

ASDM 2012 SHAREHOLDER UPDATE



Dear Shareholders

A year of consolidation

2012 has seen a number of changes at ASDM in terms of management personnel, product and results. We have made major inroads in transforming ASDM from a single product focused company to solutions based company with wide footprint of alternatives and specialties.

The year also saw significant milestones for a number of our key opinion leaders with the retirement of Drs Merv Cross and John Bartlett. ASDM wishes both well in their endeavours post the Operating Theatre. A special thanks to Dr Cross for his input in the Active Knee over the years but also his commitment to a non-royalty based product.

The 2012 Financial Year showed a marked improvement in our financial performance and we entered the new financial year with a good foundation for continued revenue consolidation, long-term success and the delivery of sustainable shareholder value. We are also in the process of consolidating our manufacturing operations which will drive efficiencies and cost savings in the future.

We have been encouraged with the strong support from our key partners and I acknowledge the efforts of the ASDM team through this period of change. We will continue to drive our portfolio with a focus on financial and product performance with a commitment to the delivery of shareholder value.

Revenue channel enhancement

During the year we have executed on the strategy of enhancing our product offering notably with Small Bone Innovations "SBI" and the Orthofix Spinal Implant range in late 2011.

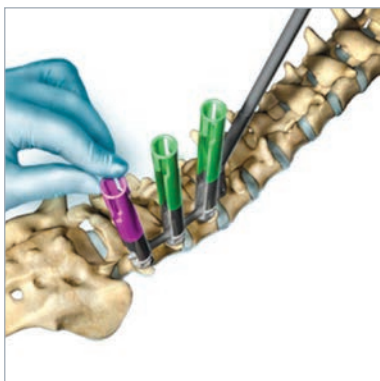
SBI offers a broad, clinically proven portfolio of products and technologies to treat trauma and diseases in small bones & joints.

The small bone and joint market is the fastest growing market in orthopaedics. The SBI range of products provides ASDM with products that are ranked in the top 5 products in the Hand, Wrist, Elbow and Foot and Ankle categories. This provides opportunities to drive market share and revenue growth.

Orthofix Spinal Implants provides an opportunity for ASDM to compete in the \$150m+ per year spinal hardware market. Orthofix is not new to the Australian marketplace as it was previously marketed under the Blackstone Medical banner.

The comprehensive Orthofix range of products provides solutions for the Cervical, Thoracolumbar and Minimally Invasive Surgery "MIS" categories.

With any new product category lead time to conversion is long but we are well on our way to making Orthofix a strong revenue source for ASDM.



Phoenix MIS System



Firebird Spinal Fixation System

New Innovation Delivery

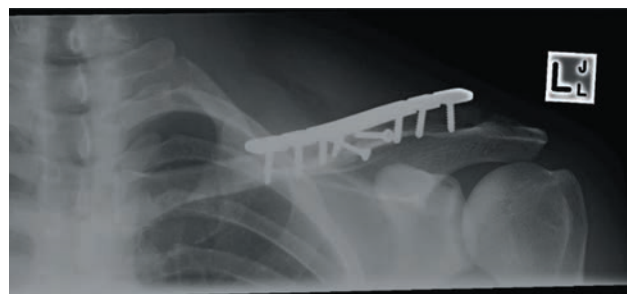
Clavicle Fixation System

With a customer focus, patient driven and responsive vision ASDM continued its delivery of new clinical solutions with the Clavicle Fixation System in 2012.

Developed with two leading Australian shoulder surgeons, ASDM was able to design, develop and deliver one kit solution to market in less than 2 years.

Features include

- Mid-clavicular, Distal Plate and Pin options in one tray
- Formal market release and reimbursement in place within 20 months
- Adult & adolescent range
- Low profile plates with extended central section for strength;
- Flexible nitinol trials

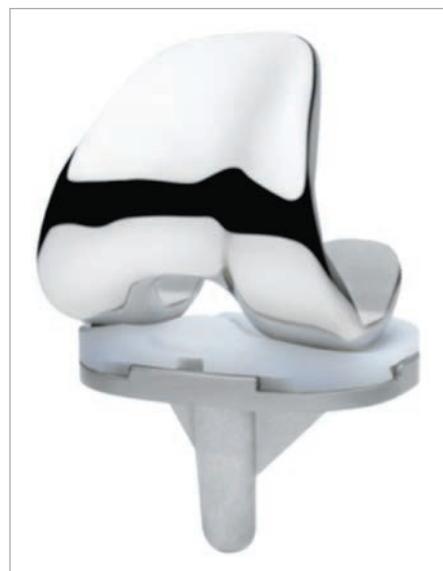


Existing Portfolio

Active Total Knee Replacement "TKR"

- 20 years in the making
- Australia's only TKR
- Designed and Manufactured in Australia
- Ultra-polishing technology increases surface wettability
- Cost effective instrumentation strategy
- Integrated with BrainLab Computer Assisted Surgery
- Developing Patient Specific Instrumentation

Notably in November 2012, the Active Total Knee was the first prosthesis in Australia to be used in conjunction with BrainLab's recently released "DASH" Image Guided Surgery System.



Arthrosurface

The Arthrosurface technology is an interim means for managing pain and disability in the middle-aged patient until total joint surgery becomes necessary.

Recently added to the Arthrosurface range is the Quantum Ops Shoulder Positioner. This is a synergistic fit to our increasing shoulder range within Arthrosurface but also the ASDM Clavicle Fixation System.



Peripheral Access Device (PAD)

Recruitment continues to be slow for the HELP clinical trial which aims to prevent lower limb amputation in patients with critical limb ischemia. The PAD now is also part of a investigator-sponsored trial at Macquarie University Hospital, being sponsored by Professor Rod Lane, to treat patients with cancer cells in the liver. The PAD facilitates the targeted delivery of chemotherapeutic agents to the cancerous cells in the liver, whilst shielding the rest of the patient from the toxic drug. This is achieved because the PAD allows the insertion of multiple catheters into the vasculature,

which are then used by the clinician to control the blood supply in and out of the liver, and deliver the chemotherapy directly to the cancer cells. Thus higher doses of drugs can be safely delivered to the cancer cells, without the usual side effects of chemotherapy. Preliminary results with liver metastases have been positive, with a significant reduction in the size of the carcinoma after treatment. This is shown in the PET (positron emission tomography) images shown in Figure 1.

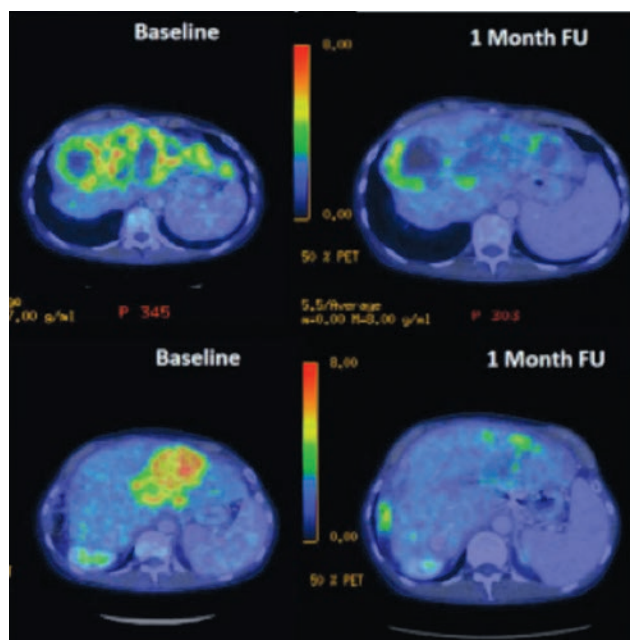


Figure 1: PET image before and after treatment

The brightly coloured areas on the PET image show where cancer cells are active in the liver. At one month follow-up (1 Month FU) there is a significant reduction in the activity and number of active tumour cells. This leads to the potential of the remaining cancer being resected from the liver.

Connecting with the Industry

In August 2012, ASDM in conjunction with the Australia Hand Surgery Society supported our first Cadaver lab hosted by Dr Damian Ryan, Sydney hand surgeon & Guest demonstrator Dr Amit Gupta from Louisville, USA. Dr. Gupta has trained around the world in hand and upper-extremity surgery.

The course provided a unique opportunity for surgeons from Australia, NZ & Asia to learn and practice the surgical technique of wrist arthroplasty, using the SBI Re-Motion Wrist, uHead and Stability Sigmoid Notch developed by Dr Gupta.

This course provided invaluable hands-on learning experience as surgeons were instructed on proper placement protocol for our upper extremity implant range. The balance of 2012 saw ASDM connecting with industry at the following meetings:

- AOA Western Australia 41st Annual Scientific Meeting held in Bali 24-26 August
- Australian Orthopaedic Association 72nd Annual Scientific Meeting held in Sydney 7-11 October
- Biennial Shoulder and Elbow Society of Australia Closed Conference held in Brisbane 17-21 October
- 2012 QLD Hand Surgery Society Conference held in Brisbane 16-18 November
- 2012 NSW Hand Surgery Association Conference held in the Blue Mountains 22-25 November
- 2012 ACT Annual Scientific Meeting held in Canberra 30 November

All these events further strengthen the capability and responsiveness of the ASDM sales and support team.



2012 Australian Orthopaedic Association Annual Scientific Meeting - ASDM Booth