

19 March 2012

Dear Shareholder

Notice to Eligible Shareholders of Entitlements Offer

We write to you as the registered holder of shares (**Shares**) in Allied Healthcare Group Limited (**AHZ** or **Company**) as at today's date.

As announced on 16 March 2012, the Company is undertaking a capital raising (**Capital Raising**) comprising of:

1. a placement of approximately 66,666,667 Shares each at an issue price of \$0.03 to sophisticated and professional investors to raise up to \$2,000,000 (**Placement**); and
2. a non-renounceable pro-rata entitlements offer on the basis of 1 Share for every 5 Shares held at 5pm (Sydney time) on 27 March 2012 (**Record Date**) each at an issue price of \$0.03 (**Entitlements Offer**).

The Entitlements Offer is available to all AHZ shareholders (**Shareholders**) registered on the Record Date whose registered address is in Australia, New Zealand, Hong Kong or Singapore (**Eligible Shareholders**). Further, the participants under the Placement will be entitled to participate in the Entitlements Offer. The Entitlements Offer is not being extended to any Shareholders whose address is outside Australia, New Zealand, Hong Kong or Singapore.

Purpose of the Capital Raising

Successful completion of the Capital Raising will raise up to \$6.36 million (before payment of associated costs).

The funds raised pursuant to the Entitlements Offer will be used to progress Coridon's Herpes (Herpes Simplex Virus Type 2) program through Phase I trials as well as accelerate the development of its next generation HPV (Human Papillomavirus) vaccine towards clinical studies. The HPV program is a follow on from Professor Frazer's work that resulted in the successful cervical cancer preventative vaccines - Gardasil®, marketed by Merck, and Cervarix, marketed by GlaxoSmithKline.

The funds will also be used to provide greater resources towards the regulatory approval and launch of CardioCel®, the first product out of its tissue engineering and regenerative medicine division Celxcel using its platform ADAPT® Tissue engineering technology

CardioCel® is a cardiovascular patch to treat heart deformities caused by congenital heart disease as well as for heart valve repair and reconstructions. CardioCel® is scheduled for initial marketing approval towards the end of 2012. In addition to cardiovascular applications, the Company is also evaluating how the process can be applied in a number of other surgical procedures such as hernia repair, pelvic floor reconstructions, orthopaedics and as a biological scaffold to grow and deliver stem cells.



Indicative Timetable

Key dates for the Entitlements Offer are set out below:

| Event | |
|---|---------------|
| Announcement of the Entitlements Offer 708AA Cleansing Notice and Appendix 3B lodged with ASX | 16 March 2012 |
| Ex Date (date from which securities commence trading without the entitlement to participate in the Entitlements Offer) | 21 March 2012 |
| Record Date (date for determining entitlements of Eligible Shareholders to participate in the Entitlements Offer) | 27 March 2012 |
| Offer Document Despatched to Eligible Shareholders (expected date of despatch of Offer Document and Entitlement and Acceptance Forms) | 29 March 2012 |
| Opening Date | 29 March 2012 |
| Closing Date (5pm Sydney time)* | 19 April 2012 |
| New Shares quoted on a deferred settlement basis | 20 April 2012 |
| Company to notify ASX of under subscriptions (if any) * | 23 April 2012 |
| Allotment of New Shares pursuant to the Entitlements Offer* | 27 April 2012 |
| Despatch holding statements * | 30 April 2012 |
| 708A Cleansing Statement | 30 April 2012 |

*All dates are indicative only. The Company reserves the right, subject to the *Corporations Act* 2001 (Cth) (Corporations Act) and the ASX Listing Rules (Listing Rules), to amend the indicative timetable without prior written notice. Any extension of the Closing Date will have a consequential effect on the date of issue of the Shares.

Shortfall Offer

In addition to the Entitlements Offer, there may be a separate and independent shortfall offer under the Offer Document to Eligible Shareholders and other eligible investors to subscribe for Shares not otherwise taken up in the Entitlements Offer at a price of \$0.03 each (**Shortfall Shares**). Shareholders will have the opportunity to apply for Shares in excess of their entitlement by applying for any Shortfall Shares.

The directors reserve the right, subject to any restrictions imposed by the Corporations Act and the Listing Rules to issue the Shortfall Shares at their sole discretion. The Entitlements Offer and the issue of the Shortfall Shares will have no impact on the control of the Company and no Shareholder will be permitted to hold more than 20% of issued capital of the Company.

Capital Structure of the Company

The table below details the capital structure of the Company on completion of the Offer:

| | Balance at Date of this Letter | To be issued under the Placement | To be issued under the Entitlements Offer | Balance After the Placement and Entitlements Offer |
|-------------------------|--------------------------------|----------------------------------|---|--|
| Shares | 660,024,304 | 66,666,667 | 145,338,194 ⁽¹⁾ | 872,029,165 |
| Unlisted Options | 74,709,172 | - | - | 74,709,172 |

(1) Assuming no unlisted options are exercised prior to the Record Date.

Offer Document

Details of the Entitlements Offer are contained in the Offer Document which will be lodged with ASX. The Offer Document will be available on both the ASX website (www.asx.com.au) and the Company's website (www.alliedhealthcaregroup.com.au).

A copy of the Offer Document will be sent to Eligible Shareholders on 29 March 2012.

The directors encourage you to read the Offer Document carefully and seek advice from your professional adviser if you have any queries. This notice is to inform you of the Entitlements Offer. You are not required to do anything in respect to this letter.

Yours faithfully



Christopher Catlow
Chairman