ASX Announcement

EGM Notice of Meeting and Proxy

SYDNEY 24 July 2023 – Allegra Orthopaedics Limited (Allegra) (ASX:AMT) attaches the following documents in relation to the General Meeting scheduled to take place on Wednesday, 23 August 2023:

- EGM Notice of Meeting; and
- Proxy Form

Minor Amendment to Notice of Meeting

The Company wishes to advise that the last sentence in the last paragraph on page 8 of the attached Notice of Meeting was inadvertently included and should have been removed from the Notice of Meeting.

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

Contact details:

Robyn Slaughter
Company Secretary
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ABOUT ALLEGRA ORTHOPAEDICS:

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

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Allegra Orthopaedics Limited

Notice of 2023 General Meeting

Explanatory Statement | Proxy Form

23 August 2023

09:00AM AEST

As a Virtual Meeting

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

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Important Information for Shareholders about the Company's 2023 EGM

This Notice is given based on circumstances as at 20 July 2023. Should circumstances change, the Company will make an announcement on the ASX market announcements platform and on the Company's website at https://www.allegraorthopaedics.com/company/asx-information. Shareholders are urged to monitor the ASX announcements platform and the Company's website.

Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared for the purposes of ASX Listing Rule 10.1. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 1 to the non-associated Shareholders. The Independent Expert has determined that the transaction the subject of Resolution 1 is not fair but reasonable to Shareholders.

Venue and Voting Information

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:00AM AEST on Wednesday, 23 August 2023 as a **virtual meeting**.

The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic.

Shareholders that have an existing account with Automic will be able to watch, listen, and vote online.

Shareholders who do not have an account with Automic are strongly encouraged to register for an account **as soon as possible and well in advance of the Meeting** to avoid any delays on the day of the Meeting. An account can be created via the following link investor.automic.com.au and then clicking on "**register**" and following the prompts. Shareholders will require their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) to create an account with Automic.

To access the virtual meeting on the day:

1. Open your internet browser and go to investor.automic.com.au
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

3. After logging in, a banner will display at the bottom of your screen to indicate that the meeting is open for registration, click on "**Register**" when this appears. Alternatively, click on "**Meetings**" on the left-hand menu bar to access registration.
4. Click on "**Register**" and follow the steps
5. Click on the URL to join the webcast where you can view and listen to the virtual meeting. Note that the webcast will open in a separate window.

Shareholders will be able to vote (see the "Voting virtually at the Meeting" section of this Notice of Meeting below) and ask questions at the virtual meeting.

Shareholders are also encouraged to submit questions in advance of the Meeting to the Company.

Questions must be submitted in writing to the Company Secretary at robyn.slaughter@automicgroup.com.au at least 48 hours before the EGM.

The Company will also provide Shareholders with the opportunity to ask questions during the Meeting in respect to the formal items of business as well as general questions in respect to the Company and its business.

Your vote is important

The business of the General Meeting affects your shareholding and your vote is important.

Voting virtually at the Meeting

Shareholders who wish to vote virtually on the day of the EGM can do so through the online meeting platform powered by Automic.

Once the Chair of the Meeting has declared the poll open for voting click on "Refresh" within the platform to be taken to the voting screen.

Select your voting direction and click "confirm" to submit your vote. Note that you cannot amend your vote after it has been submitted

For further information on the live voting process please see the **Registration and Voting Guide** at https://www.automicgroup.com.au/virtual-agms/

Voting by proxy

To vote by proxy, please use one of the following methods:

Online	Lodge the Proxy Form online at https://investor.automic.com.au/#/loginsah by following the instructions: Login to the Automic website using the holding details as shown on the Proxy Form. Click on 'View Meetings' – 'Vote'. To use the online lodgement facility, Shareholders will need their holder number (Securityholder Reference Number (SRN) or Holder Identification Number (HIN)) as shown on the front of the Proxy Form. For further information on the online proxy lodgement process please see the **Online Proxy Lodgement Guide** at https://www.automicgroup.com.au/virtual-agms/
By post	Automic, GPO Box 5193, Sydney NSW 2001
By hand	Automic, Level 5, 126 Phillip Street, Sydney NSW 2000
By email	Completing the enclosed Proxy Form and emailing it to: meetings@automicgroup.com.au

Power of Attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already provided it to the Share Registry.

Corporate Representatives

If a representative of a corporate shareholder or a corporate proxy will be attending the Meeting, the representative should provide the Share Registry with adequate evidence of their appointment, unless this has previously been provided to the Share Registry.

Notice of General Meeting

Notice is hereby given that a General Meeting of Shareholders of Allegra Orthopaedics Limited ACN 066 281 132 will be held at 9:00AM AEST on Wednesday, 23 August 2023 as a **virtual meeting (Meeting)**.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form forms part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 7:00PM AEST on Monday, 21 August 2023.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

Resolutions

1. **Resolution 1** – Disposal of the Orthopaedics Division, the Company's Main Undertaking

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **Ordinary Resolution**:

*"That, under and for the purposes of Section 208 of the Corporations Act 2001, ASX Listing Rules 10.1, 11.2 and for all other purposes, approval is given for the sale by the Company of all the business assets, both tangible and intangible, of the Company's Orthopaedic Division and a licence to occupy the current Company premises, to Robinwood Investments Pty Ltd (**RIPL**),* a related party to the Company as a substantial shareholder and entity associated with Non-Executive Director Nicholas Hartnell*, on the terms and conditions set out in the Explanatory Statement."*

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement Allegra will disregard any votes cast in favour Resolution 1 by:

(a) Robinwood Investments Pty Ltd; and
(b) Nicholas Hartnell (as an associate of RIPL); or
(c) Any person who will obtain a material benefit as a result of the Transaction (except a benefit solely by reason of being a Shareholder); or
(d) An associate of that person or of those persons

(each, an **Excluded Party**).

However, this does not apply to a vote cast in favour of the Resolution by:

(a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
(b) the chair of the meeting as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or

(c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:

i. the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of an Excluded Party excluded from voting, on the Resolution; and

ii. the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

BY ORDER OF THE BOARD

Robyn Slaughter
Company Secretary

Explanatory Statement

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 9:00AM AEST on Wednesday, 23 August 2023 as a **virtual meeting**.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

If you are in any doubt about what to do in relation to the Resolutions contemplated in the Notice of Meeting and this Explanatory Statement, it is recommended that you seek advice from an accountant, solicitor or other professional advisor.

Full details of the business to be considered at the General Meeting are set out below.

Resolutions

Resolution 1 – Disposal of the Orthopaedics Division, the Company's Main Undertaking

Background

The Company has entered into a binding agreement with Robinwood Investments Pty Ltd (**RIPL**) (the **Purchaser**), whereby RIPL will acquire all the business assets, both tangible and intangible, of Allegra's Orthopaedics Division and received a licence to occupy the current Company premises (**Transaction**). RIPL is a substantial shareholder of the Company and an entity associated with Non-Executive Director Nicholas Hartnell.

Under the Transaction, RIPL will pay the Company on completion of the Transaction $1 million cash, plus the cost value of inventory being transferred to RIPL at completion in excess of $3.3 million. Subject to all conditions precedent being satisfied or waived (including ASX and shareholder approval), the parties intend for completion of the Transaction to occur before 23 August 2023.

The Company must ensure that at completion the minimum cost value of the inventory to be transferred to RIPL is $3,000,000. It was originally agreed that this amount be $3.3 million but was reduced by mutual agreement between the parties to $3.0 million. In the event this obligation is breached, the Purchaser is entitled to:

(a) Proceed to completion and order such amount of inventory which is equal to the difference between $3,000,000 and the cost value of the inventory as at completion and invoice that amount to the Company as a debt, which amount is payable to RIPL within 3 months of completion; and

(b) Set such amount off in full against the purchase price, and in the event the amount is not able to be fully set off, the balance shall remain payable to RIPL as a debt due and payable within 3 months of completion.

The Purchaser has agreed to waive the right of termination in the event that Inventory falls below $3.0m.

For example, and by way of illustration, if on completion the cost value of the inventory is $2.5 million and completion proceeds, then the Company will be liable to the Purchaser for $500,000, which amount could be set-off against the purchase price. In these circumstances the effective proceeds of the sale would be $500,000. The Company has the right under the sale agreement to terminate for convenience upon the payment of a break fee of $250,000. If such circumstances occur, the Company is likely to exercise its right of termination.

Based on a stocktake undertaken as of 30 June 2023, the current cost value of the inventory is $3,000,158.

Additionally, under the Agreement, the Purchaser must give the Vendor a licence to occupy the current Company premises (or, where the Company is no longer occupying that premises, an alternative office premises of comparable quality) rent-free for a period of two years following completion on terms acceptable to the Purchaser and the Vendor acting reasonably.

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

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

Prior to the entering into an agreement with RIPL for the Transaction, on 11 August 2022 the Company announced to the ASX that it was exploring options to mitigate the negative financial impact resulting from the Orthopaedic Division's current and expected performance due to the impact of COVID-19. One such avenue was the possible divestment of the Orthopaedic Division's assets.

Further to the ASX announcement dated 11 August 2022, Allegra received expressions of interest from over 6 industry participants and private investors. A formal data room was established giving those interested parties, upon signing an NDA, access to more detailed information required to carry out their own due diligence on the business. None of these parties wished to proceed with a formal offer. The only party to make any formal offer or progress with any transaction was RIPL, which came after all other interested parties had advised they would not be progressing with a formal offer.

Nicholas Hartnell was absent or otherwise abstained, yet disclosed his interest in accordance with section 191 and section 192 of the Corporations Act, from any discussions when the Transaction was considered. Further, Nicholas Hartnell abstained from the Board resolution to approve the Transaction in accordance with section 195 of the Corporations Act.

The Company intends to use the proceeds from the Transaction to pay down debt as interest costs have increased significantly over the last 12 months. RIPL has agreed to extend the repayment date of its loan to the Company until 31 December 2024. It is not intended by the Company to use the purchase consideration to pay down any of the loan from RIPL.

The Company proposed to use the proceeds of sale as follows:

1. Working capital related to the Innovation Division's ongoing commercialisation activities;
2. Pay down bank debt of approximately $686k in full (not associated with RIPL);
3. Transaction corporate and compliance costs; and
4. Ongoing finance costs.

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

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

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

Subject to all conditions precedent being satisfied or waived, the parties intend for completion of the Transaction to occur before 23 August 2023.

Transaction Background

Pursuant to the Transaction, RIPL will acquire the assets of the Company's Orthopaedics Division (Business). Those Assets comprise:

(a) The Business goodwill;
(b) The Business plant and equipment (as detailed below);
(c) The Business inventory (as detailed below);
(d) The Business contracts;
(e) The Business intellectual property;
(f) The Businesses' licences, approvals, consents, permits, certificates, rights and registrations; and
(g) The Business records.

Pricing of the Transaction

The Company will receive approximately $1 million as a result of the transaction, plus the cost value of Business Inventory at completion in excess of $3.0 million.

The Transaction is conditional, amongst other things, on the Company obtaining all necessary regulatory and shareholder approvals to give effect to the Transaction, including obtaining shareholder approval under:

1. Section 208 of the Corporations Act 2001;
2. ASX Listing Rule 10.1; and
3. ASX Listing Rule 11.2.

A summary of the terms of the transaction is attached as Annexure C.

Financial Effect, Advantages and Disadvantages of the Transaction

The impact of the Transaction is detailed in the balance sheet contained in the Independent Expert Report prepared by Moore Australia (VIC) Pty Ltd as attached to Annexure A.

The Company's assets proposed to be sold include the business assets, both tangible and intangible, of Allegra's Orthopaedic's Division, which includes:

- All inventory at cost with a target completion value of at least $3.0m gross before provision for obsolescence as described in Schedule 1 of Annexure B;
- Any other tangible or intangible assets. Tangible assets include minor office equipment and surgical instruments with a recorded net book value of $277k, as detailed in Schedule 2 of Annexure B. Intangible assets include customer and supplier relationships, contracts and ARTG product authorisations. The "Active Knee" trademark and "Allegra orthopaedics" web domain name is also included. As a result, Allegra will likely re-brand and change its name if the Proposal proceeds;
- A licence to occupy the current Company premises rent-free for a period of two years following completion, which has a financial value of $170k for the two-year period (refer to Appendix C); and
- The transfer of Ortho three full-time and six casual or part-time staff.

Advantages

The Directors believe that the Transaction is in the best interests of shareholders and the Company collectively. The Transaction will benefit the Company by allowing the Company to focus on the activities of its Innovation Division and reduce debt servicing cost.

Further details of the advantages which shareholders consider may be relevant their decision on how to vote on the Transaction are set out in Annexure A.

Disadvantages

(a) The Company will be disposing of its main undertaking, which may not be consistent with the investment preferences of some shareholders;
(b) The size of the Company's asset base will be reduced as a result of the Transaction; and
(c) Any potential future revenue attributable to the operations of the Company's Orthopaedics Division will not be realised by the Company if the Transaction occurs.

Please refer to Annexure A for further details. **Company's Intentions Post-Settlement**

Should shareholders approve this resolution, all other approvals are received, and the Transaction completes, the Company intends to use the net proceeds to pay down its debt so as to reduce interest costs.

Direction and Business Model

Post completion of the proposed Transaction, the Company confirms that intends to become exclusively focused on medical innovations through the Company's Innovation Division.

Innovations Division

The Innovation Division contains a dedicated engineering team with a mandate to explore and develop innovative early-stage technologies into commercially viable products available for manufacture by the company. Currently, the major project underway is the development and commercialisation of a load bearing biocompatible ceramic material known as 'Sr-HT Gahnite'.

On 31 March 2023, the Company announced the submission of the 510(k) for the Sr–HT–Gahnite Spinal Cage Device (Spinal Cage) to the U.S. Food and Drug Administration (FDA). The submission is in the Substantive Review phase, with an Additional Information (AI) Request received on 26th May 2023 regarding device technological characteristics. Our submission is on hold while we respond to the Additional Information Request with clarification of the device properties, particularly the degradation profile.

Sr–HT–Gahnite Spinal Cage Device

Allegra Orthopaedics' bioceramic spinal fusion cage is 3D-printed from a synthetic bone regenerative bioceramic (Sr-HT-Gahnite) invented at The University of Sydney. The biomaterial possesses the mechanical strength required for load-bearing conditions and bioactivity needed for bone regeneration; producing a device with a design optimized for facilitating spinal fusion. Development commenced 2010 at The University of Sydney. Allegra licensed the IP in 2014 and successfully acquired all the registered patents and application for patents held by the by the University of Sydney in relation to Sr-HT-Gahnite in 2020.

Proposed changes to Board and Management

No changes to the Company's board or management are proposed as a result of the Transaction.

Listing Rules 12.1 and 12.2

A disposal by a listed entity of its main undertaking can raise issues under ASX Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued quotation of its securities.

The consequences of a disposal of the main undertaking are that any transaction the Company proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may, if required by ASX, be required to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company will seek to satisfy the ASX that the level of its operations is sufficient, and its financial condition adequate, to warrant the continued quotation of its securities as contemplated by clause 12.1 and 12.2. If the ASX is not satisfied by the expiration of 6 months from 2 May 2023 then the trading of the company's shares will be suspended indefinitely.

Please refer to ASX Guidance Note 12: Significant Change to Activities which provides further information on significant changes to activities and how the Listing Rules apply to those changes.

Effect on Capital Structure

The Transaction will have no effect on the Company's current capital structure.

Effect on Control

The Transaction will have no effect on Nicholas Hartnell's control (held directly and indirectly) as the consideration for the Transaction is cash only.

As at the date of this document, Nicholas Hartnell has a relevant interest of 37.81% in the Company.

Indicative Timetable

Subject to the ASX Listing Rules and the Corporations Act requirements, the Company anticipates completion of the Transaction will occur in accordance with the following timetable, which is subject to change:

Execution of Asset Sale Agreement	2 May 2023
Notice of Meeting for the Transaction sent to Shareholders	24 July 2023
Shareholder Meeting to approve the Transaction	23 August 2023
Satisfaction/waiver of all the conditions of the Asset Sale Agreement	23 August 2023

Anticipated date for Transaction Completion

The above dates are indicative only and may change without notice.

Consequences of the Transaction not Proceeding

The Transaction is dependent on the resolution proposed being passed.

Accordingly, if Resolution 1 is not passed, the Transaction will not proceed.

RESOLUTION 1 – DISPOSAL OF THE ORTHOPAEDICS DIVISION, THE COMPANY's MAIN UNDERTAKING

General

This Notice of Meeting has been prepared to seek Shareholder approval for the matters required to complete the Transaction for the purposes of Section 208 of the Corporations Act 2001, ASX

Listing Rules 10.1 and ASX Listing Rule 11.2.

Independent Expert's Report

ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report accompanying this Notice sets out a detailed independent examination of the Transaction to enable non-associated Shareholders to assess the merits and decide whether to approve Resolution 1.

The Independent Expert has concluded that the Transaction is not fair but reasonable to the non-associated Shareholders.

Shareholders should carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert's Report is also available on the Company's website. If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

Section 208 of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
(b) give the benefit within 15 months following such approval, unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Transaction constitutes giving a financial benefit directly to RIPL. RIPL is a related party by virtue of being a substantial shareholder of the Company and a company controlled by Allegra's Non-Executive Director, Nicholas Hartnell. As a result, Nicholas Hartnell will receive a financial benefit indirectly if the Transaction proceeds.

It is the view of the Company that the exceptions set out in sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Resolution 1 therefore requires the approval of the Company's Shareholders under section 208 of the Corporations Act.

The financial benefit to RIPL and Nicholas Hartnell arising from the completion of the sale agreement include the following:

1. Under the sale agreement the Company is required to ensure that the cost value of the inventory at completion is at least $3.0 million, despite the purchase price being $1 million. Further the Purchaser is only required to pay for the cost value of additional inventory at completion to the extent that it exceeds $3.3 million. This arrangement in effect results in the Purchaser receiving at least $3.0 million of inventory for a price of $1 million; and
2. The sale agreement provides that the Company must give the Purchaser a licence to occupy the current Company premises (or, where the Company is no longer occupying that premises, an alternative office premises of comparable quality) rent-free for a period of two years following completion on terms acceptable to the Purchaser and the Company acting reasonably. This right benefits RIPL and Nicholas Hartnell as it provides RIPL rent free occupation of a premises from which they can operate the business for two years at the cost of the Company.

Technical Information required by section 219 of the Corporations Act and ASX Listing Rule 10.5

Pursuant to and in accordance with the requirements of Section 219 of the Act and ASX Listing Rule 10.5, the following information is provided in relation to Resolution 1:

(a) The Business Assets are being sold to RIPL, which is a related party because it is controlled by Director, Nicholas Hartnell.
(b) Nicholas Hartnell declines to make a recommendation to Shareholders in relation to Resolution 1 due to his material personal interest in the outcome of Resolution 1 on the basis that he controls RIPL who will purchase the Assets. Further, Nicholas Hartnell abstained from the Board resolution to approve the Transaction in accordance with section 195 of the Corporations Act.

The non-conflicted Directors (Peter Kazacos and Sean Mulhearn) (**Non-Conflicted Directors**) do not have a material personal interest in the outcome of Resolution 1 and recommends that Shareholders vote in favour of Resolution 1.

ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons:

(a) a related party of the entity;
(b) a substantial holder of the entity; or
(c) an associate of a substantial holder of the entity,

without the prior approval of holders of the entity's ordinary shareholders.

Resolution 1 seeks the required Shareholder approval to the Transaction on the terms of the Asset Sale Agreement under, and for the purposes of, ASX Listing Rule 10.1.

<u>Substantial Asset</u>

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The Company considers that the Allegra Orthopaedics Division is a substantial asset for the purposes of ASX Listing Rule 10.1.

<u>Related Party of the Entity</u>

Nicholas Hartnell is a Director of the Company and associated to RIPL, substantial shareholder and Purchaser to the Transaction. Therefore Nicholas Hartnell a related party of the Company for the purposes of Rule 10.1.

<u>Requirement for Shareholder Approval</u>

As a result of the above conclusions, the completion of the Transaction will result in the disposal of a substantial asset to a related party of the Company. The Company is therefore required to seek Shareholder approval under ASX Listing Rule 10.1.

As stated above, ASX Listing Rule 10.5.10 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

Shareholders are urged to carefully read the Independent Expert's Report annexed to this Notice.

ASX Listing Rule 11.2

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Transaction is a disposal of the Company's main undertaking for these purposes.

Resolution 1 seeks the required Shareholder approval to the Transaction on the terms of the Asset Sale Agreement under, and for the purposes of, ASX Listing Rule 11.2.

If Resolution 1 is passed, the Company will be able to proceed with the Transaction, following which, the Company will become exclusively focused on medical innovations through the

Company's Innovation Division as outlined above. .

If Resolution 1 is not passed, the Company will not be able to proceed with the Transaction, and the Asset Sale Agreement would likely be terminated.

All items required to be disclosed to Shareholders to obtain approval under ASX Listing Rule 11.2 is set out in this Notice. The Directors are not aware of any other commercial information that is material to the question of whether Shareholders should approve the Resolution.

For the reasons set out above, the Non-Conflicted Directors recommend that Shareholders vote in favour of the Resolution.

RIPL is a related party of the Company, and Shareholder approval for the Transaction is required or the purposes of ASX Listing Rule 10.1.

Directors' Recommendation & Interests

Nicholas Hartnell has a material interest in the Transaction and therefore is abstaining from making a recommendation on the Resolution.

The Non-Conflicted Directors recommend Shareholders vote for this Resolution.

As noted in the Proxy Form, the Chairman of the Meeting intends to cast all undirected proxies in favour of this Resolution.

Enquiries

Shareholders are asked to contact the Company Secretary at robyn.slaughter@automicgroup.com.au if they have any queries in respect of the matters set out in these documents.

Glossary

AEST means Australian Eastern Standard Time as observed in Sydney, New South Wales.

Annual Financial Report means the Annual Report to Shareholders for the period 30 June 2022 as lodged by the Company with ASX on 26 August 2022.

ASIC means Australian Securities and Investment Commission.

Associate has the meaning given to it by the ASX Listing Rules.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires, of 20 Bridge Street, Sydney, NSW 2000.

ASX Listing Rules or **Listing Rules** means the official ASX Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX, as amended or replaced from time to time, except to the extent of any express written waiver by the ASX.

Auditor's Report means the auditor's report of Crowe Sydney dated 26th August 2023 as included in the Annual Financial Report.

Board means the current board of Directors of the Company.

Business Day means a day on which trading takes place on the stock market of ASX.

Chair means the person chairing the Meeting.

Closely Related Party of a member of the KMP means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependant of the member or of the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company;

(e) a company the member controls; or

(f) a person prescribed by the *Corporation Regulations 2001* (Cth).

Company means Allegra Orthopaedics Limited ACN 066 281 132.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or replaced from time to time.

Directors means the current directors of the Company.

Directors' Report means the report of Directors as included in the Annual Financial Report.

Dollar or "**$**" means Australian dollars.

Explanatory Statement means the explanatory statement accompanying this Notice of Meeting.

General Meeting or **EGM** or **Meeting** means a General Meeting of the Company and, unless otherwise indicated, means the meeting of the Company's members convened by this Notice of Meeting.

Independent Experts Report means the Independent Expert Report prepared by Moore Australia (VIC) Pty Ltd as attached to Annexure A.

KMP means key management personnel (including the Directors) whose remuneration details are included in the Remuneration Report.

Non-Conflicted Directors means the Directors of the Company other than Nicholas Hartnell.

Notice of Meeting or **Notice of General Meeting** means this notice of general meeting dated 20 July 2023 including the Explanatory Statement.

Option means an option which, subject to its terms, could be exercised into a Share.

Ordinary Resolution means a resolution that can only be passed if at least 50% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Proxy Form means the proxy form attached to this Notice of Meeting.

Purchaser mean RIPL as the Purchaser of the Transaction.

Remuneration Report means the remuneration report as set out in the Annual Financial Report.

Resolutions means the resolutions set out in this Notice of Meeting, or any one of them, as the context requires.

Restricted Voter means a member of the Company's KMP and any Closely Related Parties of those members.

RIPL means Robinwood Investments Pty Ltd, purchaser to the Transaction and entity associated with Non-Executive Director Nicholas Hartnell.

Securities mean Shares and/or Options (as the context requires).

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means ***Automic Pty Ltd***.

Special Resolution means a resolution that can only be passed if at least 75% of the total votes cast by Shareholders entitled to vote on the resolution are voted in its favour at the meeting.

Trading Day has the meaning given to that term in ASX Listing Rule 19.12.

Transaction means the sale of Allegra's Orthopaedics Division business assets, both tangible and intangible, to Robinwood Investments Pty Ltd .

VWAP means the volume weighted average market (closing) price, with respects to the price of Shares.

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ALLEGRA ORTHOPAEDICS LIMITED

Independent Expert's Report and Financial Service Guide for distribution to Shareholders.

Proposed Related Party transaction (sale of Ortho Business) requiring Shareholder approval under Chpt.2E s.208 of the Corporations Act 2001 and ASX Listing Rules 10.1 and 11.2.

14 JULY 2023

MOORE

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14 July 2023

The Directors
Allegra Orthopaedics Limited
Level 8, 18-20 Orion Rd,
Lane Cove West NSW 2066

Dear Directors

INDEPENDENT EXPERT'S REPORT FOR SHAREHOLDERS

PROPOSED RELATED PARTY TRANSACITON (SALE OF ORHTO BUSINESS) REQUIRING SHAREHOLDER APPROVAL

1. We refer to our engagement letter dated 12 April 2023 and are pleased to submit our Independent Expert opinion on the above Proposal.
2. This summary should be read with the body of our Report, which sets out our scope of work, reasoning, and findings. It should also be read with the Notice of Meeting (**NoM**) provided to Shareholders.

1.1. Introduction

Background

3. Allegra Orthopaedics Limited (**Allegra** or Company) is an Australian company listed on the ASX. The Company's' main activities are:
    - Orthopaedics Division – (**Ortho**) which is a trading business that buys and sells ortho medical devices and related ancillary items. It also earns commission income for selling certain medical devices on behalf of the manufacturer. Its main customers are hospitals, supported by relationships with orthopaedic surgeons.
    - Innovations Division – (**Innovations**). This is a non-trading research business that reviews new technologies with the view to commercialising them. To date this division has had no commercial trading revenue. However progress has been made in obtaining recent FDA approval for a spinal cage medical device.
4. In FY22 Allegra reported revenue of $2.9m and an operating loss of $2.5m. Net assets were reported as $2.1m. At 31 Dec 22 net assets had declined to $1.3m due to ongoing losses. The current share price of AMT is $0.07 per share and a market cap of $7.4m[1].
5. The performance of the Ortho division has experienced declining revenues and trading losses over the last few years which was impacted materially by COVID when non-elective surgeries were suspended. This division also requires high levels of inventory (and therefore capital) relative to sales and earnings.

[1] 12 May 2023

6. On 11 August 2022 Allegra announced it was considering options including to sell the Ortho division. Subsequently, Allegra announced on 2 May 2023 it is proposing to the sell the Ortho division to a related party.

7. On or about 19 July 2023, Allegra also announced a 3:1 Rights Issue at $0.09 per share to raise from $1.2m to $3.1m. The Rights Issue does not form part of the Proposal. However, we included the possible effects of the Rights Issue in the Pre Proposal analysis of Allegra as it is expected to complete regardless of the Proposal.

Summary of the Proposal

8. The Notice sets out the proposed sale of the Ortho division to Robinwood Investments Pty Ltd (**RIPL**) being the subject of this Report. In summary:

- RIPL is a substantial shareholder in the Company, debt provider and an entity associated with Allegra's Non-Executive Director, Dr Nicholas Hartnell (**Hartnell**). Hartnell is also a significant source of revenue for the sale of Ortho products. Directors advise that Hartnell has and continues to be a supporter of the Company.
- RIPL have offered $1.0m in cash for the Ortho division business (subject to a target inventory price adjustment).
- The Ortho divisions assets to be acquired include:
    - All inventory at cost with a target completion value of $3.0m gross before provision for obsolescence.
    - Any other tangible (plant & equipment) or intangible assets. Intangible assets include customer and supplier relationships and authorities to supply.
    - The transfer of Ortho staff on a full or part-time basis.
- A break fee payable to RIPL of $0.25m if the Proposal does not proceed.

9. We consider RIPL (including Hartnell) as a related party of Allegra for the purposes of the Corporations Act 2001 (Cth.) (**Act**) and a person of influence for the purpose of ASX LR 10.1.

10. We consider the sale to RIPL described above and any alternatives as forming part of the **Proposal** for the purposes of our analysis.

1.2. Purpose of this Report

11. As set out in the NoM, Allegra have received advice that our Report is required for the purposes of non-associated shareholder approval of the Proposal for:

- the giving of a financial benefit to a related party requires shareholder approval under s.208 of the Act.
- Transactions with a person of influence per ASX LR 10.1.
- A significant change to the scale or nature of activities (ASX LR 11.2 – Significant Transactions).

12. We consider the ordinary shareholders other than RIPL, Hartnell or their associates as the non-associated shareholders (**Shareholders**).

13. Therefore, the Directors have engaged Moore to prepare this Independent Experts Report. The scope of the Report is to assess whether the Proposal is fair and reasonable to Shareholders.

1.3. Basis of evaluation

14. Fairness is a "quantitative" assessment. Reasonableness is a "qualitative" assessment. To assess if the Proposal is fair and reasonable, we have:

- Undertaken a quantitative assessment. The Proposal is fair if the offer price RIPL pay for the Ortho Business is equal to or above its fair value. We have also considered the Pre and Post Proposal share price of Allegra.
- Assessed the qualitative merits as reasonable if it is fair, or despite not being fair, if in the overall best interests of Shareholders.

1.4. Summary of quantitative assessment

15. Table 1 below sets out our estimated values and comparison of the change in Share price Pre and Post Proposal basis. It also shows the offer price compared to the value of the Ortho division price under the Proposal.

Table1

$ whole per share Evaluation summary	Ref	Low	Mid	High
Pre Proposal share price undiluted - control	Tbl.7	$ Nil	$ 0.007	$ 0.019
Post Proposal share price undiluted - control	Tbl.8	$ Nil	$ Nil	$ 0.007
Share price Higher / (Lower) Post Proposal diluted	Tbl.10	$ Nil	-$ 0.007	-$ 0.012
Quantitative evaluation		Fair	Not Fair	Not Fair
Offer price per share	Tbl.9	$ 0.007	$ 0.007	$ 0.007
Adjusted inventory / ortho. div. value per share	Tbl.9	$ Nil	$ 0.014	$ 0.019
Offer price compared to value of Ortho division	Tbl.11	$ 0.007	-$ 0.007	-$ 0.012
Quantitative evaluation		Fair	Not Fair	Not Fair
Quantitative evaluation			Not Fair	

16. We estimate that the Pre Proposal value is $nil to 2 cent per share on an undiluted control basis, (rounded). On a Post Proposal basis, we estimate it is also $nil to 1 cent per share.

17. The main influence of Pre Proposal Share value is an estimate based on adjusted net assets, inclusive of the effects of the Rights Issue. We selected this methodology as alternate methods were not in our view suitable.

18. We adjusted net assets reported as of 31 Dec 2022 for estimated losses (including transaction costs) to 30 June 2023, the Rights Issue and a fair value adjustment on the Ortho inventory. The low to high ranges include assumptions that the Ortho inventory is either of little (i.e., materially nil) value, an estimated positive fair value or the book value.

19. As the low range value was negative, we determined the equity value as $nil at that range. **We highlight that we have not assessed the value of the Innovations division or its core spinal cage prospective product in development**. This is because Shareholders continue to retain their interest in that asset regardless of whether the Proposal proceeds or not. If the announced Rights Issue is successful, it is possible that the proposed price of 9 cents per share (higher than those shown above) reflects perceived value in the Innovations division.

20. Post Proposal, we also assumed scenarios of a low to high of the net proceeds received for the Ortho division less our fair value assessment of the Ortho assets sold, consistent with the Pre Proposal ranges. In our view the Ortho division business value is mostly limited to the fair value of its inventory. We do not think there is much value in any other assets, or any goodwill given:

- The very poor trading performance and prospects.
- Extremely limited customer base and orthopaedic surgeon relationships.
- Restricted to no demonstrated market for the business or the inventory.

21. At the mid and high ranges, Post Proposal Equity value, are lower than Pre Proposal. At the low range, Post and Pre Proposal equity values remain negative and are therefore $ Nil.

22. Pre and Post Proposal the number of shares remains the same.

23. As a result, the position of Shareholders is the same at the low range but diminished at the mid and high ranges Post Proposal.

24. We also compared the net offer price offered per share by RIPL to our fair value assessment of the Ortho division as per paragraph 20. This ranges from positive 1 cent to negative 1 cent per share (rounded).

Fairness opinion

25. Our preferred analysis and the focus of this report is whether the offer price RIPL pay for the Ortho division is greater than the fair value of the division.

26. At our preferred mid-range value of negative 1 cent per share (rounded), we conclude that the Proposal is **Not Fair** to Shareholders. We observe that Shareholders may also be worse off on a Pre vs Post proposal basis.

1.5. Summary of qualitative assessment

27. We summarise the merits of the Proposal and also any alternatives to the Proposal:

Advantages of the Proposal

- The Proposal is indifferent on a Pre vs Post Proposal basis at the Low range.
- The Company will have cash funds of up to $1.0m from the RIPL offer price which will immediately improve the Company's solvency in the short-term. This includes the repayment of the CBA Bank loan facility.
- Allegra will reduce some of its operating cost base for staff exclusive to the Ortho division.
- The Company will no longer have to fund maintaining what appears to be excessively high inventory levels.
- Directors advise that being a 'pure play' innovations company is more attractive to future capital funding. Additional funds are required to fund expected ongoing losses or the potential repayment of the RIPL loan (see below).
- The Company will not pay the $0.25m break fee if the Proposal proceeds.
- Shareholders interest in the Innovations division and its spinal cage technology will remain undiluted.

Disadvantages of the Proposal

- The Proposal is not fair at our preferred mid-range or the high range.
- The Company will lose any opportunity to realise any longer term recovery in the Ortho division business prospects.
- Certain features of the Proposal appear to be weighted in RIPL's favour which reflect its bargaining position. For example:
    - The Ortho inventory and business likely has a special value to RIPL / Hartnell. Allegra may not be receiving any premium for this special value.

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- RIPL will be granted a license for the use of Allegra's premises on a rent free basis for 2 years.
- No value has been given to P&E assets transferring.
- Allegra must settle in cash employment leave balances (but not redundancies) prior to any transferring employees.
- The break fee of $0.25m

Alternatives to the Proposal

- Directors confirm there are no other Proposals capable of acceptance. Only two other parties expressed some interest in acquiring the Ortho division or assets but declined to participate further.
- Directors confirm that due to restrictions in distribution territories and authorities, no other distributors or international participants were possible acquirers.
- Directors believe that the decline in the Ortho division is ongoing and that a 'turn-around' recovery strategy is not financially attractive to providers of additional funds.
- Directors consider that an orderly wind down and realisation of the assets of the Ortho division is not possible and would realise less value than the Proposal.

Impact of the Proposal if the Proposal does not proceed

- The break fee of $0.25m must be paid to RIPL.
- Directors advise that the Company is continuing to incur monthly operating losses for at least the remainder of FY23 and into FY24. The Company has diminishing resources to fund those losses or continue to operate.
- In addition to monthly operating losses, Directors advise that $0.39m is required to be spent with the manufacturer and the TGA to retain the Active Knee registrations.
- The Directors advise that if the Proposal does not proceed, and if the company is unable to raise additional funds (e.g. the Rights Issue is unsuccessful), then it is likely that:
  - The Company will be unable to service the CBA Bank loan facility from trading operations. As a result of the deteriorating trading performance of the Ortho division on which the loan was given, it is likely that bank will reassess loan conditions that are unfavourable to Shareholders interests. For example, this could include increased interest cost, amended term, partial or full repayment.
  - The Company will be unable to repay the $2.0m facility limit with RIPL due in July 2023. However Allegra announced on 29 June 2023 this has now been extended to Dec 2024.
- The Directors may also explore other funding opportunities which may or may not be on less favourable terms than the current Proposal.

28. In our opinion, the advantages outweigh the disadvantages (including alternatives), and the Proposal is **Reasonable** to Shareholders. In forming our view, we were mostly persuaded by the lack of viable alternatives and the impact if the Proposal does not proceed.

1.6. Summary of Opinion

29. On the balance of the above matters considered, we think that the Proposal is Not **Fair but Reasonable** to the Shareholders of Company.

1.7. Summary of disclosures and limitations

30. Our opinion is subject to the limitations and disclaimers set out in the body of this Report.

Changes in market conditions

31. Our analysis and conclusions are based on market conditions existing at the date of this Report. We have assumed a valuation date of 30 June 2023. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the Proposal are concluded.

Individual Shareholder circumstances

32. Acceptance or rejection of the Proposal is a matter for individual Shareholders based upon their own views of value, risk, and portfolio strategy. Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

Financial Services Guide

33. Our Financial Services Guide is attached in **Appendix 4**. This includes the contact details of whom to address any concerns with this Report.

We thank you for the opportunity to assist you in this important matter.

Yours faithfully
Moore Australia (VIC) Pty Ltd

Holder of Australian Financial Services License No.247362

Colin Prasad
Director – Corporate Finance
CAANZ Business Valuation Specialist

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GLOSSARY

Term	Meaning
ACT	Corporations Act 2001.
Allegra	Allegra Orthopaedics Limited.
APES	Accounting Professional and Ethical Standard.
ARTG	Australian Register of Therapeutic Goods.
ASIC	Australian Securities and Investments Commission.
ASX (GN)	Australian Stock Exchange. (Guidance Note).
CFME / CFMR	Capitalised future maintainable earnings / revenue.
Company	Allegra Orthopaedics Limited.
DCF	Discounted cash flow.
Directors	Directors of Allegra.
FMV	Fair Market Value.
FY	Financial Year ending 30 June.
Hartnell	Dr. N. Hartnell, orthopaedic surgeon, a Director, Shareholder and associated with RIPL.
Innovations	Innovations division which holds the prospective spinal cage technology.

Term	Meaning
MAV	Moore Australia (Vic) Pty Ltd – the employer of the authors of this Report.
NoM	Notice of Meeting including explanatory memorandum.
Ortho	Orthopaedics division which operates the trading business.
Proposal	The sale of the Ortho division to RIPL including alternatives.
QMP	Quoted market price.
RG	ASIC Regulatory Guide.
Rights Issue	The Rights Issue announced on or about 19 July 2023 to raise $1.2m to $3.1m on a 3:1 basis at $0.09 per Share.
RIPL	Robinwood Investments Pty Ltd (Purchaser, debt provider and associated with Hartnell).
Sale Agreement	Sale agreement to sell the Ortho Division to RIPPL.
Shares	Shares in the Company.
Shareholders	The non-associated shareholders of the Company, being ordinary shareholders other than RIPL, Hartnell or associates.
TEV	Total Enterprise Value.

2.0 THE PROPOSAL

2.1. Sale of Ortho division

34. The Company is planning sell the Ortho division to RIPL.

35. Full details of the Proposal are set out in the NoM provided by the Company. In summary:

- RIPL is a substantial shareholder in the Company, debt provider and an entity associated with Allegra's Non-Executive Director, Hartnell. Hartnell is also a significant source of revenue for the sale of Ortho products. Directors advise that Hartnell has and continues to be a supporter of the Company.
- RIPL have offered $1.0m in cash for the Ortho division business subject to a target inventory price adjustment. The target inventory at completion is $3.0m[2] on a gross basis at cost, before any provision for obsolescence. The price is reduced if the inventory at completion is below this amount. The price is increased if the inventory at completion is above this amount. No adjustment is made to the price if the difference to the inventory target is less than $50k.
- The Ortho divisions assets to be acquired include:
  - All inventory at cost with a target completion value of $3.0m gross before provision for obsolescence as described above.
  - Any other tangible or intangible assets. Tangible assets include minor office equipment and surgical instruments with a recorded net book value of $277k. Intangible assets include customer and supplier relationships, contracts and ARTG product authorisations. The "Active Knee" trademark and "Allegra orthopaedics" web domain name is also included. As a result, Allegra will likely re-brand and change its name if the Proposal proceeds.
  - The transfer of Ortho three full-time and six casual or part-time staff. We understand that the CEO (Jenny Swain) and Finance Manager (Vincent Wang) will transfer and move from being full time with Allegra to consulting to Allegra on a part time basis.
- A break fee payable to RIPL of $0.25m if the Proposal does not proceed.

2.2. Shareholders resolution in the NoM

36. The NOM sets out the resolutions (**Resolutions**) relevant to this Report which we summarise:

- **Resolution 1 "Disposal of main undertaking"** – to vote on approving the sale of the Ortho division to RIPL.

37. We understand that RIPL and Hartnell are excluded from voting on the above resolution. We regard any other ordinary shareholders as the non-associated **Shareholders**.

38. As per our engagement terms, the focus of our opinion is on the sale of the Ortho division to RIPL (**Resolution 1**).

39. However, we consider Resolution 1 pricing, structure, conditions set out in the Sale Agreement and any alternatives as forming part of the **Proposal** for the purposes of our assessment.

---

[2] Originally agreed at a target of $3.3m, but mutually agreed to be reduced to target of $3.0m.

3.0 SCOPE OF THIS REPORT

3.1. Purpose

40. As set out in the NoM, Allegra have received advice that our Report is required for the purposes of non-associated shareholder approval of the Proposal for:

- the giving of a financial benefit to a related party requires shareholder approval under s.208 of the Act.
- Transactions with a person of influence per ASX LR 10.1.
- A significant change to the scale or nature of activities (ASX LR 11.2 – Significant Transactions).

41. Therefore, the Directors have engaged Moore to prepare this Independent Experts Report. The scope of the Report is to assess whether the Proposal is fair and reasonable to Shareholders.

3.2. Basis of evaluation

42. Fairness is a “quantitative” assessment. Reasonableness is a “qualitative” assessment. We have considered the below guidance in our analysis where relevant. The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

Fairness

43. We have undertaken a quantitative assessment. The Proposal is fair if the offer price RIPL pay for the Ortho Business is equal to or above its fair value.
44. We have also considered the Pre and Post Proposal share price of Allegra.
45. We utilised historical financial information available as of 31 December 2022 plus adjustments to cater for estimated unavoidable expenses to 30 June 2023 which is our assessment valuation date as well as the effect of the Rights Issue.

Reasonableness

46. We assessed the qualitative merits as reasonable if it is fair, or despite not being fair, in the overall best interests of Shareholders. We analysed significant matters which include:

- The advantages of the Proposal.
- The disadvantages of the Proposal.
- Any alternatives to the Proposal.
- The impact if the Proposal does not proceed.

Guidance

47. Resolution 1 refers to approval being sought for the sale under s208 and ASX LR 10. This on whether a financial benefit is given to a related party or a person of influence.
48. We have considered RG111.57 on related party transactions. Under this convention a proposal is fair if the value of a financial benefit provided to a related party is equal to or less than the value of the consideration being provided to the entity.
49. The recommended form of ‘fair and reasonableness’ analysis is consistent with our basis described above.
50. The comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. This is a standard of fair value consistent with our approach described above.

3.3. Limitations

51. We have only considered the effects of the Proposal. We have not considered the value of the Innovations division which value and shareholder interest remains unchanged whether the Proposal proceeds or not.

52. We are not aware of any other significant limitations on scope. Had our work not been limited in scope, then our opinion could differ, perhaps materially.

3.4. Revision of draft

53. We disclose that we issued redacted drafts of this Report to Allegra for factual review before 17 May 2023 as per ASIC RG 112.54. We then issued an unredacted draft of this Report to Allegra on 23 May 2023 as we understood the proposal to be final. That showed our opinion as Not Fair but Reasonable.

54. Subsequently Allegra advised of the intended Rights Issue announced on or about 19 July 2023. This will likely complete regardless of the Proposal. We understand that Proposal's terms are unchanged and are not conditional on the Rights Issue (or vice-versa).

55. In accordance with ASIC RG 112.57, in our opinion it is appropriate to reflect the above changes in our final report. We confirm that there was no significant impact on our analysis of the transaction and that our overall not fair but reasonable opinion did not change.

3.5. Other terms of reference

56. We have conducted our Services according to the guidelines contained in APES 110 *"Code of Ethics for Professional Accountants*" and the principals of APES 225 "*Valuation Services*".

57. We confirm MAV are the holder of AFSL licence 247 262, which authorises us to provide reports and advice in respect of securities. A copy of our Financial Services Guide is included in **Appendix 4**.

58. Regulatory guidance from ASIC includes:

- RG 112 "Independence of Experts March 2011". We confirm our qualifications and independence in **Appendix 3**.
- RG 111 "Content of Experts Reports – October 2020". Relevant guidance is given on the basis of evaluation including the standard of fair market value on a control basis and the use of prospective financial information only where there is a 'reasonable' (and not hypothetical – per RG 170) basis to do so. Specific guidance relevant to this report are referred to above and elsewhere in this Report.
- RG 170 "Prospective Financial Information – April 2011" – factors that indicate 'reasonable grounds' for prospective financial information.

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4.0 PROFILE

4.1. Background[3]

59. Allegra is an Australian company listed on the ASX. The Company's' main activities are:

- Orthopaedics Division – (**Ortho**) which is a trading business that buys and sells ortho medical devices and related ancillary items. It also earns commission income for selling certain medical devices on behalf of the manufacturer. Its main customers are hospitals, supported by relationships with orthopaedic surgeons, including Hartnell.
- Innovations Division – (**Innovations**). This is a non-trading research business that reviews new technologies with the view to commercialising them. To date this division has had no commercial trading revenue. However progress has been made in obtaining recent FDA approval for a spinal cage medical device.

60. In FY22 Allegra reported revenue of $2.9m and an operating loss of $2.5m. Net assets were reported as $2.1m. At 31 Dec 22 net assets had declined to $1.3m due to ongoing losses. The current share price of AMT is $0.07 per share and a market cap of $7.4m[4].

61. The performance of the Ortho division has experienced declining revenues and trading losses over the last few years which was impacted materially by COVID when non-elective surgeries were suspended. This division also requires high levels of inventory (and therefore capital) relative to sales and earnings.

62. On 11 August 2022 Allegra announced it was considering options including to sell the Ortho division. Subsequently, Allegra announced on 2 May 2023 it is proposing to the sell the Ortho division to RIPL.

63. On or about 19 July 2023[5], Allegra also announced a 3:1 Rights Issue at $0.09 per share to raise from $1.2m to $3.1m. The Rights Issue does not form part of the Proposal. However, we included the possible effects of the Rights Issue in the Pre Proposal analysis of Allegra as it is expected to complete regardless of the Proposal. Directors state that Hartnell intends to take up his full entitlement of the Rights Issue which is therefore the minimum of $1.2m.

---

[3] Source: Directors / management, previous announcements.

[4] 12 May 2023

[5] Directors confirmed the details of the Rights Issue and timing of announcement which followed a few days after we issued our final Report on 14 July 2023.

4.2. Capital structure and Shareholders

64. The table below sets out Shareholders in the Company as of May 2023, with additional columns showing the possible effects of the Rights Issue at Low, Mid and High ranges:

Table 2 Company Shareholders

Share holder / interest #'000's	Ord Shares (Pre Rights Issue)	(%)	Ord Shares (Post Rights Issue - LOW)	(%)	Ord Shares (Post Rights Issue - MID)	(%)	Ord Shares (Post Rights Issue - HIGH)	(%)
Robinwood Investment Pty Ltd / Dr. Nick Hartnell interests	39,499	37.8%	52,665	44.8%	52,665	41.0%	52,665	37.8%
Netwealth Investments Ltd.	9,447	9.0%	9,447	8.0%	11,022	8.6%	12,596	9.0%
CLJE Investments Pty Ltd	8,884	8.5%	8,884	7.6%	10,364	8.1%	11,845	8.5%
Peter Edward Welsh	6,600	6.3%	6,600	5.6%	7,700	6.0%	8,800	6.3%
University of Sydney	4,806	4.6%	4,806	4.1%	5,607	4.4%	6,408	4.6%
4 Holes-In-One Pty Ltd	3,000	2.9%	3,000	2.6%	3,500	2.7%	4,000	2.9%
Dugal Diagnostics Pty Ltd	3,000	2.9%	3,000	2.6%	3,500	2.7%	4,000	2.9%
Marie Caroll	2,818	2.7%	2,818	2.4%	3,288	2.6%	3,758	2.7%
Dawson Caroll	2,818	2.7%	2,818	2.4%	3,288	2.6%	3,758	2.7%
Andrew William Leicester	2,813	2.7%	2,813	2.4%	3,281	2.6%	3,750	2.7%
Top 10 Shareholders	**83,685**	**80.1%**	**96,851**	**82.3%**	**104,216**	**81.1%**	**111,580**	**80.1%**
Other shareholders	20,774	19.9%	20,774	17.7%	24,237	18.9%	27,699	19.9%
Total Shares	**104,459**	**100.0%**	**117,626**	**100.0%**	**128,452**	**100.0%**	**139,279**	**100.0%**

Source: Company and MAV analysis

65. There are 104.4m shares on issue. All shares carry equal voting rights. There is a total of 525[6] ordinary Shareholders in Company and each Share is one fully paid Share entitled to one vote at a meeting of the Shareholders.

66. We observe that the capital structure of Allegra is highly concentrated. The largest shareholder by some margin is RIPL / Hartnell's interests at 38%. The top 10 shareholders comprise 80% of total shares. Outside the top 10, no shareholder individually has more than 2%.

67. As the Rights Issue is likely to complete regardless of the Proposal, we model the impact of the Rights Issue at:

- Low range – only RIPL / Hartnell takes up the entitlement at $1.2m.
- Mid range – above, but 50% of all other shareholders take up the entitlement at $2.2m.
- High range – all shareholders take up the full entitlement of $3.1m.

68. We use the above numbers of shares post the Rights Issue in our Pre-Proposal values.

[6] As of 26 April 2023.

69. The contributed equity to the Company to 31 December 2022 was $15.4 million arising from previous capital raisings.

70. Not shown in the above table are 5.8m unquoted options held by executives and directors. These options continue to exist whether the Proposal proceeds or not and are therefore excluded from our analysis.

4.3. Financial Performance of Company

71. The historical financial information in this Section was extracted from the audited financial reports of for 30 June **FY21** and **FY22** as well as the audit reviewed report for the half year ending 31 Dec 2022 (**H1FY23**).

72. The Auditor, Crowe Sydney issued an unqualified audit opinion dated 26 August 2022 on the FY22 financial report. They issued an unmodified review report on the H1FY23 result on 24 February 2023.

73. We set out below the recent historic financial performance for the Company as a whole.

Table 3: Profit and Loss.

$ '000s Allegra consolidated	Note	FY21 Audit extract	FY22 Audit extract	H1FY23 Reviewed extract
Revenue from customers	a	**4,501**	**2,933**	**1,561**
Less cost of sales	b	(1,874)	(1,652)	(780)
Gross profit	b	**2,627**	**1,281**	**781**
Other income	c	**1,800**	**996**	**391**
Corporate & admin expenses	d	(1,761)	(1,834)	(738)
Quality and R&D expenses	d	(2,323)	(2,037)	(746)
Sales & marketing expense	d	(860)	(754)	(293)
EBITDA	e	**(518)**	**(2,347)**	**(604)**
Adj. Depreciation, amort. & impairment		(49)	(53)	(105)
Net finance costs		(13)	(134)	(132)
Tax expense				
Net profit loss		**(579)**	**(2,535)**	**(841)**
Key Performance Indicators				
Annualised revenue growth YoY	*a*	*na*	*-34.8%*	*6.5%*
Stock write off incl. in COGS	*b*	*(282)*	*(526)*	*(154)*
Stock write off % revenue	*b*	*-6.3%*	*-18.0%*	*-9.9%*
Stock write off % gross inventory	*b*	*NA*	*-16.1%*	*-*
Reported gross profit % revenue	*b*	*58.4%*	*43.7%*	*50.0%*
Adjusted gross profit excl. write offs % revenue	*b*	*64.6%*	*61.6%*	*59.9%*
Corporate & admin expenses % revenue	*d*	*-39.1%*	*-62.5%*	*-47.3%*
Quality and R&D expenses % revenue	*d*	*-51.6%*	*-69.5%*	*-47.8%*
Sales & marketing expenses % revenue	*d*	*-19.1%*	*-25.7%*	*-18.7%*
EBITDA % revenue	*e*	*-11.5%*	*-80.0%*	*-38.7%*
Cash flow from operations	*f*	*(362)*	*(1,862)*	*(135)*

Source: Financial Reports and MAV analysis. Classifications may differ from the financial reports.

74. Table notes are as follows:

a) The Company's revenue is solely derived from the Ortho division discussed in further detail below.

b) Cost of sales and gross margin % is solely derived from the Ortho division discussed in further detail below. It is stated after the effects of Ortho stock write offs.

c) Other income mainly relates to R&D grant and tax offsets that mostly related to the Innovations division.

d) All other expenses contribute to the significant ongoing losses of the business.

e) Cash flow from operations is also negative, albeit less negative than EBITDA.

75. In our view the historical financial performance of the Company has been poor and unsustainable suggesting that a change in strategy is warranted.

4.4. Financial Performance of the Ortho division

76. We set out below the recent historic financial performance for the Ortho division. The historical amounts were extracted from the financial statements of the Company. Forecast amounts for full year FY23 (and FY24 – not shown) were provided by management.

Table 4 Ortho division profit and loss

$ '000s		FY19	FY20	FY21	FY22	H1FY23	FY23
Ortho Division	**Note**	**Audit extract**	**Audit extract**	**Audit extract**	**Audit extract**	**Reviewd extract**	**Mangmt. est.**
Product	a	3,759	4,934	4,342	2,853	1,540	ns
Agencies		233	80	155	78	21	ns
Royalties				4	2		ns
Total Revenue	a	**3,993**	**5,014**	**4,501**	**2,933**	**1,561**	**2,886**
Direct cost of sales		(1,081)	(1,744)	(1,334)	(912)	(507)	ns
Logistic labour costs		(137)	(63)	(80)	(90)	(46)	ns
Freight costs		(158)	(141)	(159)	(110)	(64)	ns
Provisions & Stock/Write Off	b	(225)	(165)	(282)	(526)	(154)	ns
Scrap/Rework & Other adjust		32	(1)	(17)	(11)	(10)	ns
Cost of sales	**b**	**(1,569)**	**(2,113)**	**(1,872)**	**(1,649)**	**(781)**	**(1,670)**
Gross profit	**b**	**2,424**	**2,900**	**2,629**	**1,284**	**780**	**1,217**
Other Income		**7**	**84**	**61**	**48**	**25**	ns
Corporate & administration		(1,275)	(819)	(806)	(836)	(366)	ns
Sales & marketing		(1,005)	(923)	(863)	(757)	(292)	ns
Quality assurance & control		(116)	(156)	(212)	(221)	(65)	ns
EBITDA	**c**	**36**	**1,086**	**810**	**(481)**	**82**	**(201)**
Depreciation & Amortisation		(243)	(400)	(421)	(405)	(198)	
Net borrowing costs		5	(8)	(6)	(6)	(5)	
Income tax expense							
Ortho division net loss		**(202)**	**678**	**382**	**(892)**	**(122)**	
Key Performance Indicators							
Annualised revenue growth YoY	*a*	*na*	*25.6%*	*-10.2%*	*-34.8%*	*6.5%*	*-1.6%*
Stock write off % revenue	*b*	*-5.6%*	*-3.3%*	*-6.3%*	*-18.0%*	*-9.9%*	*na*
Reported gross profit % revenue	*b*	*60.7%*	*57.9%*	*58.4%*	*43.8%*	*50.0%*	*42.1%*
Adjusted gross profit excl. write offs % revenue	*b*	*66.4%*	*61.1%*	*64.7%*	*61.7%*	*59.8%*	*na*
EBITDA % revenue	c	*0.9%*	*21.7%*	*18.0%*	*-16.4%*	*5.3%*	*-7.0%*

Source: Financial Reports, management reports and MAV analysis. Classifications may differ from the financial reports. Ns – not stated.

77. Table notes are as follows:

a) The main source of revenue has been from the sale of products (i.e. trading operations) used in orthopaedic surgery such as artificial knee replacement joints. As previously reported by the Company, sales of its core Ortho products declined beyond FY20 as a result of COVID as elective surgeries were curtailed, especially in the private hospital system. The backlog of other work is such that no recovery is expected by Directors until after FY24 (if at all). Note that FY21 sales were temporarily boosted by the opportunistic $0.7m sale of PPE (e.g. Face Shields) whilst China supplies were restricted. Such revenue is non-recurring.

   Revenue by product was mainly Active Knee followed by Link products and Other. Link products in particular have experienced the steepest decline in sales from FY22.

   In FY21, Hartnell[7] was the main surgeon using Allegra's Active Knee product and responsible for 43% of total revenue. Directors state this profile continued through FY22 and FY23. Whilst the end customer may be the hospital (and ultimately the patient), we observe that the surgeon plays a significant role as gatekeeper in using the products they are comfortable with. Management forecasts for FY23 and FY24 show Hartnell as the dominant surgeon and only two other surgeons as contributors to Active Knee revenue. Whilst orthopaedic surgeons can conduct 8-10 procedures a day, they do not typically operate every day of the week. They also may take extended leave periods such that revenue is volatile to their sessions. Therefore we conclude that the Ortho division revenue is extremely concentrated and dependant on only a couple of surgeons. In our view this makes the Ortho business particularly risky and unattractive.

b) As indicated, cost of sales and gross margin % is solely derived from the Ortho division. It is stated after the effects of Ortho stock write offs which leads to a lower and more variable gross margin than otherwise would occur. Stock is regularly written off due to it exceeding its expiry date. Products mostly have a five-year useful life. Whilst the metal parts of components can be refurbished (at a cost) the plastic components cannot. Therefore the Company regularly writes inventory off each month.

   Management explained that a wide selection of inventory parts needs to be carried to cater for most patient sizes and patient cases. This is replicated at a number of hospitals where inventory is held on consignment. Like shoe sizes, most patients will require the most common sizes and applications. However, irregular sizes and uses need to be kept before a procedure commences. Whilst the surgeon can narrow down what is likely to be required by x-ray, out of caution they will not operate unless all parts are immediately available.

   This surgical practice explains both the 'excessive' levels of stock required to be held, and the level of regular stock write offs. MAV calculate that excluding write-offs, gross margin would be more stable and circa 63% on average.

c) Significant costs are incurred in administration, sales and quality. Management explained that a procedure requires combinations of individual parts which must be accurately selected and made available to the surgeon. Whilst an artificial knee may only have four parts, the possible combinations are large, (left, right, size etc). All parts are required to be accurately tracked and traced. This is done by the circa seven staff (full time and part time) included in the above costs.

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[7] Directors advise that Hartnell also uses other products in surgery not supplied by Allegra.

78. Whilst in FY20, the Ortho division was quite profitable with a 22% EBITDA margin, it has declined since to incur losses. Whilst Directors think a return to modest profitability (8% EBITDA) may occur in FY24, the underlying risk of dependence on only a couple of surgeons is not expected to change.

79. In our view the Ortho division performance is poor and the dependency on the one or two key surgeons makes the business unattractive.

4.5. Financial Position of Company

80. We set out below a summary of the financial position for the Company as at, 30 June 2022 and 31 December 2022 extracted from the audited / reviewed financial reports noted above. We also show how we classify items used in our later calculations.

Table 5: Statement of Financial Position

$ '000s	Notes	30-Jun-22 Audit extract	31-Dec-22 Reviewed extract	Classification
ASSETS				
Current assets				
Cash and cash equivalents	a	206	607	Working Capital
Trade and other receivables	b	1,198	791	Working Capital
Inventories (net of provision)	c	2,846	2,768	Working Capital
Prepayments and other assets		131	176	Working Capital
Total current assets		**4,380**	**4,341**	
Non-current assets				
Property, plant & equipment	d	446	317	P&E
Right of use assets	g	136	58	Other
Intangible assets	d	541	513	Other
Security deposits		106	106	Other
Total non-current assets		**1,228**	**993**	
TOTAL ASSETS		**5,609**	**5,335**	
LIABILITIES				
Trade and other payables	e	(914)	(948)	Working Capital
Borrowings	f	(326)	(2,266)	Debt
Lease liabilities	g	(136)	(58)	Other
Employee benefits		(199)	(185)	Other
Total current liabilities		**(1,576)**	**(3,458)**	
Non-current liabilities				
Borrowings		(1,869)	(567)	Debt
Employee benefits		(22)	-	Other
Provisions	f	(10)	(10)	Other
Total non-current liabilities		**(1,901)**	**(577)**	
TOTAL LIABILITIES		**(3,477)**	**(4,035)**	
NET ASSETS		**2,132**	**1,300**	
Gross value of inventory at cost	b	*3,266*	*3,315*	
Net operating assets (NWC+P&E)		*3,912*	*3,710*	

$ '000s	Notes	30-Jun-22 Audit extract	31-Dec-22 Reviewed extract	Classification
Debt		*(2,196)*	*(2,833)*	
Employee benefits		*(220)*	*(185)*	
Change in net assets		*NA*	*(833)*	

Source: Financial Reports and MAV analysis. Classifications may differ from the Financial Reports.

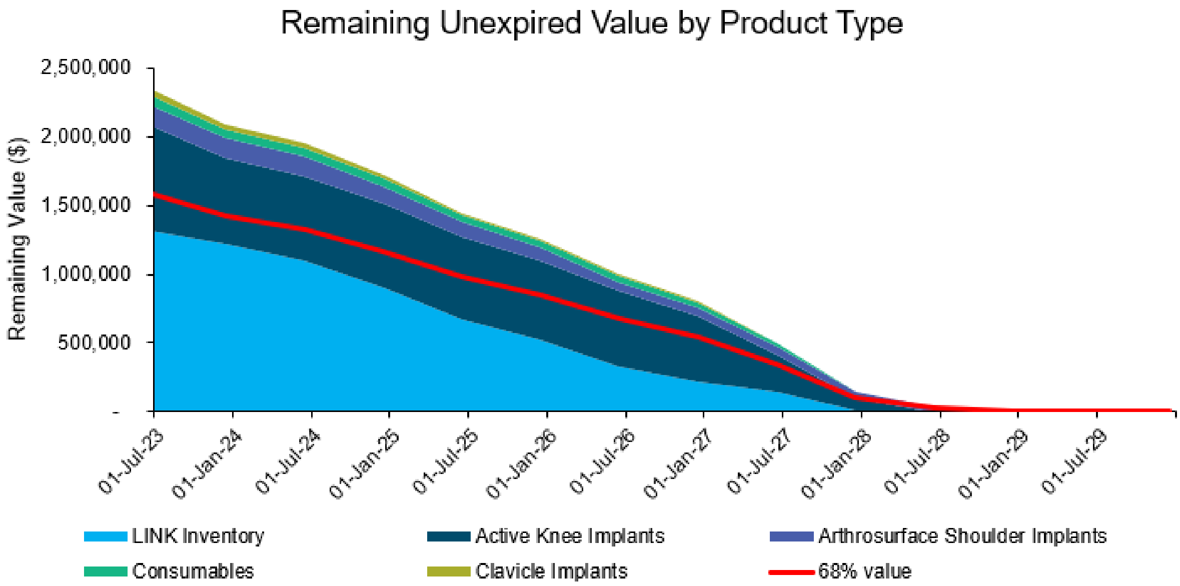
81. Table notes are:

a) We regard the whole of the 30 June 2022 cash balance as part of working capital due to a monthly operating loss run rate of approximately $0.2m.

b) Trade and other receivables we assume are in good order and realisable.

c) Inventories are stated net of provision for write off and in our view appear high relative to the level of sales. The reasons for this are set out in paragraph 77b). Gross inventory at 31 Dec 2022 before provision was circa $3.3m consistent with the initial target inventory level in the Sale Agreement, since amended by agreement to $3.0m. Management reports show that the gross value of inventory as of June 2023 was circa $3.0m (potentially $300k below the initial target inventory balance of $3.3m, but equal to the revised target of $3.0m). Using this inventory data provided by management[8], we calculated the remaining saleable / unexpired value by product type as shown in the following chart:

Chart 2: Ortho Inventory



Our analysis shows that by 30 June 2023:

[8] As of May 2023, showing inventory values at cost and expiry dates.

- Total saleable unexpired inventory will be $2.4m (i.e. net of provision). The 68%[9] value is shown in the red line which is $1.6m on 30 June 2023.
- Link products form the majority of that inventory at $1.3m. We note that Link products also show the steepest decline in revenues.
- Active knee products are $0.8m, which are mainly used by the key surgeon.
- All saleable products not implanted will have expired by 2028.

d) Plant and equipment relate to office and IT equipment and are minimal. Also included are non-inventory surgical instruments which will transfer with the Ortho division. The net book value of Ortho P&E assets transferring is $277k. Other Ortho intangible assets have either been written off for accounting purposes or are not significant to our assessment of value[10]. The remaining intangible assets relate to the Innovations division at cost and does not include any uplift in value that may arise from its spinal cage technology.

e) Trade payables appear to be at reasonable levels given the expenses of the business.

f) Borrowings are from bank loans and a $2.0m facility provided by RIPL, due for repayment in July 2023.

g) We disregard the lease liability as largely offset by the ROU intangible asset and is not significant to our analysis.

82. The Company exhibits positive net assets and net operating assets largely as a function of the high inventory balance. The change in net assets from 30 June 2022 to 31 Dec 2022 largely reflects losses.

4.6. Share trading performance of the Company

83. We set out below the share trading performance of the Company:

Chart – share price & volume

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9 Assuming say 1 standard deviation in a normal distribution. We assume that the most common products can be utilised, but the less common products are more likely to expire.

10 Directors advise that Allegra either do not own the ARTG's associated with the products or that those can be easily transferred to RIPL For example the Active Knee ARTG's are not owned by Allegra and are owned by the manufacturer.

Source: S&PCapIQ

84. The chart shows a steep decline in the share price over the last year overall, but there was no discernible price movement when the possibility of selling the Ortho division was first announced on 11 August 2022. Trading volumes were minimal.

85. The implied market capitalisation of the Company at the recent share price of 7 cents is $7.4m which is more than the book net asset value of $1.3m taken from Table 5.

86. We summarise recent share trading in the following table:

Table 6 recent share trading summary

Share trading summary	Last 20 days	Last 3 months	Last 6 months	Last 12 months
$'whole Value	$6,463	$6,591	$66,410	$120,906
Number of shares	92,545	94,824	873,251	1,347,640
VWAP $ whole	**$0.070**	**$0.070**	**$0.076**	**$0.090**
Number of shares % to total issued	**0.09%**	**0.09%**	**0.84%**	**1.29%**
Annualised %	**1.62%**	**0.36%**	**1.67%**	**1.29%**

Source: S&PCapIQ and MAV analysis

87. The table shows that the value and number of shares traded has been very small relative to the 104.4m shares on issue (pre Rights Issue) and the market capitalisation. This is unsurprising given that RIPL / Hartnell holds 38% and the top 10 holds 80% of the shares on issue.

88. In our view, the level of share trading is highly illiquid and does not support using the current share price as a meaningful guide to value.

5.0 MEDICAL & SURGICAL EQUIPMENT INDUSTRY OVERVIEW

5.1. Overview

89. IBISWorld also publish data on the medical & surgical equipment manufacturing industry in Australia[11]. Industry primarily manufactures medical, surgical and dental equipment. Firms that mainly manufacture ophthalmic equipment are excluded from the industry.

90. The industry is dominated by:

- ResMed Holdings (non-invasive devices for sleep conditions).
- Baxter Healthcare (non-invasive medical equipment).

IBISWorld Summary of industry performance.

Industry	*Historical growth 5 years 2018-2023*	2022 Industry Total Revenue	Profit margin	Outlook growth 5 years 2023-2028
Medical & surgical equipment manufacturing industry in Australia	*Revenue growth 8.3%* *Profit growth 6.6%*	$7.0 billion	11.0%	Revenue growth 2.3%

91. Key Trends

- Increased spending on industry products due to the pandemic has driven revenue growth.
- Strong demand for medical and surgical equipment has fueled growth in industry participation.
- Higher purchase costs, because of a depreciating Australian dollar, have reduced profitability.
- Industry firms are forecast to benefit from growth across the healthcare sector.
- Australia's ageing population will boost demand for medical and surgical equipment.
- Profitability will improve due to the specialised nature of industry products.

92. The report also notes high barriers to entry and capital requirements.

93. We acknowledge that much of the IBISWorld reporting relates to manufacturers of largely non-invasive medical equipment and not distributors.

5.2. Orthopaedic surgery[12]

94. Orthopaedic surgery involves the care of the musculoskeletal system. Orthopaedic surgeons diagnose, care and treat disorders of the bones, joints, muscles, ligaments, tendons, nerves and skin. A minimum of five years full-time advanced training through the Royal Australasian College of Surgeons is required to specialise in this area.

95. In 2016, there were 1,286 orthopaedic surgeons employed in Australia, of whom 76.2% worked in the private sector. Over 96% of orthopaedic surgeons who completed the 2016 National Health Workforce Survey indicated they were clinicians.

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[11] INDUSTRY REPORT C2412 Medical and Surgical Equipment Manufacturing in Australia – May 2023

[12] The National health workforce data set (NHWDS) medical specialities - 2017 Commonwealth of Australia as represented by the Department of Health.

96. Males represented 96.9% of clinicians in 2016 and had an average age of 52.0 years. Females represented 3.1% of clinicians and were on average 5.9 years younger than male clinicians.

97. Over 36% of clinicians were aged 40-49 years and over 26% were aged 50-59 years.

98. In 2016, the majority (83.7%) of clinicians were located in a major city or a location.

99. The largest number of clinicians was in New South Wales with 31.3% clinicians indicating their principle place of practice was in this state.

100. There was an average of 5.1 clinicians per 100,000 population across Australia in 2016. The Australian Capital Territory had the highest ratio of clinicians with 6.3 per 100,000 population, followed by Queensland and South Australia with 5.9 and 5.8 per 100,000 population respectively.

101. The number of orthopaedic surgery new fellows fluctuated between 2013 (50) and 2015 (47). During this period the number of female new fellows (3) remained static.

102. MAV note – by way of update the Australian Orthopaedic Association presently reports 1,800+ surgeons.

5.3. Industry remarks

103. Given the above, we observe that the macro conditions for health devices and orthopaedic products are positive. However, Allegra's major products do not appear to be widely used by many orthopaedic surgeons. We expect this to lead to below industry average performance.

104. Our valuation and assessment of the Proposal does not greatly depend on any further industry analysis.

6.0 VALUATION METHODOLOGIES

6.1. Available methodologies

105. The following summarises the various methodologies we have considered:

- **Market Based:** Business value or equity or an asset is determined by reference to comparable market buy/sell transactions or quoted market prices (**QMP**) if it is listed on an exchange or recent transactions.
- **Income Based:** Value is determined by reference to capitalised future maintainable earnings or revenue (**CFME / CFMR**) or discounted cash flows (**DCF**) derived by the business or asset.
- **Asset Based**: Value is determined by reference to the sale or realisable proceeds of individual assets or groups of assets in an entity.

106. We provide more details of the available valuation methodologies in **Appendix 2** of this Report.

6.2. Selected methodology for Company

Market Based Value

107. The Company is a listed Company with a current share price of 7 cents and a market capitalisation of $7.4m. However, for the reasons set out in Section 4.7, we do not believe there is a deep active and liquid market for the Shares. Therefore, we do not think it is appropriate to use a market-based value for Allegra.

108. Allegra stated that on 30 September 2017, they acquired Link inventory (implant stock and instruments) from Life Healthcare Group. The gross value of this inventory at cost was $2.7m. Allegra paid $1.1m, being 39% of its gross cost. This supports a view that the Ortho inventory is likely valued less than its book value at cost when sold.

109. We note that Life Healthcare Group was formerly listed on the ASX and then acquired by Pacific Equity Partners also in 2017 for $161.0m deal value. It last reported 2017 revenue as $126.7m and EBITDA of $20.3m[13] (i.e., circa 7.9x EBITDA or 1.3x revenue). The Life Healthcare Group appears to have grown considerably since with media reported earnings exceeding $110m and was sold to EBOS (a diversified New Zealand listed public healthcare company) for $1.2billion[14] in early 2022. We think the scale and attractiveness of these transactions does not compare with the Ortho division.

110. We have considered other market comparables (if possible) in our other valuation techniques.

Income Based Value

111. Allegra and the Ortho division is an operating business with positive revenue, but negative EBITDA and cash flows.

112. Given a lack of positive earnings historically or in the near term we considered a CFMR technique. We observe that revenue multiples of selected large medical device companies are high at 3.7x[15] last twelve months revenue. However due to the exceptional unique attributes of the Ortho business, it is not possible to derive a meaningful market comparable multiple. For example, it's trading revenues

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[13] S&PCapIQ
[14] S&PCapIQ
[15] S&PCapIQ – as of May 2023 on LTM revenue. Public comparables, major markets, surgical and medical implants and devices. Includes diversified healthcare businesses. We have not included the detail of comparables in this Report.

are much smaller than comparables and the high dependency on revenue from a single surgeon is highly unusual and difficult to adjust for.

113. Whilst our preference is often for a DCF, in our view there are no reliable forecasts available from management on which to reasonably determine a value. Management provided an FY23 budget, however that shows that operating losses are expected to continue. A forecast for FY24 was also provided that shows a modest profit. We think FY24 and any projection beyond would contain assumptions that are considered hypothetical in the context of RG 170. We do not mean this as a pejorative statement on the prospects of the business, but simply a reflection of the regulatory guidance we are obliged to follow.

Asset Based Value

114. Allegra's book value of net assets is largely comprised of inventory. In the case of the Ortho division, we think that given the overall unattractiveness of the business, any value also relates largely to a fair value of its inventory.

115. For this reason, we adopted an adjusted net assets method.

MOORE

7.0 VALUATION OF COMPANY PRE PROPOSAL

7.1. Net assets method

116. We have assessed the equity value of Allegra using an adjusted net assets method as set out in the following table:

Table 7: Adjusted net assets value Pre Proposal

$'000s Equity value Pre Proposal	Ref	Low	Mid	High
Reported Net asset value from 31 Dec 2022	Tbl.5	1,300	1,300	1,300
Less estimated operating losses in Jan to June 23		(1,392)	(1,392)	(1,392)
Rights Issue announced 10 July 23		1,185	2,159	3,134
Less MAV FV adjustment to inventory		(2,768)	(1,168)	(415)
Equals estimated equity fair value (control basis)		**(1,674)**	**900**	**2,627**
Equals adopted equity fair value (control basis)		**-**	**900**	**2,627**
Number of Shares #'000's Pre Proposal		104,459	104,459	104,459
Shares from Rights Issue #'000's		13,166	23,993	34,820
Adjusted number of shares #'000's Pre Proposal	Tbl.2	117,626	128,452	139,279
Pre Proposal share price $ whole (control value, undiluted)		**$ Nil**	**$ 0.007**	**$ 0.019**

Reported net assets

117. This is taken from Table 5 for 31 Dec 2022.

MAV adjustments

118. We have adjusted for:

- Estimated operating losses to 30 June 2023. This is based upon actual monthly losses to April and estimated losses for May and June 2023 as provided by management. This includes unavoidable transaction costs of the Proposal.
- Effects of the Rights Issues, expected to complete regardless of the Proposal. Refer to paragraph 67.
- Our fair value adjustment to Ortho inventory based on low to high range scenarios as follows.
  - At the low range, we think the inventory has nominal fair value which we have assumed as nil. This is supported by management efforts in which no other buyers made offers for the Ortho division. Management efforts to sell inventory as scrap value to metal recyclers resulted in only nominal amounts offered. Therefore the fair value adjustment is to write off the whole 31 Dec 2022 carrying value of $2.8m.
  - At the mid-range value we adopt 68% or $1.6m of the projected saleable unexpired fair value on 30 June 2023. This is taken from our analysis at paragraph 81c). Our 68% value (or 51% of the gross cost value) is higher than the 39% of gross cost value negotiated by Allegra when they acquired Link inventory in 2017 as per paragraph 108. However for the purposes of our analysis we prefer to err on the side of over valuing the Ortho assets than undervaluing it. The difference between this and the 31 Dec 2022 carrying value is the fair value adjustment shown above of $1.2m.
  - The high range value is based upon the projected unexpired fair value on 30 June 2023 also taken from our analysis at paragraph 81c) of $2.4m. The difference between this and the 31 Dec 2022 carrying value is the fair value adjustment shown above of $0.4m.

119. This results in the adjusted negative net asset / equity values shown above at the Low ranges, positive values at the Mid to High range.

Premium for control

120. A premium for control can be defined as an amount or a percentage by which the pro-rata value of a controlling interest exceeds the pro-rata value of a non-controlling interest in a business enterprise, to reflect the power of control. The requirement for an explicit valuation adjustment for a control premium depends on the valuation purpose, methodology and approach adopted. This valuation is based on a net asset method which already assumes a control premium. Therefore, no further adjustment is required.

Shares outstanding

121. Pre Proposal the Company has 104.4m Shares outstanding, plus the effects of the Rights Issue at Low, Mid and High ranges taken from Table 2 on an undiluted basis.

Pre Proposal value per Company Share

122. As we estimate the Pre Proposal equity value is negative at the Low range, given the limited liability of ordinary shares, on a per share basis the value is nil. Positive values of 1 to 2 cents (rounded) are estimated at the Mid and High ranges.

8.0 VALUATION OF COMPANY POST PROPOSAL

8.1. Valuation of Company Post Proposal

123. We set out our calculations to assess the valuation of Allegra Post Proposal.

Table 8: Adjusted net assets value Post Proposal

$'000s Equity value Post Proposal	Ref	Low	Mid	High
Pre Proposal estimated equity fair value (includes proceeds from Rights Issue)	**Tbl.7**	**(1,674)**	**900**	**2,627**
Plus proceeds from Offer		1,000	1,000	1,000
Less MAV fair value of inventory sold		-	(1,600)	(2,353)
Less book value of PP&E sold		(277)	(277)	(277)
Less adjustment to Offer price for gross inventory shortfall		(200)	(100)	-
Equals estimated equity fair value (control basis)		**(1,151)**	**(77)**	**997**
Equals adopted equity fair value (control basis)		**-**	**-**	**997**
Number of Shares #'000's	Tbl.2	117,626	128,452	139,279
Post Proposal share price $ whole*		**$ Nil**	**$ Nil**	**$ 0.007**

**We highlight that we have not assessed the value of the Innovations division or its core spinal cage prospective product in development. This is because Shareholders continue to retain their interest in that asset regardless of whether the Proposal proceeds or not.*

Pre Proposal equity value

124. The Pre Proposal equity value is taken from Table 7.

Effects of the Proposal

125. The effects of the Proposal are:

- The proceeds of $1.0m prior to any completion adjustments.
- Less the fair value of Ortho inventory sold. These range from nil to $2.4m as described in paragraph 118.
- Less the book value of P&E sold. We think it is likely that the fair value of P&E is less than the book values as they are all depreciating items. But for the purpose of our analysis above we have adopted the book values as being conservative.
- Less a range of adjustments to the offer price for any shortfall against the target inventory of $3.0m (gross) at completion. Whilst as of 30 June 2023 we are advised the gross inventory value is $3.0m, equal to the Target, this may not be the case at completion. So we assume the estimated range of price adjustments shown above ranging from -$200k to no adjustment.

Minority discount

126. We have not applied any minority discount as it is not relevant to the situation and the results shown above.

Post Proposal value per Company Share

127. The number of shares in the Company are unchanged as a result of the Proposal. As we estimate the Post Proposal equity value is negative at the Low and Mid ranges, given the limited liability of ordinary shares, on a per share basis the value is also nil. A positive 1 cent per share (rounded) is estimated at the High range.

9.0 COMPARISON OF THE OFFER PRICE TO THE ORTHO DIVISION VALUE

128. We compare the offer price under the Proposal to our assessment of the Ortho divisions value in the table below.

Table 9 Offer price vs Ortho division value

$ whole Evaluation - Offer price compared to Ortho division value	Ref	Low	Mid	High
Offer price (after completion adjustments to reach target inventory balance of $3.0m)	**p.118**	**800**	**900**	**1,000**
Ortho div based on reported inventory value 31 Dec 2022	Tbl.5	**2,768**	**2,768**	**2,768**
Less MAV FV adjustment		(2,768)	(1,168)	(415)
Equals net Ortho inventory at estimated FV.	p.111	-	1,600	2,353
Plus MAV FV of Ortho PP&E sold		-	139	277
Equals adjusted ortho div value		**-**	**1,739**	**2,630**
Offer price less adjusted inventory value		**800**	**(839)**	**(1,630)**
Number of Shares #'000's	Tbl.2	117,626	128,452	139,279
Offer price per share		$ 0.007	$ 0.007	$ 0.007
Adjusted inventory / ortho. div. value per share		$ Nil	$ 0.014	$ 0.019
Higher / (Lower) per share		$ 0.008	-$ 0.007	-$ 0.012

Offer price

129. The offer price under the proposal is $1.0m less any difference between the target gross inventory value of $3.0m and the actual at completion. As explained in paragraph 125 we estimate a range of adjustments to the offer price to derive the net offer price above.

Ortho division fair value

130. We estimate that the fair value of the Ortho division is based upon:

- The fair value of the inventory. This was determined in paragraph 118.
- The fair value of its P&E sold. In the above table we have assumed a range of values from nil to the current book value of $277k.
- We do not think there is any goodwill or value in intangible assets for the reasons set out in Section 4.4.

131. Therefore, we estimate that the Ortho division fair value ranges from nil to $2.6m with a preferred value of $1.7m.

Per share values

132. We use the current number of 104.4m shares, plus the effects of the Rights Issue to determine the per share values above. The difference between the offer price and our estimated value of the Ortho division ranges from positive 1 cent per share to negative 1 cent per share with a preferred value of negative 1 cent per share (rounded).

10.0 EVALUATION

10.1. Quantitative (fairness) assessment

134. Below sets out the position of Company Shareholders Pre and Post Proposal (Table 10) as well as a comparison between the offer price and the Ortho division value (Table 11):

Table 10 Fairness

$ whole Evaluation - Pre to Post Proposal (undiluted)	Ref	Low	Mid	High
Pre Proposal share price	Tbl.7	$ Nil	0.007	0.019
Post Proposal share price	Tbl.8	$ Nil	$ Nil	0.007
Higher / (Lower)		$ Nil	-$ 0.007	-$ 0.012
Quantitative evaluation		**Fair**	**Not Fair**	**Not Fair**

Company value Pre Proposal compared with Post Proposal

135. At the Low range shown, the Pre and Post Proposal Share values are nil. As a result, the position of Shareholders is the same Pre and Post Proposal. At the Mid and High ranges, the position of Shareholders is worse off Post Proposal. We highlight that we have not assessed the value of the Innovations division or its core spinal cage prospective product in development. This is because Shareholders continue to retain their interest in that asset regardless of whether the Proposal proceeds or not.

Comparison to the Offer price vs. Ortho division value

136. Below we compare the Offer price to the Ortho division value.

Table 11 – Offer Price vs Ortho Division value

$ whole per share Evaluation summary	Ref	Low	Mid	High
Offer price per share		$ 0.007	$ 0.007	$ 0.007
Adjusted inventory / ortho. div. value per share		$ -	$ 0.014	$ 0.019
Offer price compared to value of Ortho division		$ 0.007	-$ 0.007	-$ 0.012
Quantitative evaluation		**Fair**	**Not Fair**	**Not Fair**

137. The difference between the offer price and our estimated value of the Ortho division ranges from positive 1 cent per share to negative 1 cent per share with a preferred value of negative 1 cent per share (rounded).

Fairness opinion

138. Our preferred analysis and the focus of this report is whether the offer price RIPL pay for the Ortho division is greater than the fair value of the division.

139. At our preferred mid-range value of negative 1 cent per share (rounded), we conclude that the Proposal is **Not Fair** to Shareholders. We observe that Shareholders may be worse off on a Pre vs Post proposal basis.

10.2. Qualitative (reasonableness) assessment

140. We summarise the merits of the Proposal and any alternatives to the Proposal:

Advantages of the Proposal	• The Proposal is indifferent on a Pre vs Post Proposal basis at the Low range. • The Company will have cash funds of up to $1.0m from the RIPL offer price to use for other purposes which will immediately improve the

Company's solvency in the short-term. This includes the repayment of the CBA Bank loan facility estimated to be circa $0.8m.

- Allegra will reduce some of its operating cost base for staff exclusive to the Ortho division.
- The Company will no longer have to fund maintaining what appears to be excessively high inventory levels compared to revenue and earnings (i.e., the company will have lower working capital requirements for operations).
- Directors advise that based upon discussions with potential investors and brokers, being a 'pure play' innovations company is more attractive to future capital funding. This risk of ongoing losses, low returns and distraction from the Ortho division detracts from funding. Additional funds are required to fund expected ongoing losses or the potential repayment of the RIPL loan (see below).
- The Company will not pay the $0.25m break fee if the Proposal proceeds.
- Shareholders interest in the Innovations division and its spinal cage technology will remain undiluted.

Disadvantages of the Proposal

- The Proposal is not fair at our preferred mid-range (or the high range).
- The Company will lose any opportunity to realise any longer term recovery in the Ortho division business prospects.
- Certain features of the Proposal appear to be weighted in RIPL's favour which reflect its bargaining position. For example:
  - It is likely that most of the offer proceeds could be used to partially repay the RIPL loan such that the Company may not receive any net cash.
  - The Ortho inventory and business likely has a special value to RIPL / Hartnell as a surgeon who is familiar with Allegra's products, compared with non-surgeon or industry buyers unfamiliar with the products. Allegra is not receiving any premium for this special value at the mid preferred or high value ranges. However if the low (nil) value for the Ortho division is assumed, then the offer price would represent a special value to RIPL.
  - RIPL will be granted a license for the use of Allegra's premises on a rent free basis for 2 years. The current rent is circa $136k per year.
  - No value has been given to P&E assets transferring.
  - Allegra must settle in cash employment leave balances (but not redundancies) prior to any transferring employees, this is estimated as $84k.
  - The break fee of $0.25m

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Alternatives to the Proposal	• Directors confirm there are no other Proposals capable of acceptance. Only two other parties expressed some interest in acquiring the Ortho division or assets but declined to participate further. • Directors confirm that due to restrictions in distribution territories and authorities, no other distributors or international participants were possible acquirers. • Directors believe that the decline in the Ortho division is ongoing and that a 'turn-around' recovery strategy is not financially attractive to providers of additional funds. This is mainly based upon discussions to raise capital. • Directors consider that an orderly wind down and realisation of the assets of the Ortho division is not possible and would realise less value than the Proposal. This is due to operating losses during the wind down period, the break fee, closure, and redundancy costs and zero residual value of any unused inventory. Not all inventory could be sold as a point would be rapidly reached when not enough sizes or selections of inventory would be available to allow surgery to continue (paragraph 77b). We estimate that the combined break fee and redundancy costs could exceed $0.45m.

Impact of the Proposal if the Proposal does not proceed	• The break fee of $0.25m must be paid to RIPL.
	• Directors advise that the Company is continuing to incur monthly operating losses for at least the remainder of FY23 and into FY24. The Company has diminishing resources to fund those losses or continue to operate.
	• In addition to monthly operating losses, Directors advise that $0.39m is required to be spent with the manufacturer and the TGA to retain the Active Knee registrations.
	• The Directors advise that if the Proposal does not proceed, <u>and</u> if the company is unable to raise additional funds, then it is likely that:
	   ○ The Company will be unable to service the CBA Bank loan facility from trading operations. As a result of the deteriorating trading performance of the Ortho division on which the loan was given, it is likely that bank will reassess loan conditions that are unfavourable to Shareholders interests. For example, this could include increased interest cost, amended term, partial or full repayment.
	   ○ The Company will be unable to repay the $2.0m facility limit with RIPL due in July 2023. However Allegra announced on 29 June 2023 this has now been extended to Dec 2024.
	• The Directors may also explore other funding opportunities which may or may not be on less favourable terms than the current Proposal.

141. In our opinion, the advantages outweigh the disadvantages (including alternatives), and the Proposal is **Reasonable** to Shareholders. In forming our view, we were mostly persuaded by the lack of viable alternatives and the impact if the Proposal does not proceed.

10.3. Summary of Opinion

142. On the balance of the above matters considered, we think that the Proposal is Not **Fair but Reasonable** to the Shareholders of Company.

APPENDIX 1 – SOURCES OF INFORMATION

- Draft Notice of Meeting.
- Sale Agreement.
- FY22 and H1FY23 Financial Report.
- Management accounts / Budget for FY23.
- Management FY24 Budget / forecast.
- Emails and discussion with Directors or management.
- Other sources listed throughout the Report.

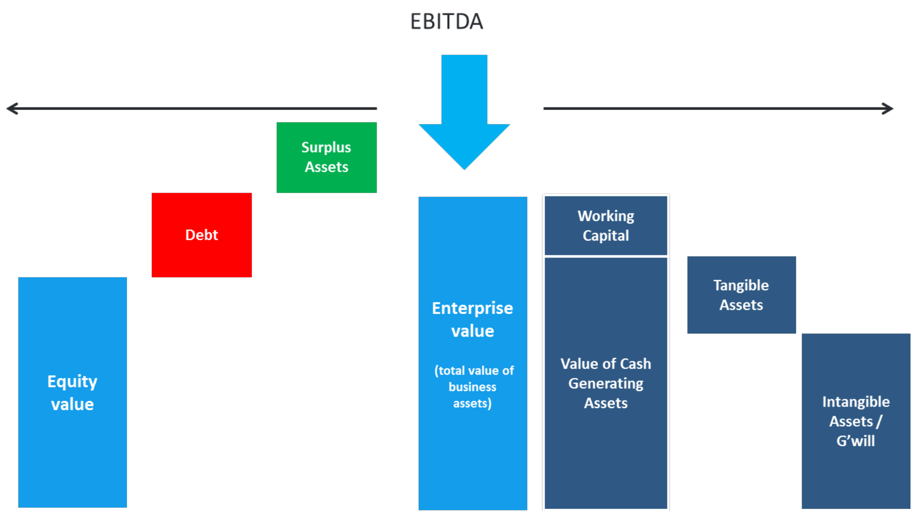
APPENDIX 2 – OVERVIEW OF VALUATION METHODOLOGIES AND PRINCIPLES

Type	Method	Description	When method used
Income Approaches	Discounted Cash Flow	The Discounted Cash Flow (DCF) method derives the value of a business on a controlling basis based on the future cash flows of the business discounted back to a present value at an appropriate discount rate (cost of capital). The discount rate used will reflect the time value of money and the risks associated with the cash flows. The DCF Method requires: • Forecasting cash flows over a sufficient long period (at least 5 years and usually 10 years) • Assessing an appropriate discount rate (typically derived using judgment and aids such as the Capital Asset Pricing Model (CAPM)). The cost of equity (Ke) can be built up from first principles or benchmarked against comparable companies ("Co-Co") or transactions ("Co-Tran"), and • Estimation of the terminal value (value of the business into perpetuity) at the end of the period (typically derived using the capitalisation of earnings method).	Reasonably accurate forecast cash flows (minimum 5 years). Earnings or cash flows expected to fluctuate from year to year. Business is in start-up or turn around phase. Specific projects that have a finite or infinite life, for example, mining projects.
	Capitalisation of Maintainable Earnings	The Capitalisation of Maintainable Earnings (CME) method is the most used valuation method. It involves the application of a capitalisation multiple to an estimate of the Future Maintainable Earnings (FME) of the business. The FME must be maintainable by the business and must not include one-off gains or losses. The capitalisation multiple will reflect the risk, time value of money and future growth prospects of the business. The appropriate capitalisation multiple is determined with reference to the observed multiples of entities whose businesses are comparable ("Co-Co") to that of the business being considered and/or comparable transactions, ("Co-Tran").	The business has a history of profits with a reasonably consistent trend and that trend is expected to continue. The business has an indefinite life. Cash flow forecasts are not available.

Type	Method	Description	When method used
	Capitalisation of Dividends	This method involves the capitalisation of forecast future maintainable dividends. The maintainable level of dividends is estimated by assessing the expected level of future maintainable earnings and the dividend policy of the entity. The appropriate capitalisation rate reflects the investor's required rate of return.	Valuation is for a minority interest. Stable business. High payout ratios.
	Yield Based	This method is primarily used for property assets and involves capitalising forecast distributions by an estimated future maintainable yield. The yield or rate is determined based on analysis of comparable entities.	Commercial or investment properties including retail, industrial and commercial.
Market Approach	Market	This method values a Group bases on the traded prices of its equity on a public market/exchange. The approach can adopt the prevailing spot rate of the entity's securities at valuation date or the Volume Weighted Average Price (VWAP over a set trading period i.e., the preceding 30, 60 or 90 trading days to the valuation date). In the absence of market data specific to the entity, the market approach can also be used by examining market values for comparable companies ("Co-Co") or comparable transactions ("Co-trans"). Comparable transactions may be observed as being based upon a widely used industry practice such as a multiple of revenue instead of earnings.	Group's equity is listed on public market/exchange i.e., ASX. Securities in the entity are actively traded on the market/exchange. As above for comparable companies or transactions
Asset Approach	Asset Based	Asset based valuation involve separating the business into components that can be readily sold, such as individual business Shares or items of plant and equipment and ascribing a value of each component based on the amount that could be obtained if sold. The asset value can be determined based on: • Orderly realisation • Liquidation • Going concern	Asset rich entities For wind-up or realisation value

Type	Method	Description	When method used
Asset Approach	Cost approach	The value of an asset determined by: • Reproduction cost less depreciation (in basic terms, the cost of replicating functionality). • Reproduction cost (in basic terms, the cost of recreating the asset).	The cost-based approach can be used to derive market value where market or income factors are difficult to obtain or estimate with reliability (for example, for some intangible assets).

Valuation Principles



In adopting an income approach, a multiple of EBITDA or a DCF of cash flows is typically used to determine Total Enterprise Value (TEV), which represents the total value of the net business assets. Any excess over tangible and identified intangible assets (moving right in the diagram above) represents goodwill.

Moving left in the diagram, adjustments are made to TEV to add surplus assets (e.g., cash) and deduct debt so as to determine equity value. Surplus assets are any assets that are not required to generate the business's earnings or cash flows.

Further discounts may be applied to equity to determine a minority or illiquid value.

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APPENDIX 3 – QUALIFICATIONS, INDEPENDENCE, DECLARATIONS AND CONSENTS

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Moore Australia (Vic) Pty Ltd (ABN 17 386 983 833) (**Moore**) is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. Moore is an independent practice and a member of Moore International. Moore International is a national and international association of separate accountant and advisor entities represented in major capital cities of Australia and with 266 member firms operating in 112 countries worldwide.

The AFSL licence (No 247262) allows Moore to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior directors at Moore Stephens specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures, acquisitions, and Proposals. Moore Stephens Audit (Vic) is affiliated with Moore Stephens and, acting through different directors, also performs audits on the accounts of Australian companies.

The primary persons responsible for preparing this Report on behalf of Moore are Mr Colin Prasad (B. Com ACA and BVS) (with the assistance of staff), who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

Moore considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Moore and its related entities or any of its Directors have not had within the previous two years, any Shareholding in the Company. During the 2 years period to this report Moore and its related entities have not provided any professional services to the Company or any related parties to the Company.

None of Moore, Mr Colin Prasad, nor any other member, director, partner or employee of any of Moore has any interest in the opinion reached by Moore except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Our fee for the preparation of this report is $35,000. Except for these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of the Directors of the Directors and was not prepared for any other purpose than stated in this Report in Section 3. This Report has been prepared for the sole benefit of the Directors and the Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 3. Accordingly, Moore expressly disclaims any liability to any person (other than the Directors or Shareholders of the Company) who relies on our Report, or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 3.

Appendix 1 identifies the sources of information upon which this Report has been based. To the extent we have used historical information we are entitled to rely upon the information. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly, Moore cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Moore has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Moore in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence.

Advanced drafts of this Report were provided to the Directors of the Directors. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached because of discussions related to drafts of the Report.

Moore's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively.

Indemnity

The Directors has agreed that it will indemnify Moore and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Moore.

Consent

This Report has been prepared at the request of the Directors and may accompany materials to be given to Shareholders.

Moore consents to the issuing of this Report and the form and context to which it is to be included with the materials. Other than the Report, Moore has not been involved in the preparation of the documents or other aspects of the Proposal or the materials to which this Report may be attached. Accordingly, we take no responsibility for the content of those materials or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Moore as to the form and context to which it appears.

APPENDIX 4 – MOORE AUSTRALIA (VIC) PTY LTD FINANCIAL SERVICES GUIDE

This Financial Services Guide forms part of the Independent Expert Report.

Moore Australia (Vic) Pty Ltd (ABN 17 386 983 833) (**Moore**) holds Australian Financial Services Licence no 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Moore has been engaged by the Company to provide an Independent Experts Report (the **Report**) for inclusion with materials to be sent Shareholders.

The Corporations Act, 2001 requires Moore to provide this Financial Services Guide (**FSG**) in connection with its provision of this Report. Moore does not accept instructions from retail clients. Moore provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Moore does not provide any personal retail financial product advice to retail investors, nor does it provide market-related advice to retail investors.

Moore is only responsible for this Report and this FSG. Moore is not responsible for any material publicly released by the Directors in conjunction with this Report. Moore will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without considering your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Moore's client is the Company to which it provides the report. Moore receives its remuneration from the Directors. For this Report and other services, Moore will receive a fee based upon normal professional rates plus reimbursement of out-of-pocket expenses from the Directors. Directors or employees of Moore or other associated entities may receive partnership distributions, salary, or wages from Moore. Moore and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Moore has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of Section 912B of the Corporations Act 2001.

Moore has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr. Kevin Mullen, Moore Australia (Vic) Pty Ltd, Level 44, 600 Collins Street, Melbourne, Vic, 3000. We will endeavor to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request

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Annexure B – Inventory and Assets to be sold under the Transaction

Schedule 1 – Inventory

Inventory	Value at 19 December 2022
Active	$1,057,115
LINK	$1,728,388
Arthrosurface	$201,651
Clavicle	$205,722
K Wires	$54,177
Blades	$21,240
Other	$16,910
Total Inventory Value	**$3,285,202**

Schedule 2 – Plant and Equipment

Inventory	Value at 19 December 2022
Computer Hardware	$7,484
Computer Software	$51
Furniture & Fittings	$599
Surgical and Active Instruments	$149,258
LINK Instruments	$111,622
Office Equipment	8,392
Total Value	**$277,407**

Annexure C – Summary of Terms of Transaction

Parties

Allegra Orthopaedics Limited (**Vendor**) and Robinwood Investments Pty Ltd (**Purchaser**)

Consideration

The Purchaser shall pay $1M cash as consideration for the assets of the business, being the orthopaedic arm of the Vendor (**Business**).

In addition, the Purchaser shall pay the Inventory Additional Amount, being the cost value of any inventory being transferred to the Purchaser at completion in excess of $3,300,000.

Conditions Precedent

Completion of the Transaction is subject to various conditions precedent being satisfied, including the following:

(a) Non-Associated Allegra Shareholders pass resolutions at a general meeting in accordance with the Corporations Act and/or the Listing Rules (as the case may be);
(b) No temporary restraining order, preliminary or permanent injunction or other order or decision has been issued or made by any court of competent jurisdiction or any regulatory authority and there is no other legal restraint or prohibition preventing completion of the agreement on the completion date;
(c) No material adverse change occurs from the date of the agreement to completion (inclusive);
(d) No insolvency event occurs in relation to the Vendor from the date of the agreement to completion (inclusive);
(e) All encumbrances over the assets are discharged or released, other than any encumbrance in favour of the Purchaser;
(f) Each counterparty to the business contracts consents in writing to the assignment or novation of the relevant contract from the Vendor to the Purchaser, to the extent required by that business contract;
(g) The employees of the Vendor (including Allegra's current CEO, Jenny Swain) who receive an offer of employment from the Purchaser accept that offer;
(h) CommBank gives approval to the Vendor for entering into the Transaction, as required by the terms of the facilities provided by CommBank;
(i) The Vendor procures that the landlord of the Vendor's business premises executes a Deed of Consent to Licence in a form acceptable to the Purchaser (acting reasonably);
(j) The Vendor does not receive any written notice from the ASX finally and definitively confirming that re-compliance with Chapters 1 and 2 of the ASX Listing Rules is required on account of the Transaction prior to the date of the General Meeting, unless the Vendor and Purchaser otherwise agree;
(k) The Vendor does not receive any written notice from the ASX finally and definitively confirming that the Vendor is not compliant with Listing Rule 12.1, taking into account the Transaction, unless the Vendor and Purchaser otherwise agree;
(l) The Vendor and the Purchaser enter into an underwriting commitment in respect of any future capital raise on terms acceptable to the Purchaser and Vendor acting reasonably duly signed by the parties thereto in an amount not less than $1.2 million which underwriting commitment can be activated at the election of the Vendor.

(collectively the **Conditions Precedent**)

The parties will use their best endeavours to procure that each of the Conditions Precedent is satisfied as soon as practicable after the date of the Agreement and in any event before the Sunset Date, being 31 August 2023. The parties have agreed by mutual agreement that condition precedent (l) will be waived.

Inventory

The Vendor must ensure that at completion the minimum cost value of the inventory of the business (**Inventory**) is $3,000,000. In the event this obligation is breached, the Purchaser is entitled to:

(a) Proceed to completion and order such amount of inventory which is equal to the difference between $3,000,000 and the cost value of the Inventory as at completion and invoice that amount to the Vendor as a debt. That amount shall be payable to the Purchaser on within 3 months of completion; and
(b) Set such amount off in full against the purchase price, and in the event the amount is not able to be fully set off, the balance shall remain payable to the Purchaser as a debt due and payable within 3 months of completion.

RIPL has the right to terminate where on completion the inventory is less than $3,000,000.

Premises Occupation

The Purchaser must give the Vendor a licence to occupy the current Company premises (or, where the Company is no longer occupying that premises, an alternative office premises of comparable quality) rent-free for a period of two years following completion on terms acceptable to the Purchaser and the Vendor acting reasonably. The financial benefit of the use of premises is valued at $170k for the two-year period.

Break Fee

The Vendor agrees to pay the Purchaser a Break Fee ($250,000) if at any time before completion:

(a) The Vendor is in breach of a material clause of the agreement;
(b) A Non-Conflicted Vendor Director recommends against the transaction;
(c) A Non-Conflicted Vendor Director recommends an alternative proposal; or
(d) The Vendor terminates for convenience as set out below under the heading Termination

If completion occurs the Break Fee is not payable.

Completion

Completion of the Transaction shall take place on the day which is five business days after the satisfaction or waiver of the last of the Conditions Precedent or such other date as may be agreed between the Vendor and the Purchaser.

Termination

Either party may terminate the Agreement by notice in writing to the other:

(a) If a Condition Precedent is or becomes incapable of being satisfied, does not remain satisfied before completion, or is not satisfied or waived before the Sunset Date;
(b) If an Insolvency Event occurs in relation to another party;

(c) if the Vendor pays the Break Fee ($250,000) to the Purchaser; and
(d) if completion does not occur by 5.00pm on the Sunset Date, being 31 August 2023.

ALLEGRA ORTHOPAEDICS LIMITED | ABN 71 066 281 132

Proxy Voting Form

If you are attending the virtual Meeting please retain this Proxy Voting Form for online Securityholder registration.

Holder Number:

Your proxy voting instruction must be received by **9.00am (AEST) on Monday, 21 August 2023,** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: **https://investor.automic.com.au/#/home** Shareholders sponsored by a broker should advise their broker of any changes.

STEP 1 – APPOINT A PROXY

If you wish to appoint someone other than the Chair of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chair of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIR OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chair of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chair of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP.

STEP 2 - VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

Individual: Where the holding is in one name, the Shareholder must sign.
Joint holding: Where the holding is in more than one name, all Shareholders should sign.
Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.
Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.
Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at https://automic.com.au.

Lodging your Proxy Voting Form:

Online:
Use your computer or smartphone to appoint a proxy at
https://investor.automic.com.au/#/loginsah
or scan the QR code below using your smartphone
Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting Form.

BY MAIL:
Automic
GPO Box 5193
Sydney NSW 2001

IN PERSON:
Automic
Level 5, 126 Phillip Street
Sydney NSW 2000

BY EMAIL:
meetings@automicgroup.com.au

BY FACSIMILE:
+61 2 8583 3040

All enquiries to Automic:
WEBSITE: https://automicgroup.com.au/

PHONE: 1300 288 664 (Within Australia)
+61 2 9698 5414 (Overseas)

STEP 1 – How to vote

APPOINT A PROXY:
I/We being a Shareholder entitled to attend and vote at the Extraordinary General Meeting of Allegra Orthopaedics Limited, to be held virtually at **9.00am (AEST) on Wednesday, 23 August 2023,** hereby:

Appoint the Chair of the Meeting (Chair) OR if you are not appointing the Chair of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.
Unless indicated otherwise by ticking the "for"," against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

VIRTUAL PARTICIPATION AT THE EGM:
The company is pleased to provide shareholders with the opportunity to attend and participate in a virtual Meeting through an online meeting platform powered by Automic, where shareholders will be able to watch, listen, and vote online.

To access the virtual meeting:

1. Open your internet browser and go to **investor.automic.com.au**
2. Login with your username and password or click "**register**" if you haven't already created an account. **Shareholders are encouraged to create an account prior to the start of the meeting to ensure there is no delay in attending the virtual meeting**

Further information on how to do this is set out in the Notice of Meeting. The Explanatory Notes that accompany and form part of the Notice of Meeting describe the various matters to be considered.

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STEP 2 – Your voting direction

Resolutions	For	Against	Abstain
1. Disposal of the Orthopaedics Division, the Company's Main Undertaking			

STEP 3 – Signatures and contact details

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director / Company Secretary

Contact Name:

Email Address:

Contact Daytime Telephone

Date (DD/MM/YY)

/ /

By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).

AMT