



# Advanced Surgical Design & Manufacture Limited

ACN 066 281 132

## Rights Issue Offer Document

For a non-renounceable pro rata Rights Issue of New Shares by Advanced Surgical Design & Manufacture Limited to Eligible Shareholders at an issue price of \$0.11 (11 cents) each on the basis of one (1) New Share for every three (3) Shares held at the Record Date to raise up to approximately \$1,520,000 before costs.

The last date for acceptance and payment in full is:  
5.00 p.m. AEDT on Tuesday, 26 March 2013

### Important Notice

*This Offer Document is not a prospectus. It does not necessarily contain all of the information that a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document.*

*This is an important document and requires your immediate attention. It should be read in its entirety and before you decide whether to participate in the Rights Issue.*



## 1. Corporate Directory

<b>ACN</b>	066 281 132
<b>Directors</b>	Peter Kazacos (Chairman) Peter Welsh (Managing Director) John O'Meara (Non Exec. Director)
<b>Company Secretary</b>	Richard R Ulrick
<b>Registered Office</b>	Unit 2, 12 Frederick Street, St Leonards, NSW, 2065
<b>Telephone</b>	+61 2 9439 4448
<b>Facsimile</b>	+61 2 9439 4441
<b>Share Registry</b>	Link Market Services Limited
<b>Auditor</b>	PricewaterhouseCoopers
<b>Corporate Advisor</b>	Kaz Capital Pty Ltd
<b>Lawyers</b>	Law Corporation Pty Limited
<b>ASX Code</b>	AMT (Shares)



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## 2. Chairman's Letter

Dear Shareholder,

Advanced Surgical Design & Manufacture Limited (ASDM) is pleased to provide Eligible Shareholders the opportunity to participate in a non-renounceable pro rata Rights Issue. The Rights Issue provides Eligible Shareholders with an opportunity to further participate in the growth of ASDM by acquiring New Shares.

The Offer will provide Eligible Shareholders with the opportunity to subscribe for one (1) New Share for every three (3) Shares held on the Record Date at the Rights Issue Price of A\$0.11 per New Share. The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately prior to the date of this Offer Document and the respective dates of those sales were \$0.12 on 15 February 2013 (highest) and \$0.105 on 7 December 2012 (lowest). The Offer will raise approximately up to \$1,520,000 (before costs and expenses).

ASDM recently completed a placement of 5,407,349 Shares at \$0.11 each for a total of \$594,808.39, pursuant to section 7.1 of the Listing Rules (the 15% rule). The participant in the placement has signalled its intention to exercise its rights under this Rights Issue, indicating its ongoing support of the Company.

The Rights under the Offer will be non-renounceable, which means that Eligible Shareholders who do not wish to take up all or some of their Entitlement under the Offer are not able to sell their Rights. In addition, shareholders are able to apply for more shares than their Entitlement. Please note the Offer is only available to those shareholders with a registered address in Australia or New Zealand.

The table below sets out the proposed use of the proceeds of the Offer (assuming full subscription):

Description of use of proceeds	Amount
Working capital	\$720,000
Sales channel development	\$700,000
Offer costs	\$100,000

The details of the Offer for New Shares are set out in this Offer Document. I encourage shareholders to read this Offer Document in its entirety and consider participating in the Offer.

Please note that the Closing Date for acceptances is 5.00p.m. (AEDT) on Tuesday, 26 March 2013. If you wish to participate in this Offer of New Shares it is essential that your completed Entitlement and Acceptance Form is received by the Share Registry by this time.

On behalf of the Board of Directors, I would like to take this opportunity to thank all ASDM shareholders for your continued support and we look forward to further progress in 2013.

Yours faithfully,

**Peter Kazacos**  
**Chairman**



### 3. Important Dates and Important Notes

#### 3.1 Important Dates

Event	Date
Announcement of Rights Issue, 708AA cleansing notice, Offer Document and Appendix 3B lodged with ASX	Friday, 22nd February 2013
Notice to Shareholders containing information required by Appendix 3B	Tuesday, 26th February 2013
Ex date – the date on which Shares commence trading without the entitlement to participate in the Rights Issue	Wednesday, 27th February 2013
Record Date – the date for determining entitlements of Shareholders to participate in the Rights Issue	7.00 p.m., Tuesday, 5th March 2013
Despatch of Offer Document and Entitlement and Acceptance Form to Eligible Shareholders	Monday, 11th March 2013
Rights Issue opens for acceptances	Tuesday, 12th March 2013
Closing Date-Offer closes	5.00 p.m., Tuesday, 26th March 2013
Rights Issue Securities quoted on a deferred settlement basis	Wednesday, 27th March 2013
Shortfall notification to ASX	Tuesday, 2nd April 2013
Allotment of New Shares	Wednesday, 3rd April 2013
Despatch of Certificates to Shareholders	Thursday, 4th April 2013
Normal trading of New Shares issued under the Rights Issue expected to commence on ASX	Friday, 5th April 2013

This timetable is indicative only and subject to change. Subject to the Corporations Act and the Listing Rules, the Directors reserve the right to vary these dates.

#### 3.2 Important Notes

##### Important Notice

The Corporations Act allows listed companies to make a pro-rata Rights Issue of securities to existing Shareholders without a disclosure document. The Offer to which this Offer Document relates complies with the requirements of section 708AA of the Corporations Act as notionally



modified by ASIC Class Order 08/35 and accordingly, this Offer Document is not required to be lodged or registered with ASIC.

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act. The Offer Document is provided for information purposes only and is not a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, the Offer Document does not necessarily contain all of the information which a prospective investor may require to make an investment decision and it does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document.

Before applying for New Shares, each Applicant should consider whether such an investment, and the information contained in this Offer Document, is appropriate to their particular needs, considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. This Offer does not take into account, and this Offer Document has been prepared without taking into account, the investment objectives, financial or taxation situation or particular needs of any Applicant.

In deciding whether or not to participate in the Offer, you should read the entire Offer Document and also refer to disclosures made by ASDM to ASX (which are available at [www.asx.com.au](http://www.asx.com.au) and [www.asdm.com.au](http://www.asdm.com.au)) and should consider seeking professional advice before deciding whether to invest. Neither ASIC nor ASX takes responsibility for the content of this Offer Document.

### **Defined terms**

Certain terms and abbreviations used in this Offer Document have defined meanings, which are explained in Section 7 at the end of this Offer Document.

### **No representations other than as set out in this Offer Document**

No person is authorised to give information or to make any representation in connection with the Rights Issue or Offer which is not contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Company in connection with the Rights Issue.

### **Regular reporting and disclosure**

The Company is a disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. All announcements made by the Company are available at [www.asx.com.au](http://www.asx.com.au) and [www.asdm.com.au](http://www.asdm.com.au). The contents of any ASIC or ASX filing are not incorporated into this Offer Document. This Offer Document should be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX. Investors should have regard to the publicly available information in relation to the Company before making a decision whether to invest.

### **Forward looking statements**

Some of the statements appearing in this Offer Document may be in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements are subject to many inherent risks and uncertainties before actual outcomes are achieved. Actual outcomes may differ materially from the events, intentions or results expressed or implied in any forward looking statement in this Offer Document. To the full



extent permitted by law, ASDM, the persons named in this Offer Document and any person involved in the preparation of this Offer Document makes no representation or warranty (express or implied) as to the accuracy or likelihood of fulfillment of any forward looking statement, or any intentions or outcomes expressed or implied in any forward looking statement. You are cautioned not to place undue reliance on any forward looking statement having regard to the fact that the outcome may not be achieved.

### **Restrictions on Distribution**

This Offer Document does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. This Offer Document is not to be distributed in, and no offer of Shares is to be made in, countries other than Australia and New Zealand. The distribution of this Offer Document outside Australia and New Zealand may be restricted by law.

The New Shares being offered to residents of New Zealand under this Offer Document are offered in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Offer Document and the Entitlement and Acceptance Form have not been registered, filed or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### **New Share Trading**

Individual applicants are responsible for determining their allocations of New Shares before trading in them. Eligible Shareholders trade in New Shares before receiving confirmation of their allocation at their own risk.

### **Offer Document Availability**

This Offer Document is available in electronic form at [www.asx.com.au](http://www.asx.com.au) and [www.asdm.com.au](http://www.asdm.com.au). Persons who access the electronic form of this Offer Document must ensure that they download and read the entire Offer Document.

A printed copy of this Offer Document is available free of charge by calling the Company's share registry Link Market Services Limited by telephone on 1300 554 474 (within Australia) and +61 2 8280 7111 (outside Australia) during normal business hours.

### **Financial Amounts and Time**

All references to currency are to Australian dollars and all references to time are to AEDT time, unless otherwise indicated.

### **Enquiries**

If you have any enquiries in relation to the Offer please contact the Company's share registry Link Market Services Limited by telephone on 1300 554 474 (within Australia) and +61 2 8280 7111 (outside Australia) between 8:30a.m. and 5:30p.m. (AEDT) Monday to Friday.



## 4. Details of the Rights Issue

### 4.1 The Offer

The Company is making a non-renounceable pro rata offer to Eligible Shareholders to apply for New Shares. Each Eligible Shareholders is entitled to apply for one (1) New Share for every three (3) Shares held at an issue price of \$0.11 (11 cents) per New Share.

Fractional entitlements will be rounded up to the nearest whole number of New Shares. An Entitlement and Acceptance Form setting out your Entitlement to New Shares accompanies this Offer Document.

All Eligible Shareholders who accept the Offer will receive their Entitlement in full. To the extent that an Eligible Shareholder does not take up their Entitlement, the interest of that Shareholder in ASDM will be diluted.

Subject to rounding, the Company will issue up to approximately 13,818,782 New Shares to raise up to approximately \$1,520,000 before costs.

The Offer is being made without a prospectus in accordance with section 708AA of the Corporations Act.

### 4.2 Eligible Shareholders

To be eligible to participate in the Rights Issue, a Shareholder must:

- (a) be registered as a Shareholder at 7.00p.m. AEDT on the Record Date; and
- (b) have an address in Australia or New Zealand as recorded on the Share Registry as at the Record Date.

### 4.3 Purpose of the Rights Issue

If the Offer is fully subscribed, it will result in ASDM raising approximately \$1,520,000 (before expenses). The table below sets out the proposed use of the proceeds of the Offer (assuming full subscription):

Description of use of proceeds	Amount
Working capital	\$720,000
Sales channel development	\$700,000
Offer costs	\$100,000

The proposed use of proceeds set out above is a statement of current intentions as at the date of this Offer Document only. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way in which the proceeds will be applied.

### 4.4 Non-renounceable

The Offer is non-renounceable. There will be no trading of Rights on the ASX and Rights may not be sold.





## **4.5 Shortfall Offer**

### **4.5.1 Shortfall facility**

Subject to the Corporations Act and the requirements of the Listing Rules, Eligible Shareholders who subscribe for their full Entitlement may apply for more New Shares than the numbers shown on their Entitlement and Acceptance Form. That is, those Shareholders may apply for Additional Shares. The issue price of each Additional Share will be \$0.11, being the same price for New Shares under the Offer.

Applications for Additional Shares may be considered if a Shortfall exists. Additional Shares will be issued to Eligible Shareholders at the discretion of the Directors, in consultation with Kaz Capital.

Eligible Shareholders may apply for Additional Shares by adding the number of Additional Shares they wish to subscribe for with the number of New Shares the subject of their Entitlement and including the total number of New Shares and Additional Shares on their Entitlement and Acceptance Form (please refer to section 6.3 for more information).

There is no guarantee that you will receive Additional Shares and the Directors do not represent that any application for Additional Shares will be successful. In particular, the Directors may allocate to an Eligible Shareholder a lesser number of Additional Shares than the Eligible Shareholders applied for, or reject any Application for Additional Shares. If the number of Additional Shares allotted to an Eligible Shareholder is less than the number applied for by that Eligible Shareholder, surplus Application Money will be refunded in full. Interest will not be paid on monies refunded.

If the Directors decide to issue Additional Shares, the Additional Shares will be allotted at the same time as the New Shares under the Offer are allotted.

### **4.5.2 Placement of Shortfall outside the Shortfall facility**

Subject to the Corporations Act and the requirements of the Listing Rules, the Directors reserve the right to place any Shortfall at their discretion with third parties interested in subscribing for Shares in the Company following close of the Offer. That is, Shortfall under the Offer may be issued outside the Shortfall facility set out in section 4.5.1.

Any placement of Shortfall to third parties will be made within 3 months after the close of the Offer.

The Directors will consult with Kaz Capital in relation to the placement of the Shortfall.

## **4.6 Allotment and Official Quotation of New Shares and Additional Shares**

Application will be made by the Company to ASX for official quotation by ASX of the New Shares and any Additional Shares within seven days of the date of this Offer Document. New Shares and any Additional Shares will be issued only after all Application Money has been received and ASX has granted permission for the New Shares and any Additional Shares to be quoted. Allotment of New Shares and Additional Shares will take place as soon as practicable after the Closing Date and in accordance with the ASX Listing Rules.

If ASX does not grant permission for official quotation of the New Shares and Additional Shares, none of the New Shares or Additional Shares will be granted and all Application Money will be refunded without interest.



#### **4.7 Application Money**

Until New Shares and any Additional Shares are issued, the Company will hold Application Money on trust for each participating Eligible Shareholder in bank accounts in Australia. If it becomes necessary, Application Money will be refunded as soon as reasonably practicable, without interest.

#### **4.8 Treatment of overseas Shareholders**

The Offer is not being extended to any Shareholder, as at the record date, whose registered address is not in Australia or New Zealand due to the small number of such Shareholders, and the cost of complying with regulatory requirements in jurisdictions outside of Australia and New Zealand.

This Offer Document does not constitute an offer of securities in any jurisdiction where, or to any person whom, it would be illegal to issue it or make the Offer. No action has been taken by the Company to register or qualify the New Shares or the Offer or otherwise permit a public offering of the New Shares in any jurisdiction other than Australia.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia or New Zealand.

#### **4.9 Rights and liabilities attaching to New Shares**

New Shares and Additional Shares issued pursuant to the Rights Issue will be fully paid ordinary shares in the capital of the Company and will rank equally with Shares.

The rights and liabilities attaching to Shares are set out in the Company's constitution and are regulated by the Corporations Act, the general law, the Listing Rules and the ASTC Settlement Rules.

#### **4.10 Underwriting**

The Offer is not underwritten.

#### **4.11 Closing Date**

The Closing Date for acceptance of your Entitlement is 5.00p.m. AEDT on Tuesday, 26 March 2013. If you wish to participate in this Offer of New Shares it is essential that your completed Entitlement and Acceptance Form along with your Application Money are received by the Company's Share Registry by the Closing Date.

#### **4.12 Effect of Rights Issue on Issued Shares**

The pro-forma capital structure of the Company following the Rights Issue pursuant to this Offer Document is set out below:



<b>Shares</b>	<b>Number</b>
Existing Shares	41,456,345
New Shares to be issued pursuant to this Offer	13,818,782
<b>Shares on issue after this Rights Issue</b>	<b>55,275,127</b>

#### **4.13 Market Prices of Shares on ASX**

The highest and lowest closing market sale prices of Shares on ASX during the 3 months immediately prior to the date of this Offer Document and the respective dates of those sales were \$0.12 on 15 February 2013 (highest) and \$0.105 on 7 December 2012 (lowest). The latest available market sale price of Shares on ASX immediately prior to the date of this Offer Document was \$0.12 on 15 February 2013.

The market price of Shares may change between the date of this Offer Document, the date the Offer closes and the date when New Shares or Additional Shares are allotted to you. This means that the price you pay per New Share may be greater or less than the market price of Shares when the New Shares are issued to you.

#### **4.14 Effect of the Rights Issue on control of the Company**

The potential effect that the Offer will have on the control of ASDM will depend on various factors and particularly, whether all Eligible Shareholders take up their entitlements. If all Eligible Shareholders each take up their full Entitlement, then each Eligible Shareholder's percentage ownership interest (and voting power) in the Company will remain the same and there will be no effect on the control of ASDM.

If an Eligible Shareholder does not take up all of their Entitlement, its percentage ownership interest (and voting power) in the Company may be diluted. The proportional percentage ownership interests (and voting power) of Ineligible Shareholders may also be diluted because such Shareholders are not entitled to take up New Shares under the Offer.

Where there is a Shortfall and a Shortfall Offer is made to Non-Shareholders, such Non-Shareholders may acquire an interest in the Company. In this circumstance, the equity which the non-shareholders acquire in the Company will depend on the level of existing Shareholders' participation in the Rights Issue.

The substantial shareholders noted in the Company's Substantial Shareholder register and their respective percentage interests in ASDM as at the date of this Offer Document where their interests exceed 10% of total issued Shares are detailed in the table below:

<b>Substantial Shareholder</b>	<b>Number of Shares held</b>	<b>% of total issued Shares</b>
Cryptych Pty Ltd and Gregory James Roger	7,946,190	19.17
Peter Welsh and Welsh Superannuation Pty Limited	7,073,285	17.06
Robinwood Investments	6,164,112	14.87
Marie Carroll & Dawson Carroll	5,636,285	13.6



#### 4.15 Taxation Implications

Shareholders should be aware that there may be taxation implications of participating in the Offer and subscribing for New Shares. The taxation consequences of participating in the Offer and / or acquiring New Shares may vary depending on the individual circumstances of each Shareholder.

Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

#### 4.16 Privacy Act

If you complete the Entitlement and Acceptance Form accompanying this Offer Document you will be providing personal information to the Company albeit directly to its Share Registry. The Company will use that information to assess your application.

The information may also be used for other purposes from time to time and may be disclosed to persons inspecting the register, regulatory bodies (including The Australian Taxation Office), authorised securities brokers, print service providers, mail houses and the Share Registry itself.

You can access, correct and update the personal information that the Company holds about you. Please contact the Share Registry on 1300 554 474 if you wish to do so. Collection, maintenance and disclosure of certain personal information is governed by legislation including The Privacy Act 1988 (Cth) (as amended) and the Corporations Act. If you do not provide the information required to be completed on the Entitlement and Acceptance Form the Company may not be able to accept or process your application.

#### 4.17 Interest of Directors

The interests of the Directors and their related entities in Shares of ASDM at the date of this Offer are as follows:

Peter Kazacos	715,810
Peter Welsh	7,123,132
John O'Meara	300,000

By virtue of ASX Listing Rule 10.11, each Director will be precluded from applying for any of the Shortfall.

#### 4.18 Pro Forma Unaudited Consolidated Balance Sheet

The pro-forma unaudited balance sheets of ASDM set out below have been prepared to illustrate the financial position of ASDM following completion of the Offer, assuming in the first instance that the Offer is fully subscribed and in the alternative, that the Offer is only 50% subscribed. These pro-forma unaudited balance sheets are illustrative only and may not reflect the actual position and balances as at the date of this Offer or conclusion of this Offer.

	As at31/12/12	Pro-Forma following Placement	Pro-Forma Assuming Fully Subscribed	Pro-Forma Assuming 50% Subscribed
Cash on hand	24	592	1,474	1,316
Trade and other receivables	1,540	1,540	1,540	1,540
Inventory	5,119	5,119	5,119	5,119
Income tax refund due	243	243	243	243
<b>Total current assets</b>	<b>6,926</b>	<b>7,494</b>	<b>8,375</b>	<b>8,217</b>
Property, plant and equipment	2,746	2,746	2,746	2,746
Intangibles	253	253	253	253
Receiveables	194	194	194	194
<b>Total non-current assets</b>	<b>3,194</b>	<b>3,194</b>	<b>3,194</b>	<b>3,194</b>
<b>Total Assets</b>	<b>10,120</b>	<b>10,688</b>	<b>11,569</b>	<b>11,411</b>
Trade and other payables	3,326	3,326	3,326	3,326
Borrowings	844	844	844	844
Provisions	140	140	140	140
<b>Current liabilities</b>	<b>4,310</b>	<b>4,310</b>	<b>4,310</b>	<b>4,310</b>
Borrowings	1,553	1,553	1,553	1,553
Provisions	315	315	315	315
<b>Total no-current liabilities</b>	<b>1,869</b>	<b>1,869</b>	<b>1,869</b>	<b>1,869</b>
<b>Total Liabilities</b>	<b>6,179</b>	<b>6,179</b>	<b>6,179</b>	<b>6,179</b>
<b>Net Assets</b>	<b>3,941</b>	<b>4,508</b>	<b>5,390</b>	<b>5,232</b>
<b>Equity</b>				
Issued Capital	8,823	9,390	10,272	10,114
Reserves	521	521	521	521
Accumulated losses	-5,403	-5,403	-5,403	-5,403
<b>Total equity</b>	<b>3,941</b>	<b>4,508</b>	<b>5,390</b>	<b>5,232</b>



## 5. Risks

ASDM's activities are, and therefore an investment in ASDM is, as with any business, subject to risks that may impact on its future performance.

Shareholders should consider the following summary of risk factors that the Board believes represent some of the general and specific risks associated with Shareholders' decisions on whether to increase their investment in ASDM by taking up their Rights. However, the following summary risk factors are not intended to be an exhaustive list of all the risks to which ASDM is exposed. Additional risks and uncertainties that ASDM is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect ASDM's operating and financial performance.

Shareholders should consider that the investment in ASDM is speculative. The New Shares to be issued pursuant to this Offer carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares. Neither ASDM nor the Directors warrant the future performance of ASDM or any return on an investment in ASDM.

Further, the ASX imposes requirements on the continued listing of companies on the ASX, which may be changed from time to time. Investors cannot be assured that ASDM will continue to meet the requirements necessary to maintain a listing on the ASX.

### 5.1 Specific Risks

#### Market Acceptance of Products

Investors should be aware of the long lead times involved in bringing products to market. The future success of ASDM lies in its ability to get its products and third party supplied products accepted in the marketplace.

The commercial success of ASDM's product range will depend on several factors including the demand for more innovative products than are currently offered by competitors and the establishment of the advantages of ASDM's products. There may be a reluctance by surgeons to use products they have not previously utilised.

#### Competition

ASDM's current and future potential competitors include certain companies with substantial resources or first-mover advantages. While the Directors are confident about the quality, technical and cost advantages of ASDM's products and proposed products and the intellectual property protecting them, there is no assurance that it will be able to win market share from its competitors, and that its competitors will not succeed in developing products that are more effective or cost effective than ASDM's products. Competitive factors consist primarily of product features and design, innovation, service, the ability to maintain new product flow, relationships with key orthopaedic surgeons and hospitals, strength of distribution network, and price.

#### Dependence on Route to Market

The business of ASDM is based on relationships with a number of suppliers, distributors, sales agents and through the activities of a number of surgeons. A significant proportion of ASDM's



future revenues are expected to be generated through those activities. ASDM's operations are, as a result, dependent on this continuing and, wherever practicable, improving their effectiveness in their respective markets. However, not all of ASDM's distribution arrangements and other activities contain, or will in future contain, minimum sales commitments from those distributors, sales agents and usage by surgeons.

Where counterparties to the exclusive distribution arrangements or sales agencies are incorporated and/ or operate in foreign jurisdictions, enforcement of a breach of the agreements is likely to be expensive and the successful outcome of any legal action is uncertain. Currently, the Directors are unaware of any threatened or potential litigation in respect of any of the exclusive distribution arrangements.

### **Risk of Product liability and Uninsured Risk**

The products manufactured by ASDM are for medical use, often involving implantations in the human body. It is always possible that, notwithstanding the precautions taken by the Company, one or more examples of a product defective in either design or manufacture will cause harm. In this event, ASDM would be, at a minimum, obliged to recall or replace the product, and would very possibly be subject to claims for injury, loss or damage. Such claims would have a direct financial cost and may also damage ASDM's reputation and sales.

ASDM does maintain product liability insurance in the course of maintaining its business. However, there can be no assurance that that insurance will be adequate, or that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient quantum in the future, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of ASDM irrespective of such insurance.

### **Need for Research and Development and Risk of Rapid Technology Change**

The orthopaedic implant industry is subject to rapid technological change and in order for ASDM to remain competitive and to retain market share ASDM must continually develop new products as well as improve its existing ones. Accordingly, ASDM must devote adequate resources to Research & Development. There can be no assurance that ASDM will be successful in developing competitive new products and/or improving existing products so that such products remain competitive and avoid obsolescence. There can be no assurance that any or all of ASDM's Research & Development projects for new products will result in commercial products, or that, if such products are successfully designed and launched, they will be profitable. Similarly, there can be no assurance that stock will not become obsolete in this occurrence.

### **Dependence on Key Customers**

ASDM's business is reliant on business relationships and contracts with a number of key customers. A material proportion of ASDM's future revenues and profits are expected to be generated from such relationships and contracts with key customers and suppliers. Loss or termination of key customers, suppliers or contracts for any reason may have a significant adverse impact on the business, revenues and profitability of ASDM.

### **Commercialisation of Technology**

The commercialisation of technology developed by ASDM could require the licensing of technology to or from other entities. ASDM cannot give an assurance that such licences will be obtained or, if obtainable, will be on commercially acceptable terms. Furthermore there is





always the risk that licensing arrangements, once negotiated, could be terminated for reasons that may be beyond ASDM's control.

### **Effect of Government Regulation**

The development, testing, labelling, distribution, marketing and manufacture of medical devices, including implant products, are subject to extensive and rigorous regulation in Australia, the United States of America and other countries. The primary regulatory authority in Australia is the Therapeutic Goods Administration (TGA) and in the United States of America the US Food & Drug Administration (FDA). The process of obtaining approval of clearance from the TGA and other regulators for the sale and marketing of new products is time-consuming, expensive and uncertain. In addition, regulatory approval or clearance of products can subsequently be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial marketing. Regulators have the power to ban products manufactured or distributed by ASDM, as well as to require the recall, repair, or replacement of or refund for such products. A significant recall of one or more of its products could have a material adverse effect on ASDM.

Further, changes in government policies particularly in Australia may affect ASDM's revenues and profitability and the value of an investment in ASDM.

### **New Therapies**

It is conceivable that, at some point in the future, an effective treatment for diseases such as rheumatoid arthritis and osteoarthritis will be developed so that primary patient demand for joint replacement devices will be reduced. Any such reduction may have a material adverse effect on ASDM's profitability.

### **Intellectual Property Risk**

The costs of enforcing existing and potential patent rights against infringers, or defending infringement charges by other patent holders may be significant. In addition, no assurances can be given that the patent applications currently pending by ASDM will be granted. Further, all patents have a limited life, and some of ASDM's patents may expire before ASDM is able to fully exploit the exclusivity arising from these patents. In addition, the granting of a patent does not guarantee that the rights of others are not infringed, or that competitors will not develop technology to avoid the patented technology. Thus, the Directors of ASDM must warn Applicants of the vagaries of patents pending and patents currently granted on ASDM products.

### **International Agreements**

ASDM has contractual relations with parties that are domiciled in foreign jurisdictions. There is scope for change in the areas of contract law, property and in particular intellectual property in developing foreign jurisdictions which is outside ASDM's control.

### **Business contract risk**

There are a number of existing contracts which are material to ASDM's business. Further contracts will likely be entered into by ASDM which will also be material to the ASDM's business.





A number of those contracts are, or will be, governed by laws other than laws of Australia. There may be difficulties in enforcing contracts in jurisdictions other than Australia. Apart from the usual vicissitudes of litigation, there may be regulatory or practical considerations which frustrate the enforceability, or enforcement, of such contracts against foreign or foreign-owned counterparties. These matters may have a significant adverse effect on ASDM's ability to collect payments and otherwise to enforce its contracts, and may have a significant adverse effect more generally on ASDM's business and profitability.

Apart from that, the business dealings of the Company are necessarily exposed to the potential of third party insolvency. If a third party with whom the Company has dealings becomes insolvent, this may also have a significant adverse effect on the Company and on its business and profitability. It should be noted that foreign insolvency laws are not necessarily similar to Australian insolvency laws.

### **Uncertainty relating to Third Party Reimbursement**

Health care providers, including hospitals and orthopaedic surgeons, that purchase ASDM's products, generally rely on third party payers particularly private health insurance plans, to pay for all or a portion of the cost of joint reconstructive procedures, including the cost of ASDM's products utilised in such procedures. There can be no assurance that third party reimbursement for ASDM's products will continue to be available.

### **Need to Maintain Adequate Inventory Levels**

Because orthopaedic surgeons require immediate access to a broad range of sizes and types of reconstructive implant products, the Company is required to maintain adequate levels of inventory. The maintenance of relatively high levels of inventory requires ASDM to incur significant expenditures of its resources. There can be no assurance that ASDM will be able to maintain the levels of inventory of such products necessary to support the expansion of its business. The failure by ASDM to maintain required levels of inventory could have a material adverse effect on ASDM's expansion.

### **Loss of Key Personnel**

ASDM's performance is substantially dependent on its key sales and technical personnel to continue to develop and manage ASDM's products, services and relationships. Competition for such personnel with competitors may be intense. The loss of key personnel could also have a material adverse effect on the business and on its financial performance.

ASDM does not have, nor does it intend to take out, key man insurance in respect of any of its key employees, contractors, senior management and key technical personnel.

The future success of ASDM is also dependent on its ability to attract and retain highly qualified technical, sales and managerial personnel. The inability to attract such personnel may result in a material adverse effect on the business.

### **Management of growth**

ASDM's anticipated growth may place a significant strain on its managerial, operational and financial resources. To manage its potential growth, ASDM must further develop its operational and financial systems. There can be no assurance that ASDM will be able to effectively manage the expansion of its operations, that its facilities, systems, procedures or controls will be adequate



to support its operations or that it will be able to achieve the expansion necessary to fully exploit market opportunities. Any inability to manage growth effectively could have a material adverse effect on ASDM's business, results of operations and financial condition.

### **Infrastructure and Key Machinery**

ASDM relies heavily on its infrastructure and key machinery which is located at St Leonards. Any breakdown or damage to any of ASDM's key machines or infrastructure could have a material adverse effect on ASDM's manufacturing operations.

### **Inability to meet debt and contractual obligations**

ASDM has external debt and contractual obligations that need to be met. There is a risk that ASDM may be unable to meet its obligations for example due to cashflow constraints and may also be unable to comply with other terms and conditions of these facilities. In that circumstance, ASDM may need to realise one or more of its material assets other than in the ordinary course of business and at values different to those stated in its financial statements.

### **Litigation**

If ASDM fails to meet its contractual commitments or has other claims made against it, including product liability claims, it may be exposed to litigation that may materially adversely affect the financial position of the ASDM and could negatively impact ASDM through increased costs, payments for damages and damage to its reputation. This is particularly the case in more litigious jurisdictions in which ASDM may carry on business, including the United States of America.

## **5.2 General Investment Risks**

Apart from the foregoing, there is a risk that the price of the Shares, and returns to Shareholders, may be affected by the following:

### **Market Conditions**

The market price of the New Shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general.

Share market conditions may affect the value of the ASDM's shares regardless of ASDM's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital;
- (f) terrorism or other hostilities in Australia or overseas; and
- (g) natural disasters in Australia or overseas.

### **Economic Risks**

ASDM is affected by general business cycles and general economic conditions, including but not limited to movements in interest and inflation rates, currency exchange rates, disposable income levels, taxation legislation and consumer sentiment. These factors may have an adverse effect on the ASDM's earnings.



## **Trading in New Shares may not be liquid**

There may be relatively few potential buyers or sellers of the New Shares on ASX at any time. This may increase the volatility of the market price of the New Shares. It may also affect the prevailing market price at which Shareholders are able to sell their New Shares. This may result in Shareholders receiving a market price for their New Shares that is less or more than the price that Shareholders paid.

## **6. Action Required by Shareholders**

### **6.1 What Eligible Shareholders May Do**

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

You may either:

- (1) Take up all of your Entitlement;
- (2) In addition to applying for all of your Entitlement, apply for Additional Shares under the Shortfall facility describing in section 4.5;
- (3) Take up part for your Entitlement and allow the balance of your Entitlement to lapse; or
- (4) Allow all of your Entitlement to lapse.

### **6.2 Applying for New Shares**

If you are an Eligible Shareholder and wish to take up all or part of your Entitlement:

(a) complete the Entitlement and Acceptance Form in accordance with the instructions set out in the form (the number of New Shares accepted must not exceed your Entitlement as shown on the form); and

(b) return the completed Entitlement and Acceptance Form together with payment of Application Money in accordance with Section 6.2 to the following address so that it is received by no later than the Closing Date of 5.00p.m. AEDT on 26 March 2013 (or such other date as the Company may determine):

Advanced Surgical Design & Manufacture Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the Entitlement and Acceptance Form by indicating the number of New Shares you wish accept.

The Application Amount for taking up part of your Entitlement is calculated as follows:

*Application Amount = Number of New Shares applied for x \$0.11*



**If you DO NOT WISH TO TAKE UP any part of your Entitlement you are not required to take any action. Although you will continue to own the same number of Shares, your percentage shareholding in the Company may be diluted.**

### **6.3 Applying for Additional Shares**

Eligible Shareholders who subscribe for their full Entitlement may apply for Additional Shares under the Shortfall facility described in section 4.5.

To do this, please enter the number of Additional Shares you wish to subscribe for in Box [B] of the Entitlement and Acceptance Form entitled "Number of additional New Shares".

The amount of Applications Money you submit with your Application must equal the Issue Price of \$0.11 multiplied by the number of New Shares and Additional Shares you wish to subscribe for.

As noted in section 4.5, there is no guarantee that you will receive Additional Shares. In particular, the Directors may in their discretion allocate to an Eligible Shareholder a lesser number of Additional Shares than the Eligible Shareholder applied for, or reject any Application for Additional Shares.

### **6.4 Payment Instructions**

Payment of Application Money (which must be equal to the Issue Price of \$0.11 multiplied by the number of New Shares and Additional Shares you wish to subscribe for) will only be accepted on the following basis:

Application Money must be received at the Company's Share Registry by no later than the Closing Date of 5.00p.m. AEDT on 26 March 2013 (or such other date as the Company may determine).

You may pay the Application Money by cheque, bank draft, money order or BPAY<sup>®</sup>. In choosing a payment method, Shareholders should be aware of the time required to process payments by cheque, bank draft, money order and BPAY.

Cash will not be accepted and receipts will not be issued. Please note that funds are unable to be directly debited from your bank account.

If the amount of Application Money is insufficient to pay in full for the number of New Shares or any Additional Shares you applied for, or is more than the number of New Shares or any Additional Shares you applied for, you will be taken to have applied for such whole number of New Shares and any Additional Shares which is covered in full by your Application Money. Alternatively, ASDM may in its discretion reject your Application, in which case any Application Money will be refunded to you after the allotment date in accordance with the Corporations Act, without interest.

If you do not receive any or all of the Additional Shares you applied for, any excess Application Money will be returned to you (without interest).

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<sup>®</sup> Registered to Bpay Pty Ltd ABN 69 079 137 518



### **Payment by Cheque, Bank Draft or Money Order**

To pay by cheque, bank draft or money order, your cheque, money order or bank draft must be made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to “Advanced Surgical Design & Manufacture Limited” and crossed “Not Negotiable”. Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Entitlement and Acceptance Form being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated.

### **Payment by BPAY**

Payment can be made using BPAY in accordance with the instructions for BPAY set out in your Entitlement and Acceptance Form using the biller code and unique reference number on the form. If you require further information in relation to using BPAY please contact your bank, credit union or building society

If you are applying for shares and your payment is being made by BPAY you do not need to return your Entitlement and Acceptance Form. Your payment must be received by no later than 5:00 p.m. AEDT 26 March 2013. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

### **6.5 Entitlement and Acceptance Form is binding**

A completed and lodged Entitlement & Acceptance Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document and, once lodged, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Board's decision whether to treat an Acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.



## 7. Defined Terms

The following definitions apply throughout this document unless the context requires otherwise.

<b>Additional Shares</b>	New Shares applied for by Eligible Shareholders in excess of their Entitlement
<b>AEDT</b>	Australian Eastern Daylight Time
<b>Applicant(s)</b>	The person(s) who submit valid Entitlement & Acceptance Forms pursuant to this Offer Document
<b>Application</b>	A valid application made to subscribe for a specified number of Shares pursuant to this Offer Document
<b>Application Money or Application Amount</b>	the amount payable for New Shares under this Offer Document
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	Australian Securities Exchange Limited
<b>Board</b>	The Board of Directors of the Company
<b>Closing Date</b>	5.00p.m. AEDT 26 March 2013
<b>Company or ASDM</b>	Advanced Surgical Design & Manufacture Limited ACN 066 281 132
<b>The Corporations Act</b>	The Corporations Act 2001 (Cth)
<b>Directors</b>	The Directors of the Company
<b>Eligible Shareholders</b>	Shareholders who are not Ineligible Shareholders as at the Record Date
<b>Entitlement</b>	1 New Share for every 3 Shares held in the Company as at the Record Date
<b>Entitlement and Acceptance Form</b>	The form so described and accompanying this Offer Document
<b>Ineligible Shareholders</b>	The registered holders of Shares on the Record Date with a registered address outside of either Australia or New Zealand
<b>Listing Rules</b>	The official Listing Rules of ASX
<b>New Shares</b>	Shares the subject of the Offer contained in this Offer Document



<b>Non-Shareholders</b>	Not holders of Shares as at the Record Date
<b>Offer</b>	the offer of New Shares under the Rights Issue
<b>Offer Document</b>	This Offer Document
<b>Offer Period</b>	the period commencing on the date of this Offer Document and ending on the Closing Date
<b>Record Date</b>	7:00 p.m. AEDT 5 March 2013
<b>Rights</b>	The right of an Eligible Shareholder to their Entitlement
<b>Rights Issue</b>	The non-renounceable pro rata offer of New Shares under this Offer Document
<b>Share(s)</b>	Fully paid ordinary share(s) in the Company
<b>Share Registry</b>	Link Market Services Limited
<b>Shareholder (s)</b>	Means a holder (s) of Shares as at the Record Date
<b>Shortfall</b>	Entitlements to New Shares not taken up under the Rights Issue
<b>Shortfall Offer</b>	An offer of Shares out of any Shortfall