

9 March 2017

Dear Shareholder

Allegra Orthopaedics Limited - Non-Renounceable Rights Issue – Letter to Ineligible Shareholders

Allegra Orthopaedics Limited ACN 066 281 132 ('the Company') has announced an opportunity for holders of shares in the Company (Shareholders) with a registered address in Australia or New Zealand (Eligible Shareholders) as at 7:00 p.m. AEDT on 14 March, 2017 (Record Date) to participate in a non-renounceable pro rata rights issue (Rights Issue or the Offer).

Pursuant to the Rights Issue, the Company will issue up to approximately 9,752,027 fully paid ordinary shares in the capital of the Company (New Shares) at an issue price of \$0.125 (12.5 cents) per New Share. The New Shares will be offered to Eligible Shareholders on the basis of two (2) New Shares for every fifteen (15) fully paid ordinary shares (Shares) held in the Company as at the Record Date (Entitlement).

If fully subscribed, the Offer will raise up to approximately \$1,219,003 before transaction costs. The Rights Issue will not be underwritten. The Company will use the net proceeds from this Rights Issue to (1) continue funding the Sr-HT-Gahnite bone substitute project and (2) increase its investment in surgical instrumentation and inventory to support the Company's expanding surgeon numbers base.

The rights to subscribe for the New Shares in accordance with an Entitlement under the Offer (Rights) are non-renounceable which means that Eligible Shareholders who do not wish to subscribe for some or all of their Entitlement will be unable to sell their respective Rights.

The number of issued Shares at the date of this letter and the total number of issued Shares at the close of the Offer (if fully subscribed) are as follows:

Number of Shares currently on issue and quoted on ASX	73,140,205
Number of New Shares to be issued under the Offer	Up to 9,752,027
Total Shares on issue on completion of the Offer	Up to 82,892,232

Full details of the Offer are contained in an Offer Document, lodged with ASX on 9 March 2017.

Shareholders as at the Record Date that have a registered address outside Australia or New Zealand (Ineligible Shareholders) will not be eligible to participate in the Offer. In accordance with the listing rule 7.7.1 of the ASX Listing Rules, the Company has considered that it would be unreasonable given the number of Shareholders with registered addresses outside of Australia and New Zealand and the size of the shareholdings held by those Shareholders to offer them New Shares under the Rights Issue. Taking this into consideration, as well as taking into consideration the costs of complying with the legal requirements and the requirements of the regulatory authorities of those relevant jurisdictions outside of Australia and New Zealand, the Company believes it to be unreasonable to extend the Rights Issue to all Shareholders.

According to our records, you do not satisfy the eligibility criteria to participate in the Rights Issue as stated above and accordingly, the Company wishes to advise that in accordance with ASX Listing Rule 7.7.1 and section 9A(3) of the Corporations Act 2001 (Cth), the Rights Issue will not be extended to you, you will not be able to subscribe for New Shares through the Rights Issue and you will not be sent the Offer Document.

Although you are unable to participate in the Rights Issue directly, pursuant to section 615 of the Corporations Act 2001 (Cth), the Company will appoint a nominee (Nominee) to sell the New Shares to which Ineligible Shareholders would be entitled to subscribe for if the Offer was extended to them. The net proceeds above the issue price (in Australian dollars), if any, of the sale of the relevant New Shares will be distributed to the Ineligible Shareholders pro rata in proportion to their respective shareholdings as at the Record Date (after deducting for costs). There is no

Allegra Orthopaedics Limited

Level 8, 18-20 Orion Road Lane Cove NSW 2066 Australia; PO Box 72 St Leonards NSW 2065 Australia

T +612 9119 9200 **T** Toll Free 1800 644 370

F +612 9439 4441 **F** Toll Free 1800 624 223

E sales@allegraorthopaedics.com **W** www.allegraorthopaedics.com



assurance that the Nominee will be able to sell the New Shares at a price that will result in Ineligible Shareholders receiving any net proceeds.

On behalf of the Board of Allegra Orthopaedics Limited, we regret that you are not eligible to participate directly in the Rights Issue and thank you for your continued support.

Yours faithfully

Justyn Stedwell
Company Secretary
On behalf of the Board of Directors
Allegra Orthopaedics Limited

Allegra Orthopaedics Limited

Level 8, 18-20 Orion Road Lane Cove NSW 2066 Australia; PO Box 72 St Leonards NSW 2065 Australia

T +612 9119 9200 **T** Toll Free 1800 644 370

F +612 9439 4441 **F** Toll Free 1800 624 223

E sales@allegraorthopaedics.com **W** www.allegraorthopaedics.com