally relies on the Robinwood Loan and Allegra Innovations Loan to fund its day-to-day operational expenses and working capital requirements.

It is expected that the costs associated with a New FDA Application will be approximately \$1.34 million. The estimated timeframe for undertaking the testing and activities required to support the making of a New FDA Application is 3.5 years. The

estimated annual corporate and staffing costs required by AMT to support the business activities of AMT, including the FDA Application, equate to approximately \$1.36M per year. See section 1.2 (d) of this Target's Statement for further details.

As at the Reference Trading Date, AMT owed approximately \$1,279,721 to Robinwood under the Robinwood Loan and \$154,237 to Allegra Innovations. As at the date of this Target's Statement, the current cash balance in AMT's bank accounts was \$2,191.23.

Given that AMT has no income being generated from its business activities to fund the resubmission of the FDA Application, AMT will be reliant upon new loans and/or new equity to fund the resubmission of the FDA Application. As set out in section 5.2, AMT expects in the near term to receive a Research and Development tax incentive in the amount of approximately \$160,000. Any amount received will be subject to assessment by the Australian Taxation Office.

The Independent Directors consider it Real Chance that AMT will be unable to secure any new debt and/or equity in sufficient amounts to fund the New FDA Application.

Given AMT's current financial position, the Repayment Date under the Robinwood Loan and the circumstances set out in sections 10.1, 10.2, 10.3 and 10.4 of this Target's Statement, if AMT is unable to secure new debt or equity in the near term, there is a Real Risk that AMT may become insolvent and enter voluntary administration.

7.4 Liquidity of AMT Shares and Suspension

AMT shares are currently in suspension and unable to be traded. If the Allegra Innovations Offer is not accepted or does not reach the threshold for compulsory acquisition (see section 2.8 of this Target's Statement) and remains listed, there is a Real Chance that the AMT shares will remain in suspension. This will result in AMT shareholder being unable to sell their AMT shares on market. See sections 7.5 and 10.4 of this Target's Statement.

7.5 Risk of Delisting

Below is a summary of the following Listing Rules:

Listing Rule 12.1

The level of an entity's operations must, in the ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing;

Listing Rule 12.2

An entity's financial condition (including operating results) must, in the ASX's opinion, be adequate to warrant the continued quotation of its securities and continued listing; and

Listing Rule 12.5

An entity's structure and operations must be appropriate for a listed entity.

ASX Listing Rule 17.12 provides that the ASX may remove an entity from the official list if, in the ASX's opinion, any of the following applies:

- (a) The entity is unable or unwilling to comply with, or breaks, a listing rule;
- (b) The entity has no quoted securities; or
- (c) It is appropriate for some other reason.

If the Allegra Innovations Offer is not accepted or does not reach the threshold for compulsory acquisition (see section 2.8 of this Target's Statement) and remains listed, there is a real risk that the ASX, having regard to AMT's current financial position, may take steps to remove AMT from the official list on the basis of any of Listing Rules 12.1, 12.2 and 12.5.

7.6 Required Funding and Difficulty Obtaining Funding

Reference is made to sections 1.2(a) and 5.2 of this Target's Statement. There is a Real Risk having regard to the current financial position of AMT, the amount of funding required to be a position to make a New FDA Application, the time required to undertake the activities required to make a New FDA Application and expiry date of the Patents, that AMT will not be able to secure the funding (debt or equity) required to undertake the activities and testing required to support the making of a New FDA Application and to meet ongoing corporate costs and working capital requirements. If this were to transpire, this would exacerbate the risks outlined in sections 7.3, 7.4, and 7.5.

7.7 Remaining Term of Patents

Reference is made to sections 1.2(b) of this Target's Statement. Assuming AMT was able to obtain the funding required to make a New FDA Application (which there is a Real Risk won't be achieved as outlined above in section 7.3 of this Target's

Statement), the estimated timeframe to undertake the testing and activities required to support the making of a New FDA Application is approximately 3.5 years. The Patents are due to expire on the dates set out in section 1.2(b) of this Target's Statement. The period of time to exclusively commercialise the Spinal Cage Device with the protection of the Patents would be limited to the period from the date of the grant of FDA approval until the expiry date of the relevant Patents. Any delays in obtaining FDA approval would result in a shorter period of time to exclusively commercialise Spinal Cage Device with the protection of the Patents.

7.8 Uncertainty of FDA Approval

Assuming AMT were to be in a position to submit a New FDA Application, there is no certainty that the New FDA Application would be approved.

7.9 Minority Ownership

As at the date of this Target's Statement, Allegra Innovations has acquired a Relevant Interest in more than 50.1% of the AMT Shares. See section 10.6 of this Target's Statement for further information. Assuming Allegra Innovations obtains a Relevant Interest in less than 90% of the AMT Shares, waives the Compulsory Acquisition Condition and otherwise satisfies or waives all other Offer Conditions, AMT Shareholders who do not accept the Allegra Innovation Offer will be minority shareholders in AMT. This has a number of potential implications:

- (a) Allegra Innovations, subject to the Listing Rules and law, will be in a position to cast a majority of votes at a general meeting of AMT; and
- (b) The liquidity of AMT Shares may be further reduced.

If Allegra Innovations obtains a Relevant Interest in 75% or more of the AMT Shares, subject to the ASX Listing Rules and law, it will be able to pass a special resolution of AMT. This will enable Allegra Innovations, amongst other things, to potentially pass a special resolution to:

- have AMT removed from the official list of the ASX, and/or
- alter AMT's constitution.

There is a substantial likelihood that the removal of AMT from the official list of the ASX would result in their being limited to no liquidity in AMT Shares.

7.10 Robinwood Loan Uncertainty

If AMT Shares were to remain in suspension up to the Repayment Date, there remains uncertainty as to whether the Conversion Provision could be relied upon by AMT to convert the outstanding loan balance to AMT Shares on the Repayment Date, and assuming that it could still be relied upon, there remains uncertainty as to what price would be utilised to calculate the conversion of the outstanding loan balance to AMT Shares. This is because the Robinwood Loan does not provide an alternative mechanism to the Conversion Provision for determining the conversion price. If AMT Shares remain in suspension up to the Repayment Date, neither a 90 day VWAP nor a conversion price for the conversion of the outstanding loan balance to AMT Shares will be able to be established. If AMT were unable to convert the outstanding loan balance under the Robinwood Loan to equity at the Repayment Date, this would exacerbate the risk outlined in section 7.3 of this Target's Statement.

We note that the ability of AMT to drawdown further amounts under the Robinwood Loan is subject to various provisions of the Robinwood Loan and the interpretation of those clauses, including the conditions precedent to drawdown and events of default set out in the table at section 10.2. If AMT were not able to satisfy those conditions from time to time, AMT may be unable to drawdown principal from the Robinwood Loan.

For further information concerning this risk and the Robinwood Loan, see section 10.1 and 10.2 of the Target's Statement.

7.11 Uncertainty around future Offer

If the Allegra Innovations Offer is unsuccessful, there is a Real Risk that the AMT shareholders may not receive another offer of similar or superior value in the future. This could result in a missed opportunity for AMT shareholders to realise value equivalent to the Offer Consideration for their AMT Shares.

8. RISK FACTORS IN ACCEPTING ALLEGRA INNOVATIONS OFFER

8.1 Risks in ACCEPTING the Allegra Innovations Offer

Sections 8.2 to 8.4 set out the risks associated with accepting the Allegra Innovations Offer.

8.2 Loss of Exposure to Patents

Despite the risks outlined in section 7 of this Target's Statement, it is possible that Allegra Innovations may be able to commercialise the Patents or otherwise realise a value for the Patents larger than the amount of the Offer Consideration.

If you accept the Allegra Innovations Offer and the Offer Conditions are satisfied and/or waived, you will lose your exposure to AMT and the Patents. That means if Allegra Innovations is able to commercialise the Patents or otherwise sell or realise value for the sale or use of the Patents, you will not have any exposure to such benefits.

8.3 Loss of ability to deal with AMT Shares

If you accept the Allegra Innovation Offer, you will be unable to deal with your AMT Shares on market should the ASX lift the current suspension of the trading of AMT Shares. If this were to occur, you may consider that you will be able to obtain greater value for your AMT Shares than that being offered under the Allegra Innovations Offer.

8.4 You will be unable to accept a competing offer

If you accept the Allegra Innovations Offer you will be unable to accept any competing offer that may emerge unless the Allegra Innovations Offer closes without becoming or being declared unconditional or you are able to withdraw your acceptance (refer to section 2.4 of this Target's Statement)

8.5 Loss of Exposure to any New FDA Application

Despite the risks outlined in section 7 of this Target's Statement, it is possible that AMT (under the ownership of Allegra Innovations) may be able to make the New FDA Application, assuming Allegra Innovations was able to obtain the funding required to make a New FDA Application.

If you accept the Allegra Innovations Offer and the Offer Conditions are satisfied and/or waived, you will lose your exposure to AMT and the Patents. That means if Allegra Innovations is able to obtain FDA approval for the clinical use of the Spinal Cage Device, you will not have any exposure to such benefits.

9. TAXATION CONSEQUENCES

Section 6 of the Bidder's Statement sets out a general overview of the Australian income tax, stamp duty and GST implications for AMT Shareholders on disposing of their AMT Shares (through acceptance of the Allegra Innovations Offer) in return for cash consideration. The purpose of the summary is to assist you to understand the potential Australian tax consequences if the Allegra Innovations Offer is accepted.

The summary is intended as a general guide and is based on the Australian tax laws, regulations and administrative practices in effect as at the date of the Bidder's Statement. You should be aware that any changes to Australian tax laws, regulations or administrative practices may affect your taxation treatment as described in section 6 of the Bidder's Statement. Please be aware that this information is of a general nature only. It is not intended to be either legal or tax advice and may not address all of the tax issues or considerations that are applicable to you upon the disposal of your AMT Shares under the Allegra Innovations Offer.

You are encouraged to obtain your own independent legal and tax advice regarding the taxation consequences of disposing of your AMT Shares under the Allegra Innovations Offer.

10. ADDITIONAL INFORMATION

10.1 Robinwood Loan Agreement

On 28 April 2021, AMT entered into a loan agreement with Robinwood Investments Pty Ltd (**Robinwood**), whereby Robinwood agreed to advance by way of loan the amount of up to \$2,000,000.00 (**Robinwood Loan**).

On 30 August 2023, AMT announced the results of the Rights Issue. Robinwood took up its full entitlement under the Rights Issue in respect of 12,758,316 AMT shares for a price of \$1.148 million (**Rights Consideration**). In order to reduce the interest costs of AMT under the Robinwood Loan, AMT reduced the then outstanding loan balance under the Robinwood Loan in an amount equivalent to the Rights Consideration on the basis that the Rights Consideration was capable of being redrawn under the Robinwood Loan on demand. To confirm this arrangement, Allegra and Robinwood entered into a deed which provided, amongst other things, for the following:

1. The extension of the loan repayment date to 31 December 2024; and
2. The ability for AMT to redraw under the Robinwood Loan an amount equivalent to the Rights Consideration.

(Robinwood Deed of Amendment)

As at Reference Trading Date, the amount drawn on the Robinwood Loan (which has a limit of \$2 million) was \$1,279,721.04.

We note that the ability of AMT to drawdown further amounts under the Robinwood Loan is subject to various provisions of the Robinwood Loan and the interpretation of those clauses, including the conditions precedent to drawdown and events of default set out in the table at section 10.2 below. If AMT were not able to satisfy those conditions from time to time, AMT may be unable to drawdown principal from the Robinwood Loan.

10.2 Robinwood Loan Agreement – Conversion Provision

The Robinwood Loan provides that AMT is entitled, on the repayment date of the Robinwood Loan (being 31 December 2024) **(Repayment Date)**, to convert some or all of the balance of the Robinwood Loan to equity at a conversion rate equal to the 90 day VWAP price less 10% calculated at the date of such conversion **(Conversion Provision)**.

On the basis of the above provisions of the Robinwood Loan and Robinwood Amendment Deed, AMT may potentially:

- (a) Subject to the terms and conditions of the Robinwood Loan, continue funding the operations of AMT via the Robinwood Loan, subject to the terms of the Robinwood Loan; and
- (b) Subject to shareholder and any necessary regulatory approvals, covert the balance of the Robinwood Loan to equity in accordance with the Conversion Provision, subject to a 90 day VWAP being able to be established.

If AMT Shares were to remain in suspension up to the Repayment Date, there is uncertainty as to whether the Conversion Provision could be relied upon by AMT to covert the outstanding loan balance to AMT Shares on the Repayment Date, and assuming that it could still be relied upon, there remains uncertainty as to what price would be utilised to calculate the conversion of the outstanding loan balance to AMT Shares. This is because the Robinwood Loan does not provide an alternative mechanism to the Conversion Provision for determining the conversion price. If AMT Shares remain in suspension up to the Repayment Date, neither a 90 day VWAP nor a conversion price for the conversion of the outstanding loan balance to AMT Shares will be able to be established. If AMT were unable to convert the outstanding loan balance under the Robinwood Loan to equity at the Repayment Date, this would exacerbate the risk outlined in section 7.3 of this Target's Statement.

The key terms of the Robinwood Loan are set out below:

Repayment date	31 December 2024
Loan limit	\$2million
Minimum tranches of drawdowns	\$300,000
Conditions Precedent to Drawdown	The obligation of Robinwood to lend AMT any principal under the Robinwood Loan is subject to Robinwood receiving a drawdown notice and having received the following, in a form and substance reasonably satisfactory to Robinwood, on or before each drawdown: (a) The Robinwood Loan document is duly executed and enforceable; (b) Confirmation from the Board of AMT that a waiver of ASX Listing Rule 10.1 is not required for the purposes of the transaction contemplated by the Robinwood Loan; (c) Confirmation that the representations and warranties set out in the Robinwood Loan are correct and not misleading; and (d) Confirmation that no event of default or potential event of default is continuing.
Events of default	a) AMT does not pay any money due for payment; b) AMT does not comply with an obligation under the Robinwood Loan, and this non-compliance has not been remedied within 10 business days of this non-compliance occurring; c) AMT has made a misleading or untrue statement in respect of the Robinwood Loan; d) The Robinwood Loan is deemed void or voidable; or e) AMT is deemed insolvent.
Negative Covenants	a) Until the Robinwood Loan is repaid in full, AMT must not incur any financial indebtedness over \$250,000 without Robinwood's consent; b) AMT must not pay any distributions to shareholders; c) AMT must not dispose of assets with a value of more than \$250,000 in any 12-month period; and d) AMT must not incorporate any additional subsidiaries.
Conversion to Equity	Subject to shareholder and any necessary regulatory approvals, AMT is entitled to covert the balance of the Robinwood Loan to AMT Shares in accordance with the Conversion Provision, subject to a 90 day VWAP being able to be established. See above in this section 10.2 for further details.

10.3 *Allegra Innovations Loan*

As of 1 January 2024, Allegra Innovations has been in providing financial accommodation to AMT on an ad hoc basis as and when AMT requires money to meet current liabilities. From 1 January 2024 to 20 June 2024, various customers of the orthopaedics business which was sold by AMT to Allegra Innovations, paid money owing to Allegra Innovations into the AMT bank account. In this period that amount totalled \$74,237. Additionally, AMT has been provided with \$80,000 from Allegra Innovations between April and 1 June 2024. As at the Reference Trading Date, the outstanding balance under the Allegra Innovations Loan was \$154,237. The Allegra Innovations Loan is undocumented, and no interest is accruing on the outstanding balance of the loan. The Independent Directors consider that the Allegra Innovations Loan is repayable on demand, subject to first being provided reasonable notice. There is no obligation on Allegra Innovations to continue funding AMT via the Allegra Innovations Loan.

10.4 *ASX release concerning suspension of AMT Shares*

On 22 March 2024, ASX Compliance issued a market announcement in relation to AMT in which it stated that AMT Shares were suspended at the request of AMT pending the release of an announcement regarding its funding arrangements and sale process relating to the Spinal Cage Device critical to AMT's continued financial viability. It further stated that AMT's securities will continue to remain suspended until such time that ASX is satisfied with AMT's compliance with the Listing Rules, including Listing Rule 12.2 and that it is otherwise appropriate for AMT's securities to be reinstated to quotation.

10.5 *Bid Implementation Agreement*

On 24 May 2024, AMT and Allegra Innovations entered into a Bid Implementation Agreement. This document sets out the agreed basis on which Allegra Innovations will make the Allegra Innovations Offer and the respective obligations of Allegra Innovations and AMT in relation to the Allegra Innovations Offer.

A summary of the key elements of the Bid Implementation Agreement is set out in section 7.2 of the Bidder's Statement and extracted below.

(a) **Facilitation of Offer**

AMT must participate in efforts reasonably requested by Allegra Innovations to promote the merits of the Allegra Innovations Offer, including meeting with key AMT Shareholders and stakeholders of AMT.

(b) **Obligation to recommend the Takeover Bid**

AMT must prepare the Target's Statement which contains the Independent Director's unanimous recommendation that AMT Shareholders accept the Allegra Innovations Offer made to them and that they intend to accept the Allegra Innovations Offer in respect of all AMT Shares they hold or Control in the absence of a Superior Proposal.

(c) **Exclusivity**

The Bid Implementation Agreement contains certain exclusivity arrangements in favour of Allegra Innovations. These obligations may be summarised as follows:

- (i) **No existing discussions:** AMT represents and warrants that neither it nor its representatives are participating in discussions or negotiations with a third party that concern or could reasonably be expected to lead to a Competing Proposal and that it has requested the destruction of confidential information of AMT from all third parties conducting due diligence investigations on the AMT Group prior to the date of the Bid Implementation Agreement.
- (ii) **No shop:** AMT must not, and must ensure that each of its representatives do not, directly or indirectly, solicit, invite, initiate or encourage any Competing Proposal or any enquiries, negotiations, or discussions with any third party in relation to, or that could reasonably be expected to lead to a Competing Proposal or communicate any intention to do any of those things;
- (iii) **No talk:** AMT must not, and must ensure that each of its representatives do not, participate in negotiations or discussions in relation to a Competing Proposal (or which could reasonably be expected to lead to a Competing Proposal), even if the Competing Proposal was not directly or indirectly solicited or the Competing Proposal has been publicly announced.
- (iv) **No due diligence:** AMT must not, and must ensure that each of its representatives do not, solicit or permit any third party to undertake due diligence investigation on AMT.
- (v) **Notification of approaches:** AMT must promptly notify Allegra Innovations in writing of any attempt or any intention on the part of any person to initiate or continue any negotiations or discussions with AMT, any of its Related Entities, or any of their respective representatives, with respect to, or that could reasonably be expected to lead to, any Competing Proposal. That notice must be accompanied by all material details of the relevant event.
- (vi) **Fiduciary out:** The obligations in sections (ii), (iii) 1.1(c)(iii), (iv) and (v) above are qualified by a market standard fiduciary-out including where the AMT Board has determined in good faith (and after

receiving external consultation) that failing to take the action or refusal to take the action with respect to the Competing Proposal would, or would reasonably be likely to, constitute a breach of the fiduciary, statutory or legal obligations of the AMT Board.

(d) **Termination**

Either AMT or Allegra Innovations may terminate the Bid Implementation Agreement at any time by notice in writing if:

- (i) the other party is in breach of a material term of the Bid Implementation Agreement or any representation and warranty is untrue, inaccurate or misleading in a material respect and in the case of a breach of a material term, that breach is not remedied within five business days of receiving notice from the non-breaching party; or
- (ii) in circumstances where:
 - (A) a court issues a final and non-appealable order or ruling to take an action which permanently restrains or prohibits the Allegra Innovations Offer;
 - (B) Allegra Innovations withdraws the Allegra Innovations Offer or informs AMT in writing that it will not proceed with the Allegra Innovations Offer due to non-satisfaction of a Condition;
 - (C) Allegra Innovations varies the terms of the Allegra Innovations Offer such that the terms of the Allegra Innovations Offer are less favourable to the AMT Shareholders; or
 - (D) the Allegra Innovations Offer lapses without the Offer Conditions being satisfied or waived.

Allegra Innovations can terminate the Bid Implementation Agreement at any time if AMT has breached its obligations set out in sections 10.5(a) and (b) above, its conduct of business obligations, prescribed consultation obligations, any of the exclusivity obligations in clause 7 of the Bid Implementation Agreement, any Independent Director changes or withdraws their recommendation that AMT Shareholders accept the Allegra Innovations for all their AMT Shares or makes a public statement that they support a Competing Proposal, any of the Offer Conditions are breached or become incapable of being satisfied, or a Prescribed Occurrence eventuates.

AMT can terminate the Bid Implementation Agreement at any time if the AMT board of directors (or a majority of the Independent Directors) changes or withdraws their recommendation that AMT Shareholders accept the Allegra Innovations Offer for all their AMT Shares or makes a public statement indicating that they support a Competing Proposal, provided that AMT has complied with the exclusivity obligations under clause 7 of the Bid Implementation Agreement and has determined that a Competing Proposal constitutes a Superior Proposal or the Independent Expert has concluded in their independent expert's report that the Allegra Innovations Offer is not fair and not reasonable.

10.6 Current Acceptances of the Allegra Innovations Offer

As at the Reference Trading Date and taking into account acceptances of the Allegra Innovations Offer received and announced as at the Reference Trading Date, Allegra Innovations held an aggregate interest in 56.95% of AMT Shares.

10.7 Information Relating to the Independent Directors

Each of the Independent Directors have signed deeds releasing AMT from any claims they may have against AMT for any amounts due to them arising from their employment or engagement as a director of AMT. This release takes effect from the date the Allegra Innovations Offer is declared unconditional both in respect to the conditions of the Allegra Innovations Offer and as to acceptances. Neither Mr Peter Kazacos nor Mr Sean Mulhearn have received any remuneration in connection with being a Director of AMT since July 2022.

10.8 Substantial Holders

Based on the information contained in substantial holder notices filed with ASX, the substantial holders of AMT Shares as at the Reference Trading Date were:

Holder Name	Holding Balance	% IC
ROBINWOOD INVESTMENTS PTY LTD	51,033,264	42.67%
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	12,279,615	10.27%
WELSH SUPERANNUATION PTY LIMITED	6,600,000	5.52%
THE UNIVERSITY OF SYDNEY	6,408,000	5.36%

10.9 ASIC Exemptions

ASIC has granted AMT an exemption from the requirements of section 638 of the Corporations Act so that this Target's Statement does not need to contain information to the extent that it is known only to Dr Nicholas Hartnell for the reasons set out in section 1.3 of this Target's Statement. This is on the basis that Dr Nicholas Hartnell is a director and substantial shareholder (via Robinwood) of Allegra Innovations and also a director and substantial shareholder of AMT.

Dr Nicholas Hartnell has recused himself from any discussion by the AMT board in connection with making decisions in relation to, or the consideration of AMT's response to, the Allegra Innovations Offer for the duration of the Allegra Innovations Offer (other than where such discussions require, by law, all directors to determine a particular matter).

10.10 Conflict of Interest-Jenny Swain and Vincent Wang

- A. Ms Jenny Swain is the current CEO of both AMT and Allegra Innovations. The Independent Directors recognised that she has a conflict of interest in the context of the preparation and finalisation of this Target's Statement. Being the CEO of AMT and having unique knowledge of AMT and its business, Ms Jenny Swain has had some involvement in the provision of information to the Independent Directors and the Independent Board Committee concerning matters relevant to the Target's Statement preparation. Ms Jenny Swain has not made any decisions as to the information disclosed in this Target's Statement and has had no role in approving the release of this Target's Statement.
- B. Mr Vincent Wang is the current financial manager of both AMT and Allegra Innovations. The Independent Directors recognised that he has a conflict of interest in the context of the preparation and finalisation of this Target's Statement. Being the financial manager of AMT and having unique knowledge of financial matters concerning AMT, Mr Vincent Wang has had some involvement in the provision of information to the Independent Directors and the Independent Board Committee concerning matters relevant to the Target's Statement preparation. Mr Vincent Wang has not made any decisions as to the information disclosed in this Target's Statement and has had no role in approving the release of this Target's Statement.

10.11 Consents

- (a) The following persons have given and have not, prior to the lodgement of this Target's Statement with ASIC, withdrawn their consent to the following statements and references in this Target's Statement, in the form and context in which they appear:
- a. Law Corporation Pty Ltd to be named as legal adviser to AMT;
 - b. Automic Pty Ltd to be named as AMT's share registry.
- (b) Stantons Corporate Finance Pty Ltd has given and has not before the date of this Target's Statement withdrawn its written consent to be named as the Independent Expert in this Target's Statement and to the inclusion in this Target's Statement of the Independent Expert's Report behind Appendix 1 and the references to the Independent Expert's Report elsewhere in this Target's Statement, in each case in the form and context in which they are included.
- (c) Acuity Technology Management Pty Ltd has given and has not before the date of this Target's Statement withdrawn its written consent to be named as the valuer who provided the valuation which is included in the Independent Expert's Report behind Appendix 1 of this Target's Statement and the references to the valuation elsewhere in the Independent Expert's Report and Target's Statement, in each case in the form and context in which they are included.
- (d) Each of the AMT Directors has given and not withdrawn their consent to:
- a. be named in this Target's Statement in the form and context in which they are named; and
 - b. statements attributable to them being included in this Target's Statement in the form and context in which they appear.
- (e) Ms Jenny Swain, CEO of AMT, has given and not withdrawn her consent to:
- a. be named in this Target's Statement in the form and context in which it appears; and
 - b. statements attributable to her being included in this Target's Statement in the form and context in which they appear.
- (f) Dr Nicholas Hartnell has given and not withdrawn his consent to:
- a. be named in this Target's Statement in the form and context in which he is named; and
 - b. statements attributable to him being included in this Target's Statement in the form and context in which they appear.
- (g) Mr Vincent Wang has given and not withdrawn his consent to:
- a. be named in this Target's Statement in the form and context in which he is named; and
 - b. statements attributable to him being included in this Target's Statement in the form and context in which they appear.
- (h) Each person named in this section as having given its consent to the inclusion of a statement or to being named in this Target's Statement:
- a. does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having

given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and

- b. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

10.12 Publicly Available Information

This Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or given to the ASX, or announced on the company announcements platform of the ASX, by AMT.

As required by ASIC Instrument 2023/683, any AMT Shareholder who would like to receive a copy of any of those documents (or relevant extracts from those documents) may obtain a copy free of charge by contacting the AMT Shareholder information email at info@allegroorthopaedics.com.

10.13 ASIC Modifications and Exemptions

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 (Corporations Instrument 2016/72), this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

10.14 FDA Application Outcome

The following table sets out the chronology of the FDA Application:

Date	Event
March 2023	AMT lodged the FDA Application seeking approval of the Spinal Cage Device for clinical use
August 2023	AMT received a letter from the FDA outlining 23 deficiencies with the FDA Application
November 2023	AMT informally submitted its responses to the FDA in reply to the asserted 23 deficiencies
February 2024	The FDA issued a response to AMT indicating that while AMT had addressed some of the deficiencies with the FDA Application. There remained unresolved deficiencies across three themes being: • Long-term systemic safety of the Spinal Cage Device; • Chipping of the Spinal Cage Device in the large animal study; and • The impact of Strontium (which is an element contained in the Spinal Cage Device) on the human body.
February 2024	AMT withdraw the FDA Application

In order to satisfy the FDA regarding the following themes of deficiencies, AMT would have to undertake the testing and activities set out in the table below:

Deficiency	Activities to be Undertaken
Long-term systemic safety of the Spinal Cage Device	Need to undertake a new 52-week large animal study
Chipping of the Spinal Cage Device in the large animal study	Need to undertake manufacturing process development to address the causes of chipping, and additional bench testing to support the manufacturing changes
The impact of Strontium (which is an element contained in the Spinal Cage Device) on the human body	Need to undertake a new 52-week large animal study

AMT notes that the FDA has not excluded the possibility of the need to undertake human clinical trials. Human clinical trials may be needed dependant on results of the large animal study referred to above.

As a consequence of the above, AMT voluntarily withdrew the submission.

10.15 Costs

Allegra Innovations Offer will result in AMT incurring fees and expenses that otherwise would not have arisen. The costs and expenses of AMT in connection with the Allegra Innovations Offer are estimated to be \$132,000 in aggregate.

11. GLOSSARY AND INTERPRETATION

The following definitions apply in this Target's Statement (including its Appendices), unless the context requires otherwise.

DEFINITIONS	MEANING
Acceptance Form	the acceptance and transfer form enclosed with the Bidder's Statement.
Acuity	means Acuity Technology Management Pty Ltd
AEDT	Australian Eastern Daylight Time.
Allegra Innovations	Allegra Innovations Pty Ltd ACN 670 616 127.
Allegra Innovations Offer or Offer	the offer by Allegra Innovations for your AMT Shares under the terms and conditions of the Bidder's Statement.
Allegra Innovations Loan	means the loan from Allegra Innovations to AMT as described in section 10.3 of this Target's Statement.
Allegra Innovations Group	Allegra Innovations and its Related Bodies Corporate
AMT	Allegra Medical Technologies Limited ACN 066 281 132.
AMT Board	the board of Directors of AMT.
AMT Director	a Director of AMT.
AMT Group	AMT and its Related Bodies Corporate
AMT Share or Share	a fully paid ordinary share issued in the capital of AMT.
AMT Shareholder	a person registered as a holder of one or more of AMT Shares during the Offer Period.
Announcement Date	the date the Allegra Innovations Offer was announced, being 27 May 2024.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the context requires).
Australian Accounting Standards	means the: • accounting standards from time to time approved under the Corporations Act; • the requirements of the Corporations Act in relation to the preparation and content of accounts; and • generally accepted accounting principles and practices in Australia consistently applied, except those principles and practices which are inconsistent with the standards or requirements in the Corporations Act.
Bid Implementation Agreement	the Bid Implementation Agreement entered into between Allegra Innovations and AMT dated 24 May 2024 in relation to the Allegra Innovation Offer.
Bidder's Statement	means the Bidder's Statement of Allegra Innovations under Part 6.5 Division 2 of the Corporations Act relating to the Allegra Innovations Offer, including each of the Supplementary Bidders Statements.
Business Day	a day that is not a Saturday, Sunday, bank holiday or public holiday in Sydney, Australia.
Compulsory Acquisition Condition	means Offer Condition 1 set out at Appendix 2 of the Bidder's Statement under the heading "Minimum acceptance".
Competing Proposal	means any proposal, offer, arrangement or transaction by any person or entity (including a Regulatory Authority) other than a member of the Allegra Innovations Group or a member of the AMT Group that, if completed, would mean:

	(a) a person would acquire a relevant interest or voting power in 15% or more of AMT Shares; (b) a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 15% or more of AMT Shares; (c) a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part or material part of the business conducted by, or assets or property of, the AMT Group; (d) a person would acquire control (as defined in section 50AA of the Corporations Act) of AMT; or (e) a person may otherwise directly or indirectly acquire, or merge with, AMT (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership or synthetic merger). Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.
Control	has the meaning given in section 50AA of the Corporations Act.
Conversion Provision	has the meaning set out in section 10.2 of this Target's Statement in respect of the Robinwood Loan
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Director	has the meaning given in section 9AC of the Corporations Act.
FDA	US Food and Drug Administration
FDA Application	means the application made to the FDA on 31 March 2023 by AMT for approval of the Spinal Cage Device for clinical use in the United States.
Foreign Shareholder	means an AMT Shareholder whose address on the register of members of AMT is in a jurisdiction other than Australia or its external territories or New Zealand.
GST	goods and services tax.
Government Agency	any government, any department, office or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity and includes ASIC.
Independent Board Committee	means the committee formed by the AMT Board for the purposes of responding to the Allegra Innovations Offer, which committee includes both Independent Directors.
Independent Directors	the Directors other than Dr Nick Hartnell.
Independent Expert	means Stantons Corporate Finance Pty Ltd
Listing Rules	means the Listing Rules of the ASX
New FDA Application	means a 510K application to the FDA for approval of the Spinal Cage Device for clinical use.
Offer Consideration	\$0.004 cash per AMT Share.
Offer Condition	where used in the context of the Allegra Innovations Offer, means each defeating condition to which the Allegra Innovations Offer is subject, as set out in Appendix 2 to the Bidder's Statement.
Offer Date	17 June 2024, being the date on which the first of the Offers was sent to each holder of AMT Shares registered in the AMT Share register at the Register Date.

Offer Period	the period during which the Allegra Innovations Offer will remain open for acceptance in accordance with paragraph 2 of Appendix 1 of the Bidder's Statement.
Prescribed Occurrence	As defined in paragraph 3 of Appendix 2 of the Bidder's Statement.
Register Date	the date set by Allegra Innovations under subsections 633(2) to (4) inclusive of the Corporations Act, being 17 June 2024.
Regulatory Authority	means: (a) ASIC; (b) a governmental or governmental, semi-governmental, administrative, fiscal or judicial body in Australia; (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government in Australia; and (d) any regulatory organisation established under statute or the rules of any financial market (as defined in Chapter 7 of the Corporations Act) in Australia.
Real Chance	means a real and substantial possibility.
Related Body Corporate	has the meaning given to it in the Corporations Act.
Reference Trading Date	means 2 July 2024
Related Entity	an entity that is under the Control of AMT.
Relevant Interest	has the meaning given in the Corporations Act.
Repayment Date	means 31 December 2024.
Representative	means in relation to a party: (a) each of the party's Subsidiaries; and (b) each of the Directors, officers, employees and advisers of that party or of any of its Subsidiaries.
Rights	means all accretions and rights that accrue to or arise from AMT Shares after the Announcement Date, including all rights to receive dividends, to receive or subscribe for shares, notes or other securities and all other distributions or entitlements declared, paid, made or issued by AMT after that date.
Rights Issue	means the pro rata non-renounceable entitlement offer announced by AMT on 19 July 2023 for eligible shareholders to subscribe for 1 share in AMT for every 3 AMT Shares held.
Robinwood	Robinwood Investments Pty Limited ACN 162 121 664.
Robinwood Deed of Amendment	means the deed of amendment dated 28 August 2023 between Robinwood and AMT amending the Robinwood Loan Agreement.
Robinwood Loan	means the loan from Robinwood to AMT for a maximum loan amount of \$2,000,000 pursuant to the Robinwood Loan Agreement as amended by the Robinwood Deed of Amendment
Robinwood Loan Agreement	means the loan agreement between Robinwood and AMT dated 28 April 2021 for a loan amount of up to \$2,000,000.
Share Registry	means Automic Pty Ltd
Spinal Cage Device	means a cervical spinal fusion cage, which utilises the intellectual property of the Patents, as an implant placed between two adjacent vertebrae in the cervical spine, after removal of a damaged disc. The spinal cage facilitates bone growth between the adjacent vertebrae – over time bone grows through the space and fuses the vertebrae together to reduce motion and pain.
Subsidiary	has the meaning given in section 9 of the Corporations Act.

Superior Proposal	means a written bona fide Competing Proposal which the AMT Board acting in good faith and, after having first obtained written advice from its legal and financial advisers determines is: (a) is reasonably capable of being completed, taking into account all aspects of the Competing Proposal; and (b) more favourable to AMT Shareholders than the Takeover Bid, taking into account all the terms and conditions of the Competing Proposal.
Supplementary Bidder's Statement	means each of: (a) the Supplementary Bidder's Statement lodged by Allegra Innovations dated 21 June 2024; and (b) the Supplementary Bidder's Statement lodged by Allegra Innovations dated 1 July 2024.
Takeover Bid	the off-market takeover bid constituted by the despatch of the Offers in accordance with the Corporations Act.
Target's Statement	this Target's statement prepared by AMT and sent to AMT Shareholders in response to the Allegra Innovations Offer, in accordance with section 638 of the Corporations Act.
VWAP	means the volume weighted average price

12. CORPORATE DIRECTORY

AMT Directors	Mr Peter Kazacos Mr Sean Mulhearn Dr Nicholas Hartnell
Registered Office	Allegra Medical Technologies Ltd Level 8, 18-20 Orion Road Lane Cove West NSW 2066
Legal Adviser	Law Corporation Pty Ltd Level 3, 273-279 Sussex Street Sydney NSW 2000

13. AUTHORISATION

This Target's Statement has been approved by the board of AMT by resolution passed by the Independent Directors. All Independent Directors voted in favour of that resolution. Dr Nicholas Hartnell was, for reasons set out in section 1.3 of this Target's Statement, absent from the meeting during which the resolution was passed.

Signed by Peter Kazacos, a director of AMT duly authorised by resolution of the directors on AMT



Signature

Dated **4 July 2024**

APPENDIX 1 – INDEPENDENT EXPERT’S REPORT

4 July 2024

The Independent Directors
Allegra Medical Technologies Limited
Level 8, 18-20 Orion Road
Lane Cove West NSW 2066

Dear Independent Directors,

Independent Expert's Report Relating to the Takeover Offer

1 Executive Summary

Opinion

- 1.1 In our opinion, the proposed transaction outlined in the Target Statement ("**Target Statement**") relating to the proposed takeover offer of Allegra Medical Technologies Limited ("**Allegra**" or the "**Company**") by Allegra Innovation Pty Ltd ("**AI**"), is considered **FAIR** and **REASONABLE** to the Allegra shareholders not associated with AI ("**Non-Associated Shareholders**") as at the date of this report.

Introduction

- 1.2 Stantons Corporate Finance Pty Ltd ("**Stantons**") was engaged by the independent directors of Allegra to prepare an Independent Expert's Report ("**IER**") on the fairness and reasonableness of a proposal involving the acquisition of the Company by AI.
- 1.3 Allegra is an Australian public company listed on the Australian Securities Exchange ("**ASX**") that develops orthopaedic devices. The Company's main product is the Sr-HT-Gahnite Spinal Cage Device ("**Spinal Cage Device**"). The Company has been suspended from trading on the ASX since 21 February 2024 pending an announcement regarding its funding arrangements and the proposed sale of all intellectual property relating to Sr-HT-Gahnite (the "**IP**").
- 1.4 The Company announced on 24 May 2024 that it had entered into a Bid Implementation Agreement (the "**Agreement**") with AI. Under the Agreement, AI proposes to acquire all of the outstanding capital of the Company by way of an off-market takeover pursuant to Chapter 6 of the Corporations Act 2001 (the "**Corporations Act**") for consideration of \$0.004 per ordinary share of Allegra (the "**Transaction**").

Purpose

- 1.5 Section 640 of the Corporations Act ("**s640**") specifies that the target of a takeover bid must commission an expert report when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors.
- 1.6 AI is a wholly owned subsidiary of Robinwood Investments Pty Ltd ("**RIPL**"), an entity controlled by an Allegra director, Mr Nick Hartnell. RIPL holds an interest of 42.67% in the ordinary shares of Allegra, and accordingly AI has voting power in excess of 30%. Mr Nick Hartnell is also a director of both Allegra and AI.

- 1.7 The independent directors of Allegra have recommended that Shareholders accept the offer in the absence of a superior proposal, subject to an independent expert concluding that the Transaction is either fair and reasonable, or not fair but reasonable.
- 1.8 Accordingly, Allegra has commissioned Stantons to prepare an Independent Expert Report on the Transaction.
- 1.9 The proposed Transaction is described in the Target Statement to be forwarded to the Non-Associated Shareholders of Allegra. This IER provides an opinion on the fairness and reasonableness of the Transaction for Non-Associated Shareholders.

Basis of Evaluation

- 1.10 With regard to the Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 111: Content of Expert Reports (“RG111”), the Transaction is considered a control transaction, and we have assessed it as:
- fair if the value of an Allegra share, on a control basis, is greater than the value of the consideration offered; and
 - reasonable if it is fair, or if despite not being fair there are sufficient reasons for Non-Associated Shareholders to accept the offer.

Valuations

Allegra Share Value

- 1.11 We engaged an independent specialist, Acuity Technology Management Pty Ltd (“Acuity”) to provide a valuation of the intellectual property owned by Allegra based on the commercial potential of the Company’s patented biomaterial, the Sr-HT-Gahnite Spinal Cage Device. The valuation was contained in the report titled “Independent Valuation of Intellectual Property – Allegra Medical Technologies Limited” prepared by Acuity and dated 12 June 2024 (the “Acuity Report”) attached as Appendix E. We have relied on the Acuity Report valuations in forming our opinion.
- 1.12 We assessed the fair market value of an Allegra ordinary share using a Net Asset on a realisation based approach (“Net Assets”) as our primary methodology, as follows.

Table 1. Valuation of Allegra Shares

	Ref	Low	Preferred	High
IP (\$)	Table 14	-	1,100,000	2,900,000
Other net assets (\$)	Table 8	(1,951,790)	(1,951,790)	(1,951,790)
Convertible Loan value eliminated (\$)	Table 8	1,279,721	1,279,721	1,279,721
Pre-Transaction net assets (\$)		(672,069)	427,931	2,227,931
Less: options value (\$)	Table 15	-	-	-
Value attributable to ordinary shareholders		(672,069)	427,931	2,227,931
Number of ordinary shares on issue	Table 9	152,666,206	152,666,206	152,666,206
Value per ordinary share (\$) (control)		(0.0044)	0.0028	0.0146
Assessed value per ordinary share (\$) (control)		nil	0.0028	0.0146

Source: Stantons analysis

- 1.13 Accordingly, we assessed the fair value of an Allegra ordinary share on a control basis to be between \$nil and \$0.0146, with a preferred value of \$0.0028.
- 1.14 We have assessed the Transaction under an alternative assumption regarding the treatment of a convertible loan from RIPL (refer to paragraphs 6.12 to 6.14). We note that under that scenario, the assessed value of an Allegra share is nil in the low and preferred cases, and lower than the above valuation in the high scenario.

Value of Consideration

- 1.15 The consideration offered by AI is a cash offer of \$0.004 per share.

Fairness Assessment

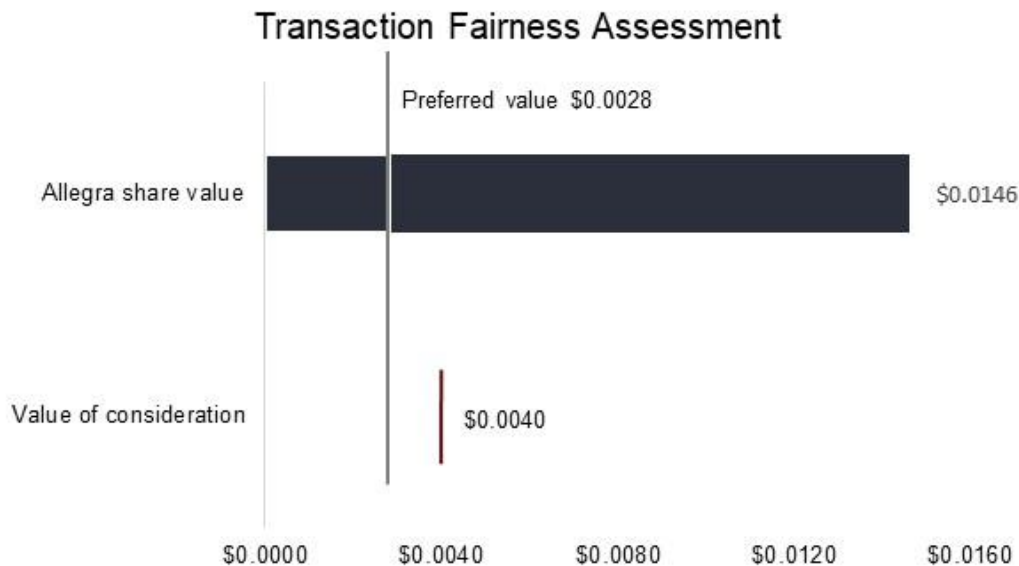
- 1.16 Our fairness assessment of the Transaction is set out below.

Table 2. Fairness Assessment

	Ref	Low	Preferred	High
Allegra share value (control) (\$)	Table 21	-	0.0028	0.0146
Consideration value (\$)	7.3	0.0040	0.0040	0.0040
Fairness assessment		Fair	Fair	Not Fair

Source: Stantons analysis

Figure 1. Fairness Assessment



- 1.17 We consider the Transaction to be **FAIR** to the Non-Associated Shareholders of Allegra.

Reasonableness Assessment

- 1.18 As the Transaction is considered fair pursuant to RG111.12, it is also considered reasonable. For informative purposes, we considered the following advantages and disadvantages of the proposed Transaction to Shareholders.

Table 3. Reasonableness Assessment of the Transaction

Advantages		Disadvantages	
▪ The Transaction is fair ▪ Provides liquidity ▪ The Company's access to funding is uncertain ▪ Certain cash outcome ▪ No superior offers ▪ No brokerage charges		▪ Offer price is below recent market prices ▪ No exposure to potential future value of Allegra	
Other Factors			
▪ May trigger a capital gains tax event ▪ Tax loss benefits may be available			

Source: Stantons analysis

Conclusion

- 1.19 In our opinion, the Transaction proposal is **FAIR** and **REASONABLE** to the Non-Associated Shareholders of Allegra.
- 1.20 This opinion must be read in conjunction with the more detailed analysis included in this report, together with the disclosures, Financial Services Guide, and appendices to this report.

Financial Services Guide

Dated 4 July 2024

Stantons Corporate Finance Pty Ltd

Stantons Corporate Finance Pty Ltd (ABN 42 128 908 289 and AFSL Licence No 448697) ("**Stantons**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In the above circumstances, we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients decide as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- a) who we are and how we can be contacted;
- b) the services we are authorized to provide under our **Australian Financial Services Licence, Licence No: 448697**;
- c) remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- d) any relevant associations or relationships we have; and
- e) our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without considering your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report, you should seek advice from a registered financial adviser.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Our fee for preparing this report is expected to be up to A\$20,000 exclusive of GST.

You have a right to request for further information in relation to the remuneration, the range of amounts or rates of remuneration and you can contact us for this information.

Except for the fees referred to above, neither Stantons nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

Stantons employees and contractors are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

Stantons is ultimately a wholly owned subsidiary of Stantons International Audit and Consulting Pty Ltd, a professional advisory and accounting practice. From time to time, Stantons and Stantons International Audit and Consulting Pty Ltd (that trades as Stantons International) and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons Corporate Finance Pty Ltd
Level 2
40 Kings Park Road
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaint within 10 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ("**AFCA**"). AFCA has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about AFCA are available at the AFCA website www.afca.org.au or by contacting them directly via the details set out below.

Australian Financial Complaints Authority Limited
GPO Box 3
MELBOURNE VIC 3001

Telephone: 1800 931 678

Stantons confirms that it has arrangements in place to ensure it continues to maintain professional indemnity insurance in accordance with s.912B of the TCA 2001 (as amended). In particular our Professional Indemnity insurance, subject to its terms and conditions, provides indemnity up to the sum

insured for Stantons and our authorised representatives / representatives / employees in respect of our authorisations and obligations under our Australian Financial Services Licence. This insurance will continue to provide such coverage for any authorised representative / representative / employee who has ceased work with Stantons for work done whilst engaged with us.

Contact details

You may contact us using the details set out at above or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

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2 Summary of Transaction

Background

- 2.1 Allegra was suspended from trading on ASX on 21 February 2024 pending an announcement regarding its funding arrangements and the proposed sale of all intellectual property relating to Sr-HT-Gahnite. On 24 May 2024, the Company announced it had entered into the Agreement with AI regarding the Transaction. A Bidders Statement prepared by AI was released via ASX on 21 June 2024.

Transaction Details

- 2.2 The key components of the Transaction are:
- i) AI will acquire 100% of the outstanding ordinary shares of Allegra via a takeover bid to be implemented in accordance with Chapter 6 of the Corporations Act; and
 - ii) Allegra shareholders will receive consideration of \$0.004 per ordinary share.
- 2.3 The offer is subject to the following conditions:
- i) the offer must be accepted by holders of at least 90% of Allegra shares on issue;
 - ii) no material acquisitions, disposals or commitments are made in any property or other assets of Allegra or its subsidiaries;
 - iii) no prescribed occurrences¹ occur between the date the Transaction is announced and the end of the offer period;
 - iv) between the announcement date and end of the offer period, Allegra does not take certain actions with regard to the conduct of its business²;
 - v) no regulatory action is taken against the Company to restrain, prohibit or impede the Transaction;
 - vi) non-existence or exercise of certain rights³; and
 - vii) Allegra enters into a deed with each holder of options over Allegra shares to cancel those options for an amount agreed by Allegra, AI and the option holder.
- 2.4 We note that based on the indicative timeline in the Agreement, the offer period is expected to close on 12 July 2024 unless extended.
- 2.5 The Company has 119,611,028 ordinary shares on issue, and accordingly the Transaction values the ordinary shares of the Company at \$478,444 in aggregate.

¹ Prescribed occurrences are detailed in Appendix 1 of the Transaction announcement made via ASX on 24 May 2024

² Refer to Appendix 1(e) of the Transaction announcement released on 24 May 2024

³ Refer to Appendix 1(g) of the Transaction announcement released on 24 May 2024

3 Scope

Purpose of the Report

Chapter 6 s640

- 3.1 s640 of the Corporations Act specifies that the target of a takeover bid must commission an expert report when the bidder's voting power in the target is at least 30% of the target or when the bidder and the target have common directors.
- 3.2 AI is a wholly owned subsidiary of RIPL, an entity controlled by the Allegra director, Mr Nick Hartnell. RIPL holds an interest of 42.67% in the ordinary shares of Allegra, and accordingly AI has voting power of above 30%. Mr Nick Hartnell is also a director of both Allegra and AI.

Purpose

- 3.3 Allegra intends to issue a Target Statement to its shareholders explaining the proposed Transaction. Based on the above, it is a requirement under s640 of the Corporations Act that an IER is commissioned by the Company.
- 3.4 The independent directors of Allegra have recommended that shareholders accept the offer in the absence of a superior proposal and subject to an independent expert concluding that the Transaction is either fair and reasonable, or not fair but reasonable.
- 3.5 Accordingly, Allegra has engaged Stantons to prepare an IER to assess the fairness and reasonableness of the proposal to accompany the Target Statement.

Basis of Evaluation

- 3.6 In determining the fairness and reasonableness of the Transaction, we have had regard to the guidelines set out by ASIC's RG111.
- 3.7 RG111 requires a separate assessment of whether a transaction is "fair" and whether it is "reasonable".
- 3.8 We therefore considered the concepts of "fairness" and "reasonableness" separately. The basis of assessment selected and the reasons for that basis are discussed below.

Fairness

- 3.9 As per RG111, the Transaction is considered to be a control transaction.
- 3.10 Accordingly, to assess whether the proposed Transaction is fair in accordance with RG111, we compared:
- the fair market value of an ordinary share in Allegra on a control basis; with
 - the fair market value of the consideration.
- 3.11 The value of an Allegra ordinary share is assessed at fair market value, which is defined by the International Glossary of Business Valuation Terms as:
- "The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts."*
- 3.12 While RG111 contains no explicit definition of value, we believe the above definition of fair market value is consistent with RG111.11 and common market practice.

Reasonableness

- 3.13 In accordance with RG111.12, we have defined the proposed Transaction as being reasonable if it is fair, or if despite not being fair we believe that there are sufficient reasons for the Non-Associated Shareholders to accept the proposal.
- 3.14 In order to determine whether there are sufficient reasons for Non-Associated Shareholders to accept the proposal despite the Transaction not being fair, we compared the advantages and disadvantages to Non-Associated Shareholders of accepting the offer.

Individual Circumstances

- 3.15 We have evaluated the proposed Transaction for Non-Associated Shareholders generically. We have not considered the effect on the circumstances of individual investors. Due to their personal circumstances, individual investors may place different emphasis on various aspects of the proposed Transaction from those adopted in this report. Accordingly, individuals may reach a different conclusion to ours on whether the proposed Transaction is fair and reasonable. If in doubt, investors should consult an independent financial adviser about the impact of the proposed Transaction on their specific financial circumstances.

4 Profile of Allegra

Company Profile and History

- 4.1 Allegra is an Australian public company listed on ASX that develops orthopaedic devices. The Company's main product is the Sr-HT-Gahnite Spinal Cage Device. The Company has been suspended from trading on ASX since 21 February 2024.
- 4.2 The Company completed the sale of its orthopaedics division to RIPL, the Company's major shareholder and an entity associated with Mr Nick Hartnell, on 28 August 2023. The orthopaedics division buys and sells orthopaedics medical equipment and earns income from selling certain medical devices on behalf of the manufacturer. The Company received cash consideration of \$1,000,000.
- 4.3 On 19 July 2023, the Company announced a 1 for 3 entitlement offer at an issue price of \$0.09 per share, to raise up to \$3,133,776 (before costs) with the intention to fund the commercialisation of the Spinal Cage Device. The offer closed on 28 August 2023, with the Company raising \$1,363,663 (before costs) via the issue of 15,151,825 new ordinary shares. 12,758,316 shares were issued to RIPL through part settlement of \$1,148,248 of outstanding loans (refer to paragraph 4.16 for the loan terms). Accordingly, the entitlement offer raised \$215,415 (before costs) of additional cash and had a shortfall of 19,668,108 shares.
- 4.4 The Company submitted a 501(k) application for the Spinal Cage Device to the United States Food and Drug Administration ("FDA") on 31 March 2023. After reviewing the application, the FDA requested additional supporting information, which related to the chemical characterisation and toxicology risk assessment, animal performance testing, and sterilisation, packaging and self-life validations. After an informal submission, the Company elected to withdraw its application due to the costs to provide the additional required supporting information. The Company subsequently assessed its options and elected to seek a sale of the IP associated with the Spinal Cage Device.
- 4.5 We note the attempts to sell or license the intellectual property was detailed in the Acuity Report as follows.
- "AMT has sought to sell its IP both through direct approaches to companies with an interest in orthopaedic products and to potential investors, as well as hiring the services of a company skilled in identifying collaborators. We were provided with a list of contacts made and some of their responses. In general, excluding those stating that the product did not fit their current portfolio of focus, these organisations expressed the view that they would only be interested once the product or material has been approved for clinical use. One contact raised an issue related to the mechanical properties."*
- 4.6 The Company's group structure is as set out below.

Table 4. Allegra Group Structure

Entity	Percentage owned by Allegra
Allegra	Parent entity
Allegra Orthopaedics Holding Pty Ltd	100% owned subsidiary
Advanced Surgical Design & Manufacture (UK) Limited ⁴	100% owned subsidiary

Source: Allegra 2023 Annual Report

⁴ This entity is dormant

Board of Directors

4.7 The current board of directors of Allegra, as at 4 July 2024, is as follows.

Table 5. Allegra Board of Directors ,

Director	Position	Date Appointed	Details
Peter Kazacos	Non-Executive Chairman	11 May 2006	Mr Kazacos has over 40 years' experience in the IT industry. He founded KAZ in 1988, guiding it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Ltd, building it into one of Australia's leading IT&C service providers outside major metropolitan areas. Prior to founding KAZ and Anittel, he held a number of senior technical positions in the Australian IT industry.
Sean Mulhearn	Non-Executive Director	19 November 2015	Mr Mulhearn has been involved in financial markets for over 30 years' with experience in Asia, Europe and the Americas. He has particular expertise in risk management. He founded Jacaranda Capital Partners, a boutique advisory and markets training business with offices in Singapore and Australia.
Nick Hartnell	Non-Executive Director	9 March 2018	Mr Hartnell is an orthopaedic surgeon. Since 1995, he has been focused on orthopaedic training and specialisation and has many years of experience in all facets of orthopaedic care. He set up his practice in Bowral in the Southern Highlands, NSW, and has since expanded his surgical practice into the Goulbourn and Camden/Campbelltown areas.

Source: Allegra 2023 Annual Report

Financial Performance

4.8 Allegra's audited Statements of Profit or Loss and Other Comprehensive Income for the years ended 30 June 2022 and 30 June 2023 and reviewed for the six-months to 31 December 2023 are set out below. We note that the financial statements for the half year to 31 December 2023 were prepared on a realisation basis and accordingly all revenue and expenses were considered to be from discontinued operations.

Table 6. Allegra Statement of Profit or Loss and Other Comprehensive Income

	Audited 12 months to 30 June 2022 (\$)	Audited 12 months to 30 June 2023 (\$)	Reviewed 6 months to 31 December 2023 (\$)
Revenue from contracts with customers	-	-	484,235
Other income	947,774	691,291	214,252
Interest revenue calculated using effective interest method	8	134	3,144
Cost of sales and purchases of consumables	5,295	(13,916)	(243,737)
Corporate and administration expenses	(1,101,941)	(1,092,817)	(659,843)
Quality and research and development expenses	(1,732,375)	(1,369,962)	(455,421)
Finance costs	(134,442)	(301,040)	(100,088)
Sales and marketing expenses	-	-	(118,859)
Impairment of assets	-	-	(567,854)
Loss before income tax from continuing operations	(2,015,681)	(2,086,310)	-
Income tax expense	-	-	-
Loss after income tax from continuing operations	(2,015,681)	(2,086,310)	-
Loss after income tax from discontinued operations	(519,647)	(1,561,427)	(1,444,171)
Loss after income tax	(2,535,328)	(3,647,737)	(1,444,171)
Other comprehensive income, net of tax	-	-	-
Total comprehensive income/(loss)	(2,535,328)	(3,647,737)	(1,444,171)

Source: Allegra Annual Report for the year ended 30 June 2023 and half year report for the period ended 31 December 2023

4.9 We note that the \$484,235 of revenue from contracts with customers were generated from the Orthopaedics division, which was disposed of on 28 August 2023. Revenues for the financial years ended 30 June 2022 and 30 June 2023 were \$2,932,844 and \$3,236,096, respectively, which are included in loss after income tax from discontinued operations.

4.10 Other income relates to government grants and research and development tax offsets.

Financial Position

4.11 Set out below is Allegra's audited Statement of Financial Position as at 30 June 2022 and 30 June 2023 and reviewed as at 31 December 2023, prepared on a consolidated basis.

4.12 We note that the financial statements for the half year to 31 December 2023 were prepared on a realisation basis rather than a going concern basis. As described in the half year report:

"Under the realisation basis of accounting, assets are written down to their estimated net realisable value, where relevant, and liabilities are stated at their estimated settlement amounts and relevant estimates are reviewed and adjusted as appropriate. All assets and liabilities are presented as current."

Table 7. Allegra Statement of Financial Position

	Audited as at 30 June 2022 (\$)	Audited as at 30 June 2023 (\$)	Reviewed as at 31 December 2023 (\$)
Assets			
Current assets			
Cash and cash equivalents	206,332	1,406	153,711
Trade and other receivables	1,197,529	1,138,257	232,777
Inventories	2,845,763	-	-
Prepayments	130,857	113,967	54,022
	4,380,481	1,253,630	440,510
Assets of disposal groups held for sale	-	942,800	-
Total current assets	4,380,481	2,196,430	440,510
Non-current assets			
Property plant and equipment	446,006	49,872	-
Right of use assets	135,614	266,167	-
Intangible assets	541,246	400,764	-
Security deposits	105,615	-	-
Total non-current assets	1,228,481	716,803	-
Total assets	5,608,962	2,913,233	440,510
Liabilities			
Current liabilities			
Trade and other payables	(914,273)	(1,046,373)	(541,295)
Borrowings	(326,395)	(311,464)	(1,265,294)
Lease liabilities	(136,268)	(138,350)	(189,088)
Employee benefits	(198,687)	(155,784)	(47,420)
Provisions	-	-	(10,000)
	(1,575,623)	(1,651,971)	(2,053,097)
Liabilities directly associated with assets classified as held for sale	-	(62,800)	-
Total current liabilities	(1,575,623)	(1,714,771)	(2,053,097)
Non-current liabilities			
Borrowings	(1,869,316)	(2,548,440)	-
Lease liabilities	-	(129,103)	-
Employee benefits	(21,717)	-	-
Provisions	(10,000)	(20,000)	-
Total non-current liabilities	(1,901,033)	(2,697,543)	-
Total liabilities	(3,476,656)	(4,412,314)	(2,053,097)
Total net assets/(liabilities)	2,132,306	(1,499,081)	(1,612,587)
Equity			
Issued capital	15,366,235	15,366,235	16,688,725
Share based payment reserve	858,453	874,803	882,978
Accumulated losses	(14,092,382)	(17,740,119)	(19,184,290)
Total equity	2,132,306	(1,499,081)	(1,612,587)

Source: Allegra Annual Report for the year ended 30 June 2023 and half year report for the period ended 31 December 2023

Commentary on Financial Position

- 4.13 As at 30 June 2023, assets of disposal groups held for sale and liabilities directly associated with assets classified as held for sale relate to the Company's Orthopaedics division, which was sold to RIPL for consideration of \$1,000,000 cash on 28 August 2023.
- 4.14 As described above, the financial position as at 31 December 2023 is presented on a realisation basis. As a result, impairments were made against property, plant, and equipment, right of use assets and intangible assets to their estimated net realisable values, being nil. All non-current assets were reclassified as current assets and assessed at their expected settlement amounts.

RIPL Loan

- 4.15 Borrowings include related party loans to RIPL (the "**Convertible Loan**"), an entity associated with Mr Nicholas Hartnell. As at 31 December 2023, the balance owing on the Convertible Loan was \$1,249,721.
- 4.16 We have been advised by the Company that the key terms of the loan agreement with RIPL are:
- the maximum loan amount is \$2,000,000 (plus interest, fees, costs and expenses);
 - the maturity date of the loan is 31 December 2024 (the "**Maturity Date**");
 - interest is payable at 13% p.a., accrued daily and paid monthly in arrears;
 - if prior to the repayment date, Allegra undertakes a capital raising⁵, at the Company's election, RIPL may be offered the right to convert any or all of the balance to equity, at the same price that shares are offered under the capital raising;
 - if not converted prior, at the Maturity Date, the Company has the right to convert all or some of the Convertible Loan balance at a 10% discount to the 90-day volume weighted average price ("**VWAP**") of the Company's shares⁶;
 - if not converted, the balance of the Convertible Loan must be repaid on the Maturity Date;
 - in an event of default, RIPL may make the Convertible Loan immediately due and payable;
 - until the loan is repaid in full, the Company must not incur any financial indebtedness over \$250,000 without the borrower's consent; and
 - until the loan is repaid in full, the Company must not pay any distributions to shareholders.
- 4.17 We note that as detailed at paragraph 4.3, an amount of \$1,148,248 of the Convertible Loan (the "**Rights Issue Amount**") was settled via the issue of shares under an entitlement offer on 28 August 2023 on the basis that the Rights Issue Amount could be redrawn by the Company under the Convertible Loan. To give effect to this, RIPL and the Company entered into a Deed of Amendment on 28 August 2023.
- 4.18 We note the ability of Allegra of drawdown further amounts under the Convertible Loan facility is subject to various legal clauses contained in the facility agreement (as amended) and interpretations of such clauses, including the satisfaction of certain conditions precedent (as outlined in section 10.2 of the Target Statement). We note the Company's ability to satisfy some or all of those conditions precedent in the future is uncertain.

Updated Position

- 4.19 We have received management accounts presenting the Company's financial position as at 30 April 2024 and have separately been informed of the cash balance as at 31 May 2024⁷. In

⁵ Defined in the Loan Agreement as any form of public or private offer or placement of shares or any form of rights issue

⁶ We note the legal definition of this clause is arguably ambiguous, however the Company has advised this is the understanding of the parties

⁷ We note the Target Statement declares a cash balance of \$2,191.23 as at 2 July 2024

accordance with this information, the Company's estimated Net Asset position (excluding intangibles) as at 1 June 2024 is as set out below.

Table 8. Allegra Adjusted Net Asset Position as at 1 June 2024

	Reviewed as at 31 December 2023 (\$)	Adjustments (\$)	Adjusted as at 1 June 2024 (\$)
Assets			
Cash and cash equivalents	153,711	(127,610)	26,101
Trade and other receivables	232,777	53,358	286,135
Prepayments	54,022	(31,154)	22,868
Total assets	440,510	(105,406)	335,104
Liabilities			
Trade and other payables	(541,295)	(259,387)	(800,682)
Convertible Loan	(1,249,721)	(30,000)	(1,279,721)
Other loans	(15,573)	(65,002)	(80,575)
Lease liabilities	(189,088)	73,172	(115,916)
Employee benefits	(47,420)	47,420	-
Provisions	(10,000)	-	(10,000)
Total liabilities	(2,053,097)	(233,797)	(2,286,894)
Total Net Assets	(1,612,587)	(339,203)	(1,951,790)

Source: Allegra Management Accounts

- 4.20 We note that AI has agreed to fund the Company's required creditor payments on a month-by-month basis while it implements the takeover offer, though has made no ongoing commitment for general expenses. From 1 January 2024 to 20 June 2024, various customers of the orthopaedics business, which was sold by Allegra to AI, paid money owing to AI into the Allegra bank account. In this period that amount totalled \$74,237. The Company has been provided with \$80,000 from AI between 1 April 2024 and 1 June 2024. In aggregate, these amounts total \$154,237.
- 4.21 We have been advised that the Company expects to receive a Research and Development tax incentive. It intends to make a claim for approximately \$160,000. Any amount received will be subject to assessment by the Australian Taxation Office. We have not included this amount in our adjustments as the claim has not yet been lodged and the amount to be received is currently uncertain.

Capital Structure

Ordinary Shares

- 4.22 As at 4 July 2024, Allegra had 119,611,028 ordinary shares on issue, with the top 20 holders being as follows.

Table 9. Top 20 Shareholders

Shareholder	Number held	Percentage (%)
RIPL	51,033,264	42.67%
Netwealth Investments Ltd <Wrap Services A/C>	12,279,615	10.27%
Welsh Superannuation Pty Ltd	6,600,000	5.52%
The University of Sydney	6,408,000	5.36%
Marie and Dawson Carroll	5,636,285	4.71%
BNP Paribas Nominees Pty Ltd <Clearstream>	4,958,074	4.15%
Andrew and Skye Leicester <Leicester Super Fund A/C>	3,353,123	2.80%
Dugal Diagnostics Pty Ltd <The Dugal Family A/C>	3,000,000	2.51%
Andrew and Sky Leicester	2,272,270	1.90%
Richard and Wendy Ulrich <Ulrich Super Fund A/C>	1,841,168	1.54%
Chew Investments Pty Ltd <Chew Investments A/C>	1,333,333	1.11%
Nicholas Hartnell	1,225,090	1.02%
Kenneth Campbell	1,000,000	0.84%
Thomas Carroll	1,000,000	0.84%
Destin Pty Ltd	946,470	0.79%
Misty Hills Nominees Pty Ltd	892,857	0.75%
Mergin Investments Pty Ltd <M & V Cross Super Fund>	627,490	0.52%
Fenton Healy <Cheeky Monkey A/C>	545,000	0.46%
Desmond J Bokor Pty Ltd <Koorunga Super Fund A/C>	510,000	0.43%
Raymond Hall	500,001	0.42%
Total Top 20	105,962,040	88.59%
Non-top 20 shareholders	13,648,988	11.41%
Total Shares (as at 4 July 2024)	119,611,028	100.00%

Source: Allegra register of shareholders

4.23 We note RIPL is an entity associated with Nicholas Hartnell.

Options

As at 4 July 2024, the Company had the following options on issue.

Table 10. Allegra Options

Option	Number	Exercise Price (\$)	Expiry date
Unlisted Options 1	3,000,000	0.15	10 November 2024
Unlisted Options 2	1,500,000	0.16	31 January 2026

Source: ASX announcements

5 Valuation Methodology

Available Methodologies

- 5.1 In assessing the value of Allegra, we considered a range of common market practice valuation methodologies in accordance with RG111, including those listed below.
- Capitalisation of future maintainable earnings ("**FME**")
 - Discounted future cash flows ("**DCF**")
 - Asset-based methods ("**Net Assets**")
 - Quoted market prices or analysis of traded share prices
 - Common industry rule-based methodologies
- 5.2 Each of these methods is appropriate in certain circumstances and often more than one approach is applied. The choice of methods depends on several factors such as the nature of the business being valued, the return on the assets employed in the business, the valuation methodologies usually applied to value such businesses and the availability of required information. A detailed description of these methods and when they are appropriate is provided in Appendix B.

Selected Methodology

Valuation methodology

- 5.3 Our primary valuation methodology to value Allegra's shares is a Net Assets on a realisation based approach.
- 5.4 In selecting an appropriate valuation methodology to value the shares of Allegra, we considered the following factors:
- Allegra is currently loss-making and has limited revenue generating activities. As such FME methodology is not considered appropriate.
 - Trading in Allegra's shares represents a low level of liquidity. Therefore, we have considered traded prices as a secondary cross-check methodology only.
 - Allegra's assets are predominantly comprised of IP assets related to its Sr-HT-Gahnite patents, which have been valued by a technical specialist. Accordingly, a Net Assets based approach is the most suitable for a valuation assessment.

6 Valuation of Allegra Shares

Net Assets Valuation of Allegra Shares

6.1 To assess the value of an Allegra ordinary share, we used a realisable Net Assets approach, which sums the market values of Allegra's assets and liabilities to arrive at a net value of the Company.

6.2 In relation to our approach, we note the following:

- The Net Assets approach assumes a 100% control interest in the company.
- The valuation date is 1 June 2024.
- The IP of Allegra has been valued by an independent specialist, Acuity. A summary of Acuity's valuation is provided below from paragraph 6.6, and the Acuity Report is appended as Appendix E.
- All other net assets are assessed at their adjusted book values as set out in Table 8. We note that these values were based on a realisation basis.
- We note the Convertible Loan is considered a liability in the accounts, though contains a conversion option (refer to paragraph 4.16). The Company currently does not have the funds to repay the Convertible Loan and has been unsuccessful in attempts to raise further capital. For the valuation purpose, we have assumed the Company, acting rationally, would elect to convert the amount outstanding on the Convertible Loan.
- The Company is currently suspended from trading. The most recent 90-day VWAP of the Company's shares on ASX prior to suspension from trading on 21 February 2024 was \$0.0430, which we have assumed as the VWAP as at conversion for the valuation purpose. Accordingly, the number of shares that would be issued to RIPL on conversion would be as follows.

Table 11. Number of shares on conversion of Convertible Loan (current balance)

Convertible Loan face value (\$)	1,279,721
90-day VWAP (\$)	0.0430
Discount	10%
Conversion price (\$)	0.0387
Number of shares issued	33,055,178

Source: Stantons analysis

- Accordingly, the number of ordinary shares on issue following conversion of the Convertible Loan is as follows.

Table 12. Post conversion number of shares outstanding

Current ordinary shares	119,611,028
Shares issued on conversion of Convertible Loan	33,055,178
Number of shares issued	152,666,206

Source: Stantons analysis

6.3 The valuation of an ordinary share under the conversion scenario based on the current amount outstanding on the Convertible Loan is set out below.

Table 13. Allegra Share Valuation (Conversion Scenario)

	Ref	Low	Preferred	High
IP (\$)	Table 14	-	1,100,000	2,900,000
Other net assets (\$)	Table 8	(1,951,790)	(1,951,790)	(1,951,790)
Convertible Loan liabilities – eliminated on conversion (\$)	Table 8	1,279,721	1,279,721	1,279,721
Pre-Transaction net assets (\$)		(672,069)	427,931	2,227,931
Less: options value (\$)	Table 15	-	-	-
Value attributable to ordinary shareholders		(672,069)	427,931	2,227,931
Number of ordinary shares on issue	Table 12	152,666,206	152,666,206	152,666,206
Value per ordinary share (\$) (control)		(0.0044)	0.0028	0.0146
Assessed value per ordinary share (\$) (control)		nil	0.0028	0.0146

Source: Stantons analysis

- 6.4 Based on the assumptions outlined in paragraph 6.2, the Net Asset value of an Allegra ordinary share, on a control basis, is negative in the low case. As Allegra shares are issued on a limited liability basis, the assessed values in this case is nil. Accordingly, the assessed value of an Allegra ordinary share on a control basis is between nil and \$0.0146, with a preferred value of \$0.0028.

Acuity Report

Engagement of Acuity

- 6.5 Stantons engaged Acuity as a technical specialist to undertake a market valuation of the Company's IP. We have used and relied on the Acuity Report and note Acuity has declared that:
- Acuity is a suitably qualified consulting firm and has relevant experience in assessing the merits and preparing valuations of intellectual property and knowledge based intangible assets. The principal author of the Acuity Report, Dr David Randerson, is also suitably qualified and experienced; and
 - Acuity is independent of all parties involved in the Transaction.

Acuity Report Valuation Summary

- 6.6 The Acuity Report provides a valuation of the IP held by Allegra as at a valuation date of 1 June 2024.
- 6.7 The valuation of Allegra's IP assets determined by Acuity is as follows. Full details of the valuation assumptions and methodology are located in Section 5 of the Acuity Report.

Table 14. Acuity Report Valuation Summary of Allegra's Intellectual Property

	Low (\$)	Preferred (\$)	High (\$)
Intellectual Property	-	1,100,000	2,900,000

Source: Acuity Report

Acuity Valuation Summary

- 6.8 The Acuity Report valued Allegra's Intellectual Property to be between \$nil and \$2,900,000, with a preferred value of \$1,100,000.
- 6.9 The Acuity Report used a risk-adjusted DCF model to value the Intellectual Property Assets of Allegra. The valuation estimates cash flows, based on Acuity's industry experience, for the period to the end of the patent, plus an additional 3 years to account for the potential of an extension. The assumptions include a 5% market penetration. The valuation considers 2 scenarios:

- where 510(k) approval is obtained without trials but with trials conducted after US entry for purposes of post-market surveillance, to generate marketing information and to satisfy non-US compliance; and
- where clinical trials are required as part of a 510(k) submission.

6.10 We note the valuation model assumes funding is available at a discount rate of 15% for the funding requirements of the product through to commercialisation. Acuity is of the view that *"trials are likely to be mandated due to the fact deficiencies have already been noted in the studies to date and the novel material has never been implanted into a human"* and accordingly it is not considered likely that the high scenario would occur. The Acuity Report also notes that *"our DCF analysis assumes funding for development and commercialisation is available, which, in the better scenario of no clinical requirement, could exceed \$5 million"*. Acuity notes that the Company has sought a sale or licencing arrangement for the IP and has not been able to obtain funding. Without this funding, Acuity believes that the IP may have no value.

Options Valuation

6.11 We derived a value for the existing options in accordance with AASB 2: *Share Based Payments*, using the Black Scholes option methodology. We used an underlying spot price consistent with our preferred Net Asset value of nil, and accordingly the options are considered to have nil value. We note the circularity between the calculation of the Net Asset value and the option valuation. As the options have exercise prices of \$0.15 and \$0.16, the options would be well out of the money and have negligible value regardless of our assumed spot price.

Table 15. Option Values

Option	Number	Total value (\$)
Unlisted options 1	3,000,000	-
Unlisted options 2	1,500,000	-
	4,500,000	-

Source: Stantons analysis

Scenario Analysis

6.12 For information purposes, we have assessed the value of an ordinary share in Allegra under alternative scenario where the Convertible Loan are repaid.

Repayment Scenario

- 6.13 We note that the financial statements of Allegra treat the Convertible Loan as a liability. We have interpreted the loan agreement as providing the Company with the right to convert the balance of the Convertible Loan at the Maturity Date, though note there may be different interpretations if Allegra shares remain in suspension and a VWAP is unable to be obtained to calculate the conversion price. Accordingly, we have also presented the scenario in which Allegra is required to repay the amount outstanding on the Convertible Loan.
- 6.14 Our Net Assets based valuation of an Allegra share assuming the Company elects to repay the Convertible Loan amount is as set out below.

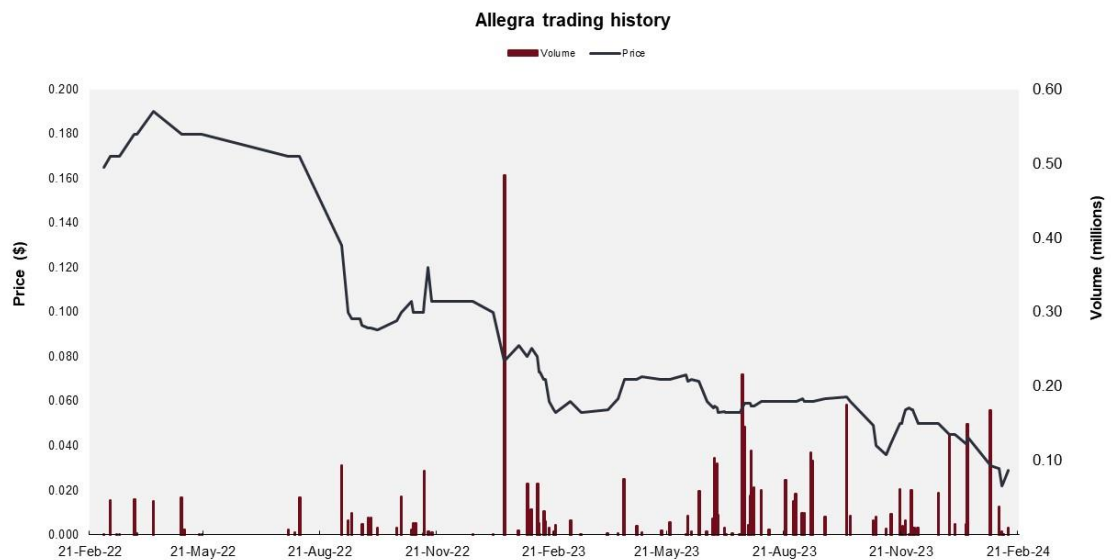
Table 16. Valuation of Allegra Shares

	Ref	Low	Preferred	High
IP (\$)	Table 14	-	1,100,000	2,900,000
Other net assets (\$)	Table 8	(1,951,790)	(1,951,790)	(1,951,790)
Net assets (\$)		(1,951,790)	(851,790)	948,210
Less: options value (\$)	Table 15	-	-	-
Value attributable to ordinary shareholders		(1,951,790)	(851,790)	948,210
Number of ordinary shares on issue	Table 9	119,611,028	119,611,028	119,611,028
Net Assets per ordinary share (\$) (control)		(0.0163)	(0.0071)	0.0079
Assessed value per ordinary share (\$) (control)		nil	nil	0.0079

Source: Stantons analysis

Analysis of Trading History

- 6.15 We considered the recent trading history of Allegra shares on the ASX prior to the suspension of trading pending the announcement of the Transaction.
- 6.16 Allegra was suspended from trading on ASX on 21 February 2024. The trading history of Allegra on ASX for the two-year period to 21 February 2024 is set out below.

Figure 2. Allegra ASX Trading History to 21 February 2024


Source: S&P Capital IQ

- 6.17 The key announcements made by the Company over the past 12 months up to the Transaction are as follows.

Table 17. Key Allegra ASX Announcements

Date	Announcement details
27 May 2024	Announcement of cash takeover offer by AI
11 March 2024	Release of half year accounts as at 31 December 2023
23 February 2024	Company's shares suspended from trading pending an announcement regarding funding arrangements and the sale process relating to the Sr-HT-Gahnite Spinal Cage Device
21 February 2024	Company's shares enter trading halt
6 February 2024	The Company has withdrawn the Spinal Cage submission with the FDA , due to additional costs associated with obtaining supporting data. The Company has assessed its options and will seek to sell all Intellectual Property associated with the project
5 December 2023	The Company has submitted an informal response to the FDA, with a formal submission due on 4 February 2024
4 September 2023	The Company provided details the of additional information requested by FDA
31 August 2023	Annual Report for the year ended 30 June 2023 released
30 August 2023	Pro rata entitlement offer raised \$1,363,663 (before costs). Approximately \$215,000 was cash raised, as \$1,148,248 was through the part settlement of Convertible Loan with RIPL
28 August 2023	The Company completed the sale of its orthopaedics division to RIPL
16 August 2023	The FDA are reviewing the Spinal Cage device under the 510(k) pathway and have requested additional information
19 July 2023	The Company announced a 1 for 3 non-renounceable entitlement offer at an issue price of \$0.09 per share
2 May 2023	The Company enters into binding agreement for the sale of the Orthopaedics division to RIPL for \$1 million cash. The Company also announced it will undertake a capital raising in the near future. RIPL has agreed to underwrite the capital raising up to \$1.2 million
31 March 2023	The Company submitted the 501(k) for the Spinal Cage device to the FDA

Source: ASX announcements

- 6.18 As at 21 February 2024, the Company had an undiluted market capitalisation of approximately \$3,468,720.
- 6.19 Further details of Allegra's trading history as at 21 February 2024 are set out below.

Table 18. Allegra ASX Trading History

Trading days	Low price (\$)	High price (\$)	VWAP (\$)	Cumulative volume traded	Percentage of total shares (%)	Annual equivalent (%)	Percentage of free float (%)	Annual equivalent (%)
1 Day	-	-	-	-	-	-	-	-
10 Days	0.022	0.029	0.0253	14,980	0.01%	0.32%	0.06%	1.54%
30 Days	0.022	0.044	0.0361	386,220	0.32%	2.74%	1.57%	13.21%
60 Days	0.022	0.058	0.0422	703,100	0.59%	2.50%	2.80%	11.76%
90 Days	0.022	0.058	0.0430	867,020	0.72%	2.05%	3.42%	9.55%
180 Days	0.022	0.075	0.0537	2,572,660	2.25%	3.18%	10.46%	14.53%
1 Year (255 trading days)	0.022	0.075	0.0547	2,760,950	2.48%	2.48%	11.36%	11.36%

Source: S&P Capital IQ, Stantons analysis

- 6.20 Generally, the market is a fair indicator of what a share is worth, however for a quoted market price to be a reliable indicator of a company's value, the company's share must trade in a "liquid and active" market. We consider that a liquid and active market would typically be characterised by:

- regular trading in the company's securities;
 - trading of at least 1% of a company's securities on a weekly basis;
 - the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of the company; and
 - no significant but unexplained movements in the share price.
- 6.21 Allegra's shares have historically demonstrated trading volumes below 1% per week, with 11.36% of the outstanding shares being traded in the twelve-month period before being suspended from trading due to announcement of the Transaction.
- 6.22 We note Allegra undertook a 1 for 3 entitlement offer at \$0.09 per share that completed on 30 August 2023. The Company issued 15,151,825 new ordinary shares, of which 12,758,316 were issued to RIPL paid through settlement of part of the Convertible Loan. Cash raised was \$215,416 before costs. The entitlement offer had a significant shortfall of 19,668,108 shares.
- 6.23 As required by RG111.58/111.32, we have also considered the volatility of the market price of Allegra shares. The historical volatility of Allegra shares to 21 February 2024 over various periods is shown below.

Table 19. Volatility

Period	Low (\$)	High (\$)	Volatility (%)
1 year	0.022	0.075	73.56
2 year	0.022	0.190	65.43
3 year	0.022	0.410	67.87

Source: S&P Capital IQ, Stantons analysis

- 6.24 We note that the volatility is consistent with that expected for a pre-commercialisation biotechnology company.
- 6.25 Other key considerations for assessing traded prices of Allegra shares include:
- Allegra shares typically demonstrate a relatively high bid-ask spread, due to the ASX minimum tick size of \$0.001 representing a large percentage of the current market price.
 - Early-stage biotechnology company valuations are typically highly subjective and therefore investors may hold a wide range of opinions on the value of the shares.
 - Trading in early-stage biotechnology company shares such as Allegra may be driven by technical chartist traders, market sentiment, the involvement of key individuals and/or expectation/speculation of corporate activity.
 - Allegra is not covered by any major research analysts.
 - Allegra is not included in any indices.

Control Premium

- 6.26 We note a traded prices based valuation is based on a minority interest in the Company. As RG111 requires the value of shares the subject of the offer to be on a control basis, we have applied a control premium to our valuation.
- 6.27 Generally, historical evidence of control premiums offered on takeovers for small-cap companies are in the range of 20% to 40%⁸ (although outcomes outside this are not uncommon) with 30% a commonly accepted benchmark where a 100% interest is being acquired. We have considered the factors in Appendix C and concluded that a control premium of 30% is appropriate to apply in this

⁸ "Control Premium Study 2017", RSM

circumstance. Accordingly, we applied a control premium of 30% to the value of an Allegra post-Transaction ordinary share.

Valuation

- 6.28 Based on the above, our assessed value of an Allegra share using the quoted market prices methodology is as set out below. The low and high valuations are based on the low and high prices in the past 30 days of trading, and our preferred valuation was based on the 30-day VWAP as at the date of the announcement of the Transaction.

Table 20. Quoted Market Prices Valuation

	Low value (\$)	Preferred value (\$)	High value (\$)
Quoted market price value	0.0220	0.0361	0.0440
Control premium	30%	30%	30%
	0.0286	0.0470	0.0572

Source: Stantons analysis

- 6.29 The above quoted prices valuation is a secondary cross-check methodology only as the liquidity of Allegra shares is not considered sufficient for traded prices to be reliable.

Valuation Summary

- 6.30 Based on the above analysis, our valuation of an Allegra share on a control basis is as follows.

Table 21. Valuation Summary

	Low value (\$)	Preferred value (\$)	High value (\$)
Net Assets valuation	-	0.0028	0.0146
Quoted market prices valuation	0.0286	0.0470	0.0572
Adopted value	-	0.0028	0.0146

Source: Stantons analysis

- 6.31 As we consider the quoted market prices as a secondary cross-check methodology only, our adopted minority interest value of an Allegra share is between \$nil and \$0.0146, with a preferred value of \$0.0028.

7 Fairness Evaluation

Fairness Methodology

- 7.1 In determining the fairness of the Transaction, we have had regard to the guidelines set out by ASIC's RG111.
- 7.2 As per RG111, we consider the Transaction outlined in the Target Statement to be fair if:
- the value of an Allegra share on a control basis; is less than
 - the value of the consideration offered

Value of Consideration

- 7.3 The consideration offered by AI is a cash offer of \$0.004 per share.

Fairness Assessment

- 7.4 Our assessment of the fairness of the Transaction is set out below.

Table 22. Fairness Assessment

	Ref	Low	Preferred	High
Allegra share value (control) (\$)	Table 13	-	0.0028	0.0146
Value of consideration (\$)	7.4	0.0040	0.0040	0.0040
Fairness Assessment		Fair	Fair	Not Fair

Source: Stantons analysis

Conclusion

- 7.5 Accordingly, as the value of an Allegra ordinary share is greater than value of the consideration offered in the low and preferred scenarios, we consider the Transaction to be **FAIR** to the Non-Associated Shareholders of Allegra.
- 7.6 The Transaction is considered not fair in the high scenario. We note that this scenario is based on a hypothetical scenario in the Acuity Report which Acuity considers to be unlikely, in which the FDA process does not require additional trials and the IP is fully funded through to commercialisation. The Company has sought funding for the project and has been unsuccessful. Further discussion of this is contained in our reasonableness assessment.
- 7.7 We note that the value per share is lower in the repayment scenario of the Convertible Loan and accordingly our fairness opinion would be unchanged should that scenario eventuate.

8 Reasonableness Evaluation

8.1 Under RG111, a transaction is considered "reasonable" if it is "fair", or if despite not being "fair" there are sufficient reasons to accept the proposal.

8.2 As the Transaction is considered fair, it is also considered **REASONABLE**.

8.3 For information purposes, we have considered the following advantages, disadvantages and other factors in assessing the reasonableness of the Transaction.

Advantages

The Transaction is fair

8.4 As detailed in our assessment in Section 7, the Transaction is considered fair to Non-Associated Shareholders.

Provides liquidity

8.5 The Company is currently suspended from trading on ASX, and there is no guarantee that it will be reinstated. Accepting the offer allows Non-Associated Shareholders to dispose of their shares, which they are currently unable to do on a listed exchange.

The Company's access to funding is uncertain

8.6 The Company requires additional funding for the Spinal Cage Device through the FDA approval process. The Company has attempted to raise funds via an entitlement offer and has tested the market via a sale process without having success. The Company is currently reliant on support from AI to meet its expense requirements, though this agreement is on a month-by-month basis and is only committed for the duration of the sale process.

8.7 If the Transaction doesn't proceed, then the Company's continued access to funding remains uncertain.

Certain cash outcome

8.8 Non-Associated Shareholders will receive a certain cash outcome of \$0.004 per share, as opposed to continuing to hold shares in a Company with uncertain prospects. Shareholders will no longer be exposed to risks associated with holding shares in Allegra.

No other superior offers

8.9 The Company has undertaken a sale process for the IP and did not receive any other offers.

No brokerage charges

8.10 Non-Associated Shareholders will not be required to pay any brokerage charges on accepting the offer, which they may be exposed to if they were to attempt to sell their shares on the ASX.

Disadvantages

Cash consideration is below recent market prices

8.11 The Company's trading prices on ASX were higher than the cash offer of \$0.004. However, the Company's shares had low levels of liquidity and are currently suspended from trading.

No exposure to potential future value of Allegra

8.12 If the offer is accepted, Non-Associated Shareholders will no longer hold an interest in the shares of the Company. However, we note that the Company requires funding to commercialise its IP and has been unable to find a superior offer.

Other Factors***Tax implications***

- 8.13 Accepting the offer may trigger a capital gains or loss event for taxation purposes. We have evaluated the transaction generically and do not comment on the specific situation of individual shareholders.

Tax losses

- 8.14 The Company has accumulated tax losses that may provide benefits to the Company in the future, though it is uncertain whether any benefits would be available to Non-Associated Shareholders. Stantons is not providing any tax advice on this matter.

9 Conclusion

Opinions

- 9.1 The proposed Transaction, as described in the Target Statement, is considered **FAIR** and **REASONABLE** to the Non-Associated Shareholders of Allegra as at the date of this report.

Shareholders Decision

- 9.2 Stantons was engaged to prepare an IER setting out whether in its opinion the proposed Transaction is fair and reasonable to the Non-Associated Shareholders and to state reasons for that opinion. Stantons has not been engaged to provide a recommendation to Non-Associated Shareholders as to whether to accept the offer.
- 9.3 The decision whether to accept the offer from AI is a matter for individual shareholders based on each shareholder's views as to the value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure, and tax position. If in any doubt as to the action they should take in relation to the proposed offer, shareholders should consult their professional advisor.
- 9.4 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in Allegra. This is an investment decision upon which Stantons does not offer an opinion. Shareholders should consult their own professional advisor in this regard.

Source Information

- 9.5 In making our assessment as to whether the proposed Transaction is fair and reasonable to Non-Associated Shareholders, we reviewed published available information and other unpublished information of the Company that is relevant to the current circumstances. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the directors and management of Allegra.
- 9.6 Information we have received includes, but is not limited to:
- Drafts of the Target Statement to 3 July 2024
 - The Bidders Statement released on 19 June 2024
 - The Acuity Report
 - Allegra ASX announcements to 3 July 2024
 - Allegra's Annual Reports for the financial years ended 30 June 2022 and 30 June 2023
 - Allegra's Interim Financial Report for the half year ended 31 December 2023
 - Allegra's unaudited management accounts as at 30 April 2024
 - Register of Allegra shareholders as at 31 May 2024
 - The Bid Implementation Agreement between Allegra and AI dated 24 May 2024
 - The Loan Agreement between Allegra and RIPL executed on 21 February 2021
 - The Amendment to the Loan Agreement dated 28 August 2023
- 9.7 Our report includes the appendices, our declarations, and our Financial Services Guide.

Yours Faithfully

STANTONS CORPORATE FINANCE PTY LTD



James Turnbull, CFA
Authorised Representative

APPENDIX A

GLOSSARY

	Definition
Acuity	Acuity Technology Management Pty Ltd
Acuity Report	"Independent Valuation of Intellectual Property – Allegra Medical Technologies Limited" prepared by Acuity and dated 12 June 2024
AFCA	Australian Financial Complaints Authority
Agreement	The Bid Implementation Agreement entered between Allegra and AI date 24 May 2024
AI	Allegra Innovation Pty Ltd
Allegra	Allegra Medical Technologies Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Company	Allegra Medical Technologies Limited
Convertible Loan	The loan received by Allegra from RIPL described at paragraphs 4.15 and 4.16
Corporations Act	The Corporations Act 2001
DCF	Discounted future cash flows valuation methodology
ES	Explanatory Statement
FDA	United States Food and Drug Administration
FME	Capitalisation of future maintainable earnings valuation methodology
FSG	Financial Services Guide
IER	Independent Expert's Report
IP	The intellectual property related to the Spinal Cage Device
Loan Agreement	The Loan Agreement between Allegra and RIPL executed on 21 February 2021
Maturity Date	31 December 2024
Net Assets	Asset-based valuation methodologies
Non-Associated Shareholders	Allegra shareholders who are not associated with Mr Nick Hartnell
RG74	ASIC Regulatory Guide 74: Acquisitions Approved by Members
RG111	ASIC Regulatory Guide 111: Content of Expert Reports
Rights Issue Amount	\$1,148,248 of the amount owed on the Convertible Loan that was settled on 28 August 2023 under an entitlement offer
RIPL	Robinwood Investments Pty Ltd
s640	Section 640 of the Corporations Act
Spinal Cage Device	Sr-HT-Gahnite Spinal Cage Device
Stantons	Stantons Corporate Finance Pty Ltd
Target Statement	The Target Statement released by Allegra
Transaction	The offer by AI to acquire 100% of the outstanding capital of Allegra for \$0.004 per share
VWAP	Volume Weighted Average Price

APPENDIX B

VALUATION METHODOLOGIES

Introduction

In preparing this report we have considered several valuation approaches and methods. These approaches and methods are consistent with:

- Market practice
- The methods recommended by the Australian Securities and Investments Commission in Regulatory Guide 111
- The International Valuation Standards
- The International Glossary of Business Valuation Terms

A valuation approach is a general way of determining an estimate of the value of a business, business ownership interest, security or intangible asset. Within each valuation approach, there are a number of specific valuation methods, which are specific ways to determine an estimate of value.

There are three general valuation approaches as follows:

i) **Income Approaches**

Indicates value by converting future cash flows to a single present value. Examples of an income approach are:

- The discounted cash flow method ("**DCF**")
- The capitalisation of future maintainable earnings method ("**FME**")

ii) **Asset/Cost Approaches**

Indicates value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or construction.

iii) **Market Approaches**

Indicates value by comparing the subject asset with identical or similar assets for which price information is available. The main examples of the market approach are:

- Analysis of recent trading
- Industry rules of thumb

1. **Discounted Cash Flow Method**

Of the various methods noted above, the DCF method has the strongest theoretical basis. The DCF method estimates the value of a business by discounting expected future cash flows to a present value using an appropriate discount rate. A DCF valuation requires:

- A forecast of expected future cash flows
- An appropriate discount rate
- An estimate of terminal value

It is necessary to project cash flows over a suitable period (generally regarded as being at least five years) to arrive at the net cash flow in each period. For a finite-life project or asset, this would need to be done for the life of the project. This can be a difficult exercise requiring a significant number of assumptions such as revenue and cost drivers, capital expenditure requirements, working capital movements and taxation.

The discount rate used represents the risk of achieving the projected future cash flows and the time value of money. The projected future cash flows are then valued in current-day terms using the discount rate selected.

A terminal value reflects the value of cash flows that will arise beyond the explicit forecast period. This is commonly estimated using either a constant growth assumption or a multiple of earnings (as described under FME below). This terminal value is then discounted to current-day terms and added to the net present value of the forecast cash flows to provide an estimate for the overall value of the business.

The DCF method is often sensitive to a number of key assumptions such as revenue growth, future margins, capital investment, terminal growth and the discount rate. All these assumptions can be highly subjective, sometimes leading to a valuation conclusion presented that is too wide to be useful.

A DCF approach is usually preferred when valuing:

- Early-stage companies or projects
- Limited life assets such as a mine or toll concession
- Companies where significant growth is expected in future cash flows
- Projects with volatile earnings

It may also be preferred if other methods are not suitable, for example, if there is a lack of reliable evidence to support an FME approach. However, it may not be appropriate if:

- Reliable forecasts of cash flow are not available and cannot be determined
- There is an inadequate return on investment, in which case a higher value may be realised by liquidating the assets than through continuing the business

A DCF approach is not recommended when assets are expected to earn below the cost of capital. Also, when valuing a minority interest in a company, care needs to be taken if a DCF based on earnings for the whole business is prepared, as the holder of a minority interest would not have access to, or control of, those cash flows.

2. Capitalisation of Future Maintainable Earnings Method

The FME method is a commonly used valuation methodology that involves determining a future maintainable earnings figure for a business and multiplying that figure by an appropriate capitalisation multiple. This methodology is generally considered a short form of a DCF, where a single representative earnings figure is capitalised, rather than a stream of individual cash flows being discounted. The FME methodology involves the determination of:

- A level of future maintainable earnings
- An appropriate capitalisation rate or multiple

Any of the following measures of earnings can be used:

Revenue – mostly used for early-stage, fast-growing companies that do not make a positive EBITDA or as a cross-check of a valuation conclusion derived using another method.

EBITDA – most appropriate where depreciation distorts earnings, for example in a company that has a significant level of depreciating assets but little ongoing capital expenditure requirement.

EBITA – in most cases EBITA will be more reliable than EBITDA as it takes account of the capital intensity of the business

EBIT – whilst commonly used in practice, multiples of EBITA are usually more reliable as they remove the impact of amortisation which is a non-cash accounting entry that does not reflect a need for future capital investment (unlike depreciation)

NPAT – relevant in valuing businesses where interest is a major part of the overall earnings of the group (e.g., financial services businesses such as banks).

Multiples of EBITDA, EBITA and EBIT are commonly used to value whole businesses for acquisition purposes where gearing is in the control of the acquirer. In contrast, NPAT (or P/E) multiples are often used for valuing minority interests in a company as the investor has no control over the level of debt.

A normalised level of maintainable earnings needs to be determined for the selected earnings measure. This excludes the impact of any gains or losses that are not expected to reoccur and allows for the full-year impact of any changes (such as acquisitions or disposals) made partway through a given financial year.

The selected multiple to apply to maintainable earnings reflects expectations about future growth, risk and the time value of money captured in a single number. Multiples can be derived from three main sources.

- Using the comparable trading multiples, market multiples are derived from the trading prices of stocks of companies that are engaged in the same or similar lines of business that are actively traded on a free and open market, such as the ASX
- The comparable transactions method is a method whereby multiples are derived from transactions of significant interests in companies engaged in the same or similar lines of business.
- It is also possible to build a multiple from first principles based on an appropriate discount rate and growth expectations.

It is important to use the same earnings periods (historical, current or forecast) for calculating comparable multiples, as the period used for determining FME. For example, a multiple based on historical earnings of comparable companies should be applied to historical earnings of the subject of the valuation and not to forecast earnings.

The capitalisation of earnings method is widely used in practice. It is particularly appropriate for valuing companies with a relatively stable historical earnings pattern which is expected to continue. The method is less appropriate for valuing companies or assets if:

- There are no (or very few) suitable alternative listed companies or transaction benchmarks for comparison
- The asset has a limited life
- Future earnings or cash flows are expected to be volatile
- There are negative earnings, or the earnings of a business are insufficient to justify a value exceeding the underlying net assets
- Working capital requirements are not expected to remain stable

3. Asset or Cost Approaches

The asset approach to value assumes that the current value of all assets (tangible and intangible) less the current value of the liabilities should equate to the current value of the entity. Specifically, an asset approach is defined as a general way of determining a value indication of a business, business ownership interest, or security using one or more methods based on the value of the assets net of liabilities. A cost approach is defined as a general way of determining a value indication of an individual asset by quantifying the amount of money required to replace the future service capability of that asset.

The asset-based valuation methods estimate the value of a company based on the realisable value of its net assets, less its liabilities. There are a number of asset-based methods including:

- Orderly realization
- Forced liquidation
- Net assets on a going concern

The orderly realisation of assets method estimates fair market value by determining the amounts that would be distributed to shareholders, after payments of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. The forced liquidation method is similar to the orderly realisation of assets except the liquidation method assumes the assets are sold in a shorter time frame. Since wind-up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the fair market values of the net assets of a company but does not take account of realisation costs.

The asset/cost approach is generally used when the value of the business' assets exceeds the present value of the cash flows expected to be derived from the ongoing business operations, or the nature of the business is to hold or invest in assets. It is important to note that the asset approach may still be the relevant approach even if an asset is making a profit. If an asset is making less than the economic rate of return and there is no realistic prospect of it making an economic return in the foreseeable future, an asset/cost approach will be the most appropriate method.

An asset-based approach is a suitable method of valuation when:

- An enterprise is loss-making and not expected to become profitable in the foreseeable future
- Assets are employed profitably but earn less than the cost of capital
- A significant portion of the company's assets are composed of liquid assets or other investments (such as marketable securities and real estate investments)
- It is relatively easy to enter the industry (e.g., small machine shops and retail establishments)

Asset-based methods are not appropriate if:

- The ownership interest being valued is not a controlling interest, has no ability to cause the sale of the company's assets and the major holders are not planning to sell the company's assets
- A business has (or is expected to have) an adequate return on capital, such that the value of its future income stream exceeds the value of its assets

An asset-based approach is often considered as a floor value for a business assuming the business has the option to realise all its assets and liabilities.

4. Analysis of Recent Trading

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market. There should also be some similarity between the size of the parcel of shares being valued and those being traded. Where a company's shares are publicly traded then an analysis of recent trading prices should be considered, at least as a cross-check to other valuation methods.

5. Industry Specific Rule of Thumb

Industry specific rules of thumb are used in certain industries. These methods typically involve a multiple of an operating figure such as traffic for internet businesses or the number of beds for a nursing home. These methods are typically fairly crude and therefore only appropriate as a cross-check to a valuation determined by an alternative method.

Selecting an Appropriate Valuation Approach and Method

The choice of an appropriate valuation approach and methodology is subjective and depends on several factors such as whether a methodology is prescribed, the company's historical and projected financial performance, stage of maturity, the nature of the company's operations and availability of information. The selection of an appropriate valuation method should be guided by the actual practices adopted by potential acquirers of the company involved and the information available.

APPENDIX C

CONTROL PREMIUM

Background

The difference between a control value and a minority value is described as a control premium. The opposite of a control premium is a minority discount (also known as a discount for lack of control). A control premium is said to exist because the holder of a controlling stake has several rights that a minority holder does not enjoy (subject to shareholders' agreements and other legal constraints), including to:

- Appoint or change operational management
- Appoint or change members of the board
- Determine management compensation
- Determine owner's remuneration, including remuneration to related party employees
- Determine the size and timing of dividends
- Control the dissemination of information about the company
- Set the strategic focus of the organisation, including acquisitions, divestments, and restructuring
- Set the financial structure of the company (debt/equity mix)
- Block any or all the above actions

The most common approach to quantifying a control premium is to analyse the size of premiums implied from prices paid in corporate takeovers. Another method is the comparison between the prices of voting and non-voting shares in the same company. We note that the size of the control premium should generally be an outcome of a valuation and not an input into one, as there is significant judgement involved.

Based on historical takeover premia that have been paid in Australian acquisitions in the period 2005-2015, the majority of takeovers have included a premium in the range of 20-50%, with 30% being the most commonly occurring. This is in line with standard industry practice, which tends to use a 30% premium for control as a standard.

Intermediate Levels of Ownership

There are several intermediate levels of ownership between a portfolio interest and 100% ownership. Different levels of ownership/strategic stakes will confer different degrees of control and rights as shown below.

- 90% - can compulsorily purchase remaining shares if certain conditions are satisfied
- 75% - the power to pass special resolutions
- <50% - gives control depending on the structure of other interests (but not absolute control)
- <25% - ability to block a special resolution
- <20% - power to elect directors, generally gives significant influence, depending on other shareholding blocks
- < 20% generally has only limited influence

Conceptually, the value of each of these interests lies somewhere between the portfolio value (liquid minority value) and the value of a 100% interest (control value). Each of these levels confers different degrees of control and therefore different levels of control premium or minority discount.

APPENDIX D

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons Corporate Finance Pty Ltd trading as Stantons Corporate Finance dated 4 July 2024, relating to the proposed Transaction.

At the date of this report, Stantons Corporate Finance does not have any interest in the outcome of the proposal. There are no relationships with Allegra other than Stantons Corporate Finance acting as an independent expert for the purposes of this report. Stantons Corporate Finance Pty Ltd undertook an independence assessment and considered that there are no existing relationships between Stantons Corporate Finance and the parties participating in the Transaction detailed in this report which would affect our ability to provide an independent opinion. The fee (excluding disbursements) to be received for the preparation of this report is based on time spent at normal professional rates plus out-of-pocket expenses. Our fee for preparing this report is expected to be up to A\$20,000 exclusive of GST. The fee is payable regardless of the outcome. Except for that fee, neither Stantons Corporate Finance Pty Ltd nor Mr James Turnbull has received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the preparation of this report.

Stantons Corporate Finance Pty Ltd does not hold any securities in Allegra. There are no pecuniary or other interests of Stantons Corporate Finance Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons Corporate Finance and Mr James Turnbull have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Target Statement.

QUALIFICATIONS

We advise Stantons Corporate Finance Pty Ltd is the holder of an Australian Financial Services License (No 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. Stantons Corporate Finance Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic financial planning for both listed and unlisted businesses.

Mr James Turnbull, the person with overall responsibility for this report, has experience in the preparation of valuations for companies, particularly in the context of listed company corporate transactions, including the fairness and reasonableness of such transactions. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of Allegra to assist Shareholders of Allegra to assess the merits of the Transaction to which this report relates. This report has been prepared for the benefit of Allegra shareholders and those persons only who are entitled to receive a copy for the purposes under the Corporations Act 2001 and does not provide a general expression of Stantons Corporate Finance's opinion as to the longer-term value of Allegra, its subsidiaries and/or assets. Stantons Corporate Finance does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Allegra or their subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto, may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons Corporate Finance Pty Ltd to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons Corporate Finance Pty Ltd with due care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons Corporate Finance Pty Ltd (and Stantons International Audit and Consulting Pty Ltd ("**SIAC**"), the parent company of Stantons Corporate Finance, its directors, employees or consultants) for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons Corporate Finance may rely on information provided by Allegra and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons Corporate Finance's experience and qualifications), Allegra has agreed:

- (a) to make no claim by it or its officers against Stantons Corporate Finance Pty Ltd (and SIAC) to recover any loss or damage which Allegra may suffer as a result of reasonable reliance by Stantons Corporate Finance Pty Ltd on the information provided by Allegra; and
- (b) to indemnify Stantons Corporate Finance Pty Ltd against any claim arising (wholly or in part) from Allegra, or any of its officers, providing Stantons Corporate Finance Pty Ltd with any false or misleading information or in the failure of Allegra or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons Corporate Finance Pty Ltd.

A final draft of this report was presented to Allegra for a review of factual information contained in the report. Comments received relating to factual matters were considered, however, the valuation methodologies and conclusions did not change as a result of any feedback from Allegra.