

Allegra Orthopaedics Limited Business Update

25 October 2017

Agenda

1.

Board of Directors and
Senior Management Team

2.

CEO Update

3.

FY 2017 Highlights

4.

Update on Strategic Priorities

5.

Orthopaedics Division

6.

Innovation Division

7.

Financial Update

1.

Board of Directors

| Name | Position | Experience |
|-----------------------|-------------------|--|
| Peter Kazacos | Chairman | Mr Peter Kazacos has over 30 years experience in the IT industry. He founded KAZ in 1988 and led the Company over its 17-year history. Prior to establishing KAZ, he held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Mr. Kazacos was the recipient of Australian Entrepreneur of the Year 2001 award in the Technology, Communications, E-Commerce and Biotechnology category. Mr Kazacos was also the recipient of the prestigious CSIRO Tony Benson Award for Individual Achievement in ICT at the 2008 iAwards. He holds a Bachelor of Electrical Engineering and a Bachelor of Science (Applied Mathematics and Computer Science) from the University of New South Wales. |
| Anthony Hartnell | Director | Mr Anthony Hartnell was appointed Director on 26 November 2014. He has extensive experience in the areas of Corporate and Commercial Law. Anthony is currently Chairman of several listed companies, including BT Australian Equity Management Ltd, and was Chairman of Australian Securities Commission 1989-92 (Inaugural Chairman) and National Companies and Securities Commission 1990-91. Anthony is an Officer in the Order of Australia (AM). |
| Sean St Clair Mulhern | Director | Mr Sean Mulhearn was appointed as Director on 17 November 2015. He has been involved in the financial markets for over 30 years with experience in Asia, Europe, and the Americas. He recently founded Jacaranda Capital Partners, a boutique advisory and markets training business with offices in Singapore and Australia. He has been Member of Advisory Board of Pelican Point Capital Partners, LLC since October 30, 2014. He has been a Non-Executive Director of Greka Drilling Limited since October 5, 2015. |
| Justyn Stedwell | Company Secretary | Justyn Stedwell was appointed as Company Secretary in January 2017. He is a professional Company Secretary consultant, with over 10 years' experience as a Company Secretary of ASX-listed companies in various industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications. |

1.

Senior Management Team

Jenny Swain

Chief Executive Officer

Jenny has over 15 years experience in orthopaedic sales and support. Prior to moving into a sales function Jenny spent 12 years as a formally trained and qualified Registered Nurse with practical experience in local and overseas hospitals.

Rob Truscott

Chief Financial Officer

Rob is a highly experienced professional with over 25 years' experience in senior finance roles. Rob is a qualified CPA, with a Bachelor of Commerce degree.

Chris Calamos

Commercial Manager

Chris has a career spanning more than 25 years in senior finance and operational roles. Chris holds a Bachelor of Business (Accounting) and is a qualified CPA.

Ameneh Sadeghpour

Innovation, QA & RA Manager

Ameneh has experience in Pharmaceutical, Medical Device and Biotechnology industries. Ameneh has a Masters degree qualification in both Biomedical Engineering and Project Management, as well as PMI Project Management Professional qualification.

Dr Nick Hartnell

Surgeon Advisor

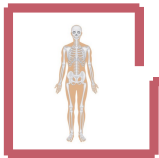
Dr Hartnell has over 20 years' experience in all facets of bone and joint surgery, specialising in orthopaedic care of patients surgically and non-surgically. Dr Hartnell completed his Bachelor of Medicine and Bachelor of Surgery at Sydney University. Prior to settling in Bowral, NSW, he worked in several hospitals throughout Australia and overseas.

Professor Hala Zreiqat

Research Advisor - Biomaterials and Tissue Engineering Research Unit, University of Sydney

The material inventors and experts in the development and fabrication of ceramic materials for biomedical applications.

In 2016, Allegra made the decision to separate the Orthopaedics and Innovation groups into two distinct operating divisions. This structure has enabled improved management focus and better allocation of company resources.



1. Orthopaedic Division

A well established sales & distribution business of high quality orthopaedic implant products and instruments which are sourced both locally and internationally, and are sold throughout Australia.

This division continually explores new products opportunities to complement its product portfolio.



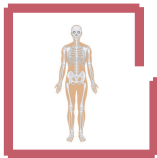
2. Innovation Division

A dedicated and highly qualified engineering team with a mandate to explore, collaborate and develop innovative early stage technologies into commercially viable products available for manufacture.

The current main focus is commercialising the Sr-HT Gahnite Bone substitute.

- ➔ NPAT profit of \$501K, which is a \$2.5M improvement on FY16 – The most significant profit achieved since listing on ASX in 2007.
- ➔ Continued expansion of our customer surgeon base.
- ➔ Significant progress of our Sr-HT Gahnite Bone Substitute project, with positive results from the 12 month histology testing and clinical sheep study.
- ➔ Established the pilot manufacturing facility in Lane Cove to commence production of spinal implants.
- ➔ Strong shareholder support indicated by substantially oversubscribed shareholder rights issue in April 2017 raising \$1.2M.

Allegra's Strategic Priorities continue to remain as:



1. Orthopaedic Division

Growing revenues

- Increase the number of personnel in sales, clinical support & sales agents.
- Introduction of complementary products to be marketed to existing/new customers.

Improve organisational efficiency

- Employee training programs, freight logistics and warehouse automation (*eg: barcode scanning*).
- Better alignment of IT systems to improve processes & business knowledge.



2. Innovation Division

Commercialisation of the Synthetic Bone Substitute

- Creation of a surgeon advisory panel.
- Conclude & evaluate results from 12 month animal trial.
- Identify opportunities for collaboration with suitable companies to accelerate the commercialisation process.
- Explore opportunities for additional funding to underpin this project (*eg; development grants*).

5.

Orthopaedics Divison

New product and instrumentation additions in 2017

➔ Hintegra Total Ankle Replacement
Resurfaces the tibia and talus



➔ Distal 1st Instruments for
Active Total Knee



➔ Geko™
Circulation support, powered by
OnPulse™ technology



➔ Insurgical Power Tools
Single-use, sterile power tools



Primary Project (Sr-HT Gahnite bone substitute)

Allegra is commercialising the world's first synthetic spinal cage that can generate bone under load (structurally integral) and be completely absorbed.

➤ This medical device is 3D printed from a synthetic bone substitute material (Sr-HT Gahnite) invented by University of Sydney.

➤ Allegra has the exclusive global license to commercialise this Intellectual Property in all applications and fields of use.

This technology can be applied to various applications, including dental, cranial facial, and many other fields. veterinary,

Value Proposition – Sr-HT Gahnite: Product Benefits

Allows fabrication of desired external and internal geometry and control of porosity as per patient requirement

3D Printed

Load-bearing

100 times stronger than synthetic bone substitutes currently in clinical use

Reduced risk of infection post operation

Antimicrobial

**Sr-HT
Gahnite**

Bioactive

Promotes growing brand new bone with new blood vessels and nerve cells

Body can adapt to it without the risk of rejection

Biocompatible

Bioresorbable

Gradually resorbs as it is replaced by new bone

Milestones Achieved Over Last 12 Months

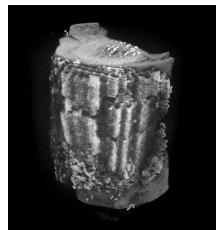
Engaged a Contract Manufacturer

- Engaged Boron to produce large scale Sr-HT powder
- Sr-HT is the raw material to the finished product



Completed 12-months large animal study

- Successful study
- The results indicated that Sr-HT-Gahnite scaffold promotes bone growth
- In most cases the defect was completed bridged and grown through the scaffold



Identified Minimum Viable product (MVP)

- Allegra will commence with interbody cervical spinal Implant as the initial product offering.



Formulating a Go-2-Market & Regulatory Strategy

- Identify 'WHAT TO SELL', 'WHO TO SELL TO', & 'HOW TO SELL'
- Regulatory strategy identifies what market to target based on the regulatory requirements



Commissioned a GMP Pilot Manufacturing

- Pilot manufacturing for production of spinal implants

Why did we select the first application as cervical spine?



Market Size

- USD\$784M Global Revenues of Cervical interbody spinal implants
- 5.6% Estimated CAGR to 2020
- North America 76.76%
- Spinal fusion is one of the most common surgeries performed in the neck (cervical spine)



Regulatory

- Well established regulatory pathway
- Class II device in US
- Strong developed I.P. portfolio
- Existing reimbursement environment



Technology

- Ease of manufacturing due to 3D printing

Target Market

North America

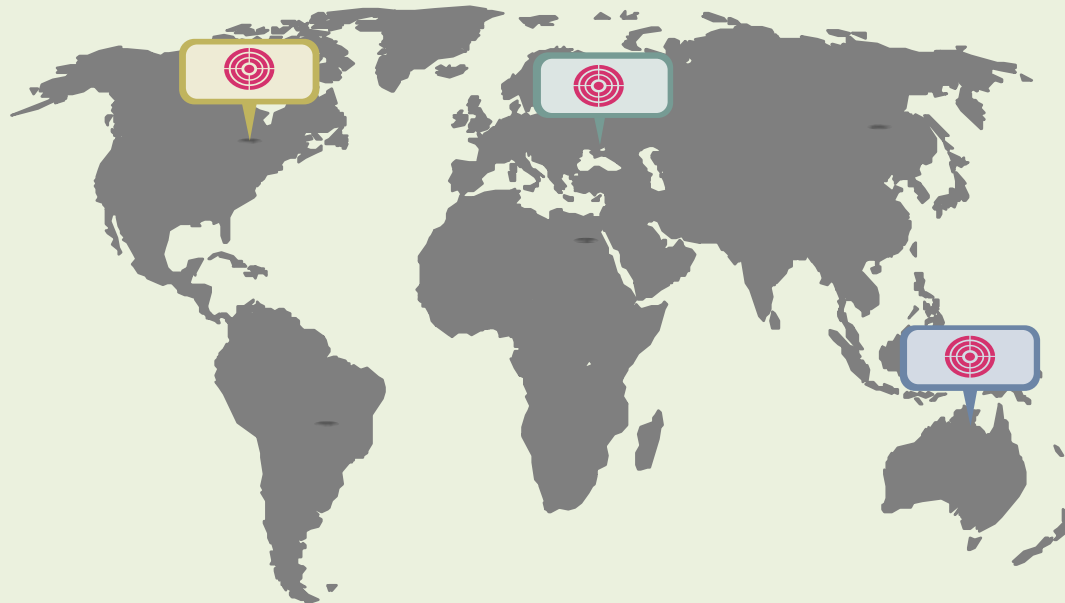
Access to the largest spinal medical device market .
Initial contact with the U.S. FDA indicated that the medical device would be considered a Class II device in the U.S., providing a relatively straightforward pathway to regulatory clearance.

Europe

Traditionally provided a relatively straightforward regulatory climate for medical devices.
Recent changes indicate this could be classified as a Class III device. It will require clinical trial.

Australia

Home of the current activities, location of intellectual property, animal studies, etc
Relatively small size of the Australian market would require expansion into foreign markets at a relatively early stage
Device.
Customer specific implantation will occur in Australia.



6.

Innovation Division

Strategy to Market

Custom Manufacture

- Patient Specific Design
- Regulatory pre-approval is not required
- Some pre-clinical testing required based on risk assessment– Essential Principle
- Project timeline 12-18 months

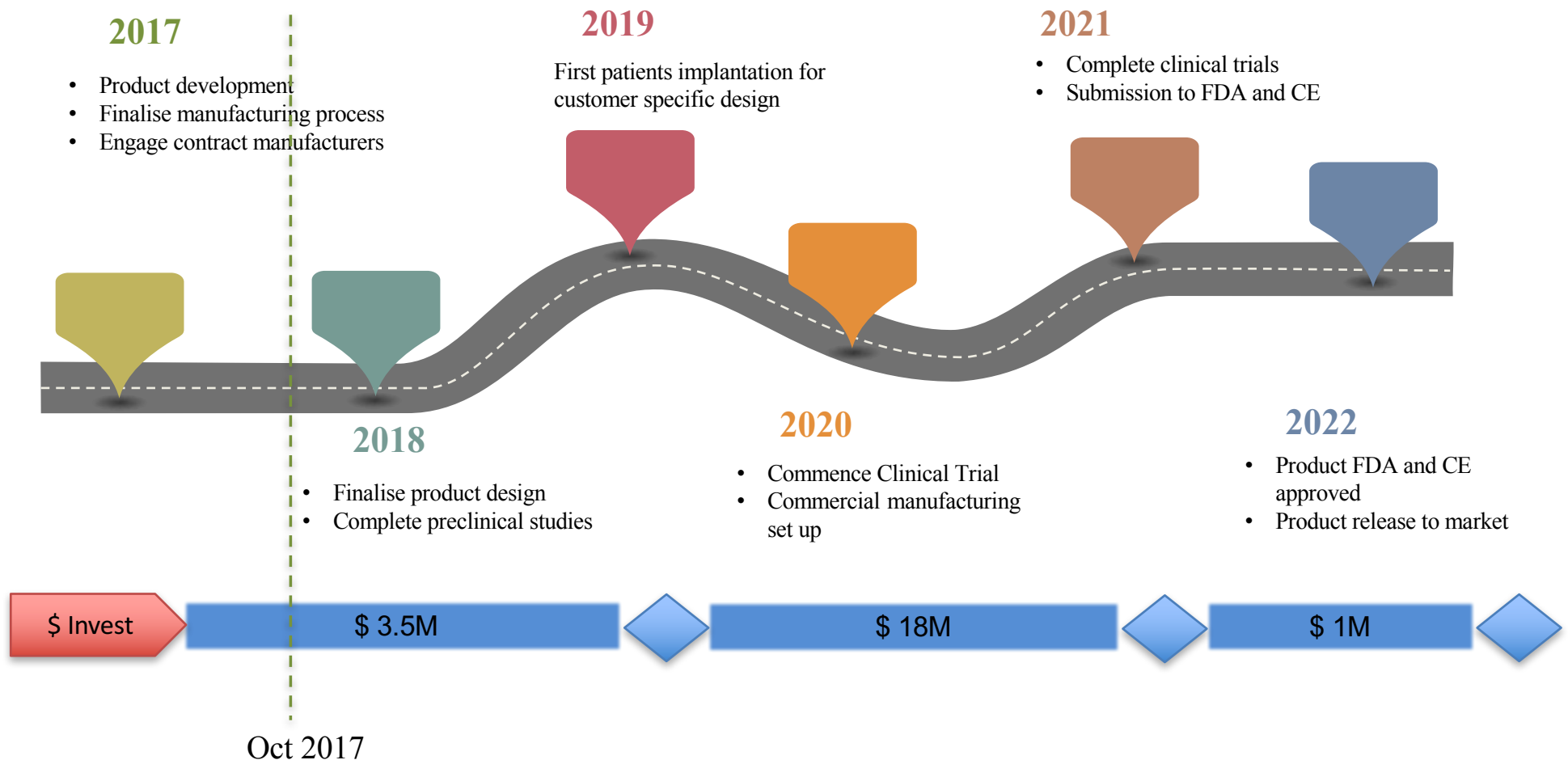
Standardised Device

- Standardised ('Off the shelf') device
- Regulatory approval required (FDA, EU and TGA)
- Pre-clinical studies and Clinical Trial are required
- Done in parallel to custom manufacture device
- Project timeline 3-5 years

6.

Innovation Division

Sr-HT Gahnite - Product Roadmap



The scope of our license agreement for the Sr-HT Gahnite technology opens the door to a wide variety of market opportunities, including:

- Coating to improve the long-term stability of existing implantable medical devices
- Customised 3D printer for individual surgeries
- Customised implants such as hip pin & plate, screws etc
- Veterinary such as 3D-printed hip, knee and spine implants
- Dental
- Cranial Facial

Summary Income Statement

FY2017 NPAT of \$501k is the result of targeted expense reductions in our Orthopaedics Division executed in the previous year, coupled with increased investment in our Innovation Division.

| | FY2017 | FY2016 | Variance |
|---------|---------------|---------------|-----------------|
| Revenue | \$4.9M | \$5.0M | (\$0.1M) |
| EBITDA | \$895k | (\$1.474M) | \$2.4M |
| NPAT | \$501k | (\$2.0M) | \$2.5M |
| NPAT% | 10.1% | (40.6%) | |
| EPS | 0.71c | (3.20c) | 3.91c |

Balance Sheet & Cash Flow Extract

| | FY2017 | FY2016 | Variance |
|---------------------------|---------------|---------------|-----------------|
| Cash | \$1.848M | \$1.155M | ↑ \$0.693M |
| Inventory | \$1.777M | \$1.512M | ↑ \$0.265M |
| Trade & Other Receivables | \$1.031M | \$1.628M | ↓ \$0.597M |
| Trade & Other Payables | \$0.679M | \$1.677M | ↓ \$0.998M |
| Operating Cash Flow | \$0.149M | (\$0.796M) | ↑ \$0.945M |

- Improved 'Cash Holding' due to capital raising during FY2017 and significant improvement in trade receivable DSO.
- 'Trade & Other Receivables' reduced in FY2017 primarily due to a reduced receivable value for the R&D Tax concession compared with FY2016 and a material improvement in trade receivable DSO.
- 'Trade & Other Payables' reduced in FY2017 due to the deferred income balance of \$770k (as at 30 June 2016) being recognised as 'Other income' in the FY2017 Income Statement.

Orthopaedics Division – Income Statement

| | FY2017 | FY2016 |
|---|----------|------------|
| Revenue | \$4.943M | \$5.018M |
| Other Income | | |
| • Government Grants | - | - |
| • R&D Tax Offset | - | \$0.316M |
| • Other & Interest | \$0.046M | \$0.026M |
| Total Revenue & Other Income | \$4.989M | \$5.360M |
| EBITDA | \$0.633M | (\$1.637M) |
| Profit after Tax | \$0.239M | (\$2.199M) |

The profit performance for FY2017 is the result of targeted expense reductions actioned in FY2016.

Innovation Division – Income Statement

| | FY2017 | FY2016 |
|---|---------------|---------------|
| Revenue | - | - |
| Other Income | | |
| • Government Grants | \$0.771M | \$0.471M |
| • R&D Tax Offset | \$0.262M | \$0.163M |
| • Other & Interest | - | - |
| Total Revenue & Other Income | \$1.033M | \$0.634M |
| EBITDA | \$0.262M | \$0.163M |
| Profit after Tax | \$0.262M | \$0.163M |

Note: Government grant income of \$0.771M was held as Unearned Income at the end of FY2016 and was recognised as Other Income during FY2017, resulting in this division operating at a profit. As at 30 June 2017, the balance of the Government grant held as Unearned Income had been fully utilised.

Looking forward, this means, in the absence of any new product development grants being awarded to Allegra, there will be no Government grant income recognised as Other Income in FY2018. As this division only incurs expenditure associated with product development and does not generate revenues or other income except for the R&D Tax Offset, this division will operate at a loss in FY2018.



Thank you

© Copyright. The information contained in this document is the property of Allegra Orthopaedics Limited
Level 8, 18-20 Orion Rd, Lane Cove West NSW 2066 AUSTRALIA.
Unauthorised use or disclosure is prohibited.