



ABN 35 088 221 078

# OFFER DOCUMENT

For

A non-renounceable pro rata offer of New Shares at an issue price of \$0.03 each on the basis of one (1) New Share for every five (5) Shares held on the Record Date.

This Offer Document is not a prospectus.

It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the new Shares offered by this Offer Document.

**This document is important and requires your immediate attention.**

It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

**This Offer opens at 10.00am (Sydney Time) on 29 March 2012 and closes at 5:00pm (Sydney Time) on 19 April 2012.**

**Valid acceptances must be received before the offer closes.**

**Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement.**

**NOT FOR RELEASE INTO THE UNITED STATES OR TO U.S. PERSONS OR IN ANY JURISDICTION WHERE THIS DOCUMENTATION DOES NOT COMPLY WITH THE RELEVANT REGULATIONS**

## Important Information

This Offer Document has been prepared by Allied Healthcare Group Limited ABN 35 088 221 078. This Offer Document is dated 21 March 2012.

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

### Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an **original** Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Offer.

Applications for Shortfall Shares must be made on the Entitlement and Acceptance Form or the Shortfall Application Form enclosed with a copy of this Offer Document. The issue of Shortfall Shares to Shareholders is in the absolute discretion of the Directors. More information on the Shortfall Offer is contained in Section 2.8.

### Overseas shareholders

No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia, New Zealand, Hong Kong and Singapore. The distribution of this Offer Document in jurisdictions outside Australia, New Zealand, Hong Kong and Singapore may be restricted by law and therefore persons outside of Australia, New Zealand, Hong Kong and Singapore into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws. Applications from Eligible Shareholders with a registered address in a jurisdiction other than Australia, New Zealand, Hong Kong or Singapore will not be accepted.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document.

### Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form and the Shortfall Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form or the Shortfall Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form or the Shortfall Application Form for the purposes set out in this Offer Document and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form or the Shortfall Application Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

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## Chairman's Letter

Dear Shareholders

On behalf of the directors and management, I am pleased to offer you the opportunity to invest in Allied Healthcare Group Limited through this non-renounceable pro rata Offer of New Shares.

The Offer will provide Shareholders with the right to subscribe for 1 New Share for every 5 Shares held on the Record Date each at an issue price of \$0.03. If fully subscribed, the Offer will raise approximately \$4.36 million before costs and expenses, which are expected to be approximately \$300,000.

Since its merger with bioMD Limited in July 2011, the Company has continued to grow and progress its projects. The Company is undertaking a capital raising to continue the growth and progress of the existing programs further along the development pathway towards commercialisation and ultimately towards profitability for the Company.

The Company is growing into an integrated healthcare company, with an existing sales and marketing business in Australia and New Zealand, with a strong franchise and product range in the infusion and cardiac area; an emerging regenerative medicines business Celxcel, which is developing a matrix tissue with broad potential application for use in surgical repair and a strategic investment into Coridon, a company developing prophylactic and therapeutic vaccines based on technology developed by Professor Ian Frazer. Professor Frazer is best known for his work in developing the currently approved and globally marketed HPV preventative vaccine Gardasil® to prevent cervical cancer.

In Section 1 of this Offer Document you will find an overview of the Company and an update on the Company's activities. I would like to highlight several key advances the Company has made over the past 9 months as follows:

- positive animal data from the Coridon Herpes virus vaccine where 100% sterilizing immunity towards the virus was seen post treatment with the Coridon vaccine;
- the improvement in calcification in a globally marketed tissue heart valve compared to the industry standard of treatment;
- the filing of Celxcel's CardioCel® application with the Therapeutic Goods Administration of Australia for marketing approval;
- first half sales of \$3.6 million for the sale and distribution business; and
- initiation of a HPV therapeutic vaccine at Coridon with the intention to develop the next generation HPV vaccine.

This capital raising enables the Company to, amongst other things, make a further strategic investment into Coridon's programs; progress and launch the initial Celxcel product CardioCel® and strengthen the Allied Medical Limited's sales and marketing business.

For additional information on the use of funds raised from the capital raising, please refer to Section 2.4 of this Offer Document.

We are looking forward to the next 12 to 24 months within Allied Healthcare Group as:

- our revenues continue to grow through the existing Allied Medical business;
- we gain initial marketing approval for Celxcel's CardioCel® product in at least one jurisdiction; and
- we progress the initial Coridon clinical program in HSV-2 and progress the Coridon HPV therapeutic vaccine program.

To apply for New Shares under the Offer, you must complete the Entitlement and Acceptance Form accompanying this Offer Document before the Closing Date.

I encourage you to read the Offer Document in its entirety before making your investment decision. Risk factors associated with the investment in the Company that you may wish to consider is set out in Section 4.

On behalf of the Board, I commend this Offer to you and look forward to your continuing investment in the Company. I thank you for your ongoing support as a Shareholder.

Yours faithfully

A handwritten signature in black ink, appearing to read 'C. Catlow', written in a cursive style.

**Christopher Catlow**  
Chairman

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# 1. Update on Company Activities

## 1.1 Overview

The Company is focused on growing an integrated healthcare company. The Company currently has 3 divisions within the group, all at various stages of potential revenue generation and profitability, as follows:

- (a) Allied Medical is the sales and marketing business which contributes around \$7 million in revenue to the Company, with the potential to grow this revenue significantly. The company has an existing distribution network throughout Australia and New Zealand which can be leveraged to add additional products and capacity, either from internal Allied Healthcare Group programs or through external parties;
- (b) Celxcel is the Group's regenerative tissue business. Celxcel is currently filing for approval of its initial tissue matrix product CardioCel® for use in congenital heart disease in a number of jurisdictions. The Celxcel technology is a tissue treatment process, which can be applied to a number of tissue types and therefore, can be used to generate a range of products for the surgical treatment and repair of soft tissues. With a range of products and applications being developed, Celxcel has the potential to generate significant sales revenue as these come to market; and
- (c) Coridon is developing DNA vaccines for the prevention and treatment of viral infections and cancer. The company has a platform technology from which numerous vaccines can be generated in markets with unmet medical needs and high commercial appeal. The company is preparing for initial clinical studies for the first of its next generation vaccine programs for the prevention and treatment of herpes virus, for which there are currently no vaccines available. The company also has programs targeting Epstein-Barr virus (related to glandular fever and numerous cancers) and a treatment vaccine for HPV for the prevention of cervical cancer.

## 1.2 Allied Medical (100% owned by the Company)

Allied Medical is the Australian and New Zealand sales and distribution business of the Company. Since 2005, the company has seen steady growth in its earnings over this period. Last year Allied Medical generated \$6.9 million in sales across its product range. The Company continues to see strong demand for the products and aims for continued growth in earnings.

Allied Medical focuses on the sale of products for the infusion and cardiac markets, in particular higher margin products used in hospitals, hospices and the homecare market.

The infusion portfolio includes whole of hospital infusion delivery systems that support patients in ICU, theatre and in general wards, and a range of portable medical devices that are used for patient controlled pain management both in and out of hospital. The company has exclusive licenses for products ranging from unique drug delivery system sets to portable infusion pumps and markets these to hospitals and hospices across Australia and New Zealand.

Allied Medical sees its growth in the future through the expanding trend of getting patients mobile and out of the hospital sooner, particularly given the quality of its portable infusion pumps and complementary drug delivery range; as well as looking to extend the product range by sourcing additional products which can be added into the existing product portfolios. The role that these products play in the treatment of patients results in a number of these products being reimbursed.

The cardiology portfolio currently specialise in products that are built with the Cardiologist in mind and focus on non-invasive cardiology products including ECG, stress testing and blood pressure monitoring by representing in Australia two global manufacturers of this type of technology.

One of the major strengths of the Allied Medical business is that the national sales and marketing team is supported in the field by a team of clinically qualified educators who can provide customers with hands on assistance with product application.

The medical device market in Australia is worth approximately \$9.8 billion and is growing by approximately 6+% every year. Allied Medical is well placed to grow both organically and by acquisition.

### **1.3 Celxcel (77% owned by the Company)**

Celxcel is a tissue engineering and regenerative medicine business with a platform technology called the ADAPT® Tissue Engineering Process (TEP) ®. The ADAPT® technology is a process for treating biological tissue prior to being used in surgery for the repair of an increasing number of diseases and disorders of soft tissue, such as congenital heart defects. Some of the advantages of the technology are:

- (a) IP protected;
- (b) additional trade secret protected methods;
- (c) easy to use;
  - (i) no rinsing procedure required prior to implantation;
  - (ii) sterilizes tissue and de-natures biological material creating a matrix material;
- (d) retains tensile strength;
- (e) easily stored, ready to use product;
- (f) clear biocompatibility (NAMSA certified);
- (g) potential to incorporate cell therapies including stem cells (a potential stem cell delivery matrix);
- (h) broad range of applications in surgical procedures (see below);
- (i) prevents calcification – major benefit over all existing implant tissue;
  - (i) > 90% reduction beyond 12 months; and
  - (ii) no degeneration.

The prevention of calcium build up in the tissue is extremely important, as calcium build-up is a major reason for failure of implanted tissue and the need for replacement. This point in particular differentiates the technology in the market. As highlighted in the Company's announcement in December 2011, the ADAPT® technology showed a highly significant improvement in the prevention of calcium build-up (calcification) in a recent study comparing the ADAPT® technology with the current standard treatment in implanted tissue heart valves.

CardioCel® is the initial product using the ADAPT® TEP platform technology. Its characteristics have the potential of prolonging the life of patients suffering from heart defects caused by congenital heart disease. A particular example being in children where the treated tissue is used in cardiovascular repair, valve reconstructions and preventing the calcium build up in the tissue. This has the potential of saving the child from future surgical interventions.

Intellectual Property protecting the ADAPT® TEP technology is covered by patent families across the major global markets.

The Company announced on 19 March 2012 that Celxcel has received confirmation that its ADAPT® TEP patent has successfully been granted in Singapore. The granting of the Singaporean patent for the ADAPT®-TEP process adds to the existing granted patents in many jurisdictions including Australia, New Zealand and China. The technology is protected by patent filings globally, including the USA, Europe, Japan, Israel and Canada.

Celxcel's ADAPT® tissue engineering platform technology is being developed for a range of indications including:

- (a) repair and treatment of cardiovascular defects caused by congenital heart disease in children and later in adults. In Australia, approximately 8 - 10 children are born with CHD for every 1,000 live births. Many of these patients require intervention and repair.
- (b) treatment of existing tissue heart valves with the ADAPT® technology could benefit existing marketed heart valves. The Company announced in December 2011 that the ADAPT® technology reduced the calcification in globally available tissue heart valves and therefore offers the prospect of prolonging the life of both the implanted tissue valves and patients. This study was in collaboration with 1 of the top 4 global heart valve manufacturers in a comparison study of ADAPT® treated and non ADAPT® treated commercially available heart valves.
- (c) repair of certain hernias replacing the use of synthetic material in the procedures and therefore preventing the issues associated with synthetic material such as infections and rejection.
- (d) surgical repair of the pelvic floor eliminating the use of synthetic material, as in the hernia repair procedure.
- (e) the ADAPT® technology could also be used for other tissues currently used in orthopedic surgical repair for numerous musculoskeletal applications such as sports injuries or degenerative diseases.
- (f) the matrix tissue developed through the treatment of tissue with the ADAPT® technology is also a potential delivery matrix for cellular therapies such as stem cells. For example in some circumstances stem cells could be added to the treated tissues to deliver the stem cells directly to the site of repair.



## Celxcel pipeline



| Therapeutic area            | Product Development                                     | Filing and initial market launch |
|-----------------------------|---|----------------------------------|
| CHD                         | CardioCel patch for CHD repairs                         | 2012/13                          |
| Cardiovascular applications | CardioCel vascular and valve reconstruction and repairs | 2013/14                          |
| Gynaecological              | Pelvic floor repair                                     | 2014/15                          |
| Abdominal Surgical          | Hernia repair   | 2014/15                          |
| Surgical                    | Orthopaedics  | 2015/16                          |
| Tissue Valves               | CardioCel and ADAPT                                     | 2016/17                          |
| Stem Cell delivery          | Matrix with stem cells                                  |                                  |

The above table is indicative only.

The Company is seeking to leverage off the expected initial approval of CardioCel® to expand the potential pipeline.

To date the technology has been through an extensive pre-clinical and clinical program and now has a full data package which is being used in regulatory applications globally.

The Company anticipates providing Shareholders with updates on the filing process for the CardioCel® product throughout 2012/13. The Company will also update on follow up data from several studies looking at the potential for longer term prevention of calcification, a key market differentiator for the ADAPT® technology.

Celxcel's leading program, CardioCel®, has its application lodged with the TGA in Australia and the Company is currently preparing filings in other jurisdictions including the US and Europe.

### 1.4 Coridon (37% owned by Allied Healthcare Group)

Coridon is a company founded by Professor Ian Frazer, Australian of the year in 2006 and is recognized for his work in the development of a vaccine currently used to prevent HPV infection, linked to causing Cervical Cancer. Progressing from his initial work, Coridon, under the guidance of Professor Frazer, has focused on developing a vaccine platform technology for the next generation of vaccines that aim to both prevent and treat diseases that represent significant unmet medical needs and for which no current vaccines are available on the market. The platform technology has the potential to be applied to a range of viral diseases and conditions and potentially to some cancer related diseases.

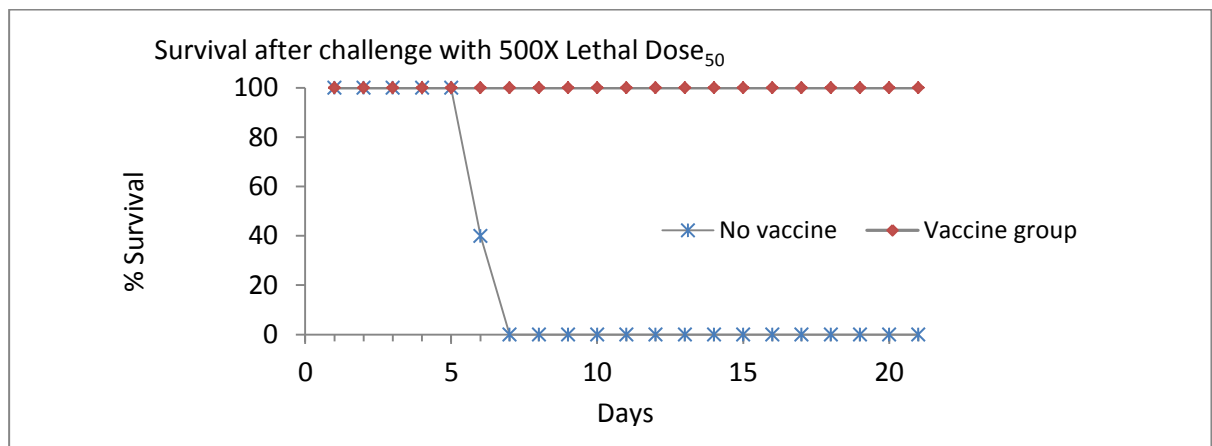
The basis for the Coridon technology is stimulating both the cellular and humoral components of the immune system to more effectively prevent infection and also to rid the body of the virus. Therefore acting as both a preventative and therapeutic treatment against a disease.

Building on its key DNA vaccine patent position, Coridon has further advanced its lead program for a vaccine against the herpes virus. Results from the recently completed studies have demonstrated efficacy in animal studies using the vaccine in different vector backbones (see below) including importantly a vector suitable for manufacturing the vaccine product.

## 1.5 Coridon vaccine animal study results

The following figure shows the top level results from the animal study where animals were challenged with 500 times and 50 times the lethal dose of virus. The results showed that vaccination generated robust cellular and humoral immune responses, validating the ability of the technology to deliver the responses expected. This is a key improvement on previously trialled HSV-2 vaccines. These immune responses prevented the infection and death of the animals.

Furthermore the data indicates an ability to clear the virus from the dorsal root ganglia, the area in the neural system where herpes remains dormant until it 'flares' up creating the symptoms that include significant discomfort that make the disease such a problem for those infected with the disease. Importantly the vaccine candidates were also found to be able to generate a persistent, longer term vaccine response with immunised mice still showing significant responses at 6 months post vaccination. This data has recently been presented at an international conference.



The vaccine data generated also confirms the simple formulation and route of delivery can generate the desired responses, showing the vaccine to work in the preclinical model. Furthermore the design of the vaccine that has shown proof of efficacy in the animals utilises a backbone suitable for scale up production under GMP conditions which is essential for use as a product. Combined, the preclinical data support progressing the Herpes virus vaccine into a Phase I clinical study.

In addition to working on a vaccine for herpes simplex 2, for which there is no current vaccine available to sufferers, the Company is also working on a vaccine for Epstein-Barr virus, known for causing glandular fever and after prolonged exposure has been linked to several types of cancers.

Recently the Company also announced that it has started work on developing a treatment vaccine for HPV for those sufferers who are unable to benefit from the existing marketed preventative HPV vaccines due to previous exposure to the virus or their age. As the HSV-2 vaccine progresses through the development pathway the ability to accelerate this important early stage research program into the development of a vaccine for HPV has been made possible through the ongoing work within Coridon and Professor Ian Frazer and his team. This collaboration will combine Coridon's technology with the expertise of Professor Ian Frazer in the development of HPV vaccines utilising their preclinical animal models to further validate the potential of Coridon's new therapeutic vaccine candidates.

The Coridon technology enables the delivery of its optimised DNA vaccines in a simple solution, obviating the need for the development of new types of adjuvants or the use of specialised delivery devices. The ability of this technology to generate broad immune responses highlights its potential application in many disease areas.

## **1.6 Future Allied Healthcare Group Milestones**

The next 12 to 24 months is shaping up to be an exciting period for Allied Healthcare Group and below is a list of pending milestones for the Company.

- (a) Celxcel ADAPT® pelvic floor & hernia animal study results;
- (b) Celxcel 3 year Phase II clinical trial patient follow up data;
- (c) EU regulatory application for Celxcel's CardioCel® program;
- (d) Coridon Phase I program update;
- (e) 2011/2012 declared revenue from Allied Medical;
- (f) US FDA filing for CardioCel®;
- (g) 6 month follow up data for the heart valve reconstruction study;
- (h) Initiation of Coridon HSV vaccine Phase I study;
- (i) Potential regulatory approval for CardioCel® in at least one jurisdiction;
- (j) Product launch for CardioCel® post initial approval

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## 2. Details of the Offer

### 2.1 The Offer

The Company is making a non-renounceable pro rata offer of New Shares at an issue price of \$0.03 each on the basis of one (1) New Share for every five (5) Shares held on the Record Date (**Offer**) to raise up to \$4,360,145 (before costs).

As outlined in the Company's announcement dated 16 March 2012, proceeds from the Offer will be used by the Company to increase undertake a number of strategic business opportunities outlined in Section 2.4.

As at the Record Date, the Company will have on issue 726,690,971 Shares and 74,709,172 Options. The Company expects that up to 145,338,194 New Shares will be issued under the Offer.

Where the determination of the entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded down to the nearest whole New Share.

The Offer is not underwritten. This Offer Document is also for the offer of the Shortfall Shares. Refer to Section 2.8 for further information and details of the Shortfall Offer.

### 2.2 Placement

As announced on 16 March 2012, the Company also intends undertaking a placement of Shares to sophisticated and professional investors (as defined in sections 708(8) and 708(11) of the Corporations Act respectively) (**Placement**).

The Placement will comprise of the issue of 66,666,667 Shares each at an issue price of \$0.03 to raise \$2,000,000 (before costs).

It is anticipated that the Placement will be completed prior to the Record Date. Therefore, the participants in the Placement will be entitled to participate in the Offer.

The Shares to be issued pursuant to the Placement will be issued within the Company's 15% limit permitted under Listing Rule 7.1 without the need for Shareholder approval.

### 2.3 Timetable

| Event   | Date          |
|---|---------------|
| Ex Date   | 21 March 2012 |
| Record Date (date for determining entitlements of Eligible Shareholders to participate in the Offer) (5pm Sydney Time)                | 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 date **  | 27 April 2012 |
| Despatch holding statements **                           | 30 April 2012 |
| Cleansing statement lodged with ASX                      | 30 April 2012 |

\* Subject to the Listing Rules, the Directors reserve the right to extend the Closing Date for the Offer at their discretion. Should this occur, the extension will have a consequential effect on the anticipated date of issue for the New Shares.

\*\* These dates are indicative only.

## 2.4 Use of Funds

Completion of the Offer and the Placement will raise up to \$6,360,145 (before costs), assuming that no Options are exercised prior to the Record Date.

The funds raised from the Offer and the Placement are proposed to be expended as follows:

| Description   | Approximate<br>\$  |
|---|--------------------|
| Fund Coridon's HSV2 vaccine Phase 1 human study and HPV therapeutic vaccine development and preparation for Phase 1 human study | \$3,000,000        |
| Progress approval and prepare for product launch of Celxcel's CardioCel product   | \$2,500,000        |
| Increase inventory and support for Allied Medical (including working capital)   | \$560,145          |
| Cost of the Offer and Placement   | \$300,000          |
| <b>Total funds raised under the Offer and the Placement</b>   | <b>\$6,360,145</b> |

## 2.5 Capital Structure on Completion of the Placement and Offer

|  | Number of Shares          | Number of Options         |
|--|---------------------------|---------------------------|
| Balance at the date of this Prospectus                             | 660,024,304               | 74,709,172 <sup>(3)</sup> |
| To be issued under the Placement                                   | 66,666,667 <sup>(2)</sup> | -                         |
| To be issued under the Offer <sup>(1)</sup>                        | 145,338,194               | -                         |
| <b>Balance after the Placement and Offer (if fully subscribed)</b> | <b>872,029,165</b>        | <b>74,709,172</b>         |

- (1) The number of Shares to be issued under the Offer assumes that no Options are exercised before the Record Date.
- (2) Participants in the Placement will be eligible to participate in the Offer as they will be issued their Shares prior to the Record Date.
- (3) The 74,709,172 unlisted Options consist of:
- (i) 12,400,000 unlisted Options with exercise price of \$0.06 and expiry date of 10 July 2016;
  - (ii) 53,600,000 unlisted Options with exercise price of \$0.06 and expiry date of 10 July 2016;
  - (iii) 5,000,000 unlisted Options with exercise price of \$0.10 and expiry date of 22 October 2014;
  - (iv) 209,172 unlisted Options with exercise price of \$0.10 and expiry date of 31 December 2012; and
  - (v) 3,500,000 unlisted Options with exercise price of \$0.06 and expiry date of 31 December 2012.

## 2.6 Entitlements and acceptance

The entitlement of Eligible Shareholders to participate in the Offer was determined on the Record Date. Your entitlement is shown on the Entitlement and Acceptance form accompanying this Offer Document.

Acceptance of a completed Entitlement and Acceptance Form by the Company creates a legally binding contract between the Applicant and the Company for the number of New Shares and/or Shortfall Shares accepted by the Company. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares or Shortfall Shares.

If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

## 2.7 No rights trading

The rights to New Shares under the Offer are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you may not dispose of your rights to subscribe for New Shares under the Offer to any other party. If you do not take up your entitlement to New Shares under the Offer by the Closing Date, the Offer to you will lapse.

## 2.8 Shortfall Offer

The Offer is not underwritten. If all Eligible Shareholders do not accept their full entitlement pursuant to the Offer, 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 (**Shortfall Offer**).

The 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 as a result of the Offer or the Shortfall Offer.

The Directors will not issue any Shares or Shortfall Shares to existing Shareholders to the extent that it would increase their shareholding in the Company above 20%.

The offer of any Shortfall Shares is a separate offer made pursuant to this Offer Document and will remain open for up to three (3) months following the Closing Date. The issue price of the Shortfall Shares will be \$0.03 each, being the same price as the New Shares being offered under this Offer Document.

The Company reserves the right to issue to an Applicant for Shortfall Shares a lesser number of Shortfall Shares than the number applied for or reject an application or not proceed with the issuing of the Shortfall Shares or part thereof. If the number of Shortfall Shares issued is less than the number applied for in an Entitlement and Acceptance Form or Shortfall Application Form or if no Shortfall Shares are issued surplus Application Monies will be refunded in full. Interest will not be paid on any Application Monies refunded.

Applications for Shortfall Shares can be made by Eligible Shareholders by completing and returning the relevant part of the Entitlement and Acceptance Form. Persons who are not Eligible Shareholders but whom the Company makes Shortfall Offers can apply for Shortfall Shares by completing and returning a Shortfall Application Form.

Refer to Section 3.3 for instructions as to how to apply for Shortfall Shares.

## **2.9 Opening and Closing Dates**

The Offer opens on the Opening Date, namely 29 March 2012. The Company will accept Entitlement and Acceptance Forms until 5:00pm (Sydney Time) on the Closing Date, namely 19 April 2012, or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

## **2.10 Issue and despatch**

The expected dates for issue of New Shares offered by this Offer Document and despatch of holding statements is expected to occur on the dates specified in the timetable set out in Section 2.3.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

## **2.11 ASX listing**

Application will be made to the ASX for the official quotation of the New Shares. If the ASX does not grant quotation to the New Shares within 3 months after the date of this Offer Document (or such period as ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to the Offer.

## **2.12 CHES**

The Company participates in the Clearing House Electronic Subregister System, known as CHES. ASX Settlement Pty Ltd (a wholly owned subsidiary of ASX) operates CHES in accordance with the Listing Rules and ASXS Operating Rules.

Under CHES, Applicants will not receive a certificate but will receive a statement of their holding of New Shares.

If you are registered in the Issuer Sponsored subregister, your statement will be despatched by Computershare Investor Services Pty Ltd and will contain the number of New Shares issued to you under this Offer Document and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. Shareholders may request a statement at any other time, however there may be a charge associated with the provision of this service.

### **2.13 Overseas Shareholders**

No Offer will be made to Eligible Shareholders with a registered address outside Australia, New Zealand, Hong Kong or Singapore.

The Company is of the view that it is unreasonable to make the Offer to Shareholders outside Australia, New Zealand, Hong Kong and Singapore due to a small number of such Shareholders, the cost of complying with applicable regulations in jurisdictions outside Australia, New Zealand, Hong Kong and Singapore and the administrative burden that will place on the Company in making the Offer available to Shareholders outside Australia, New Zealand, Hong Kong and Singapore.

New Shares to which any Eligible Shareholders who do not have a registered address in Australia, New Zealand, Hong Kong or Singapore would otherwise be entitled will form part of the Shortfall Offer.

**This Offer Document and accompanying Entitlement and Acceptance Form and Shortfall Form do not, nor are they intended to, constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an Offer.**

### **2.14 Taxation implications**

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

### **2.15 Risk factors**

An investment in New Shares should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are described in Section 4.



## 2.16 Effect of the Offer and Shortfall Offer on control of the Company

The Company is of the view that the Offer and the Shortfall Offer will not affect the control (as defined by section 50AA of the Corporations Act) of the Company.

As at the date of the Offer Document, the major Shareholders of the Company are:

- (a) The Metal Group Pty Ltd - 16.17%
- (b) Avexa Limited - 15.68%
- (c) McRae Technology Pty Ltd - 11.67%

No investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of:

- (a) the Offer; or
- (b) the Shortfall Offer.

The Directors will not issue any Shares or Shortfall Shares to Shareholders to the extent that it would increase their shareholding in the Company above 20%.

The Company is not seeking to rely on the exemption in item 10 of section 611 of the Corporations Act.

## 2.17 Enquiries concerning Offer Document

If you have any questions in relation to this Offer Document should be directed to the Company Secretary by telephone on +61 (08) 9266 0100.

If you have any questions in the Entitlement and Acceptance Form or Shortfall Application Form, please contact:

Computershare Investor Services Pty Ltd

**Telephone:** 1300 606 724 (within Australia)  
+61 (0)3 9415 4624 (outside Australia)

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### **3. Action Required by Shareholders**

#### **3.1 Acceptance of your MAXIMUM entitlement under this Offer Document**

If you wish to accept your entitlement to New Shares in full, you should complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on the form and submit your acceptance either electronically by BPAY® or together with a cheque by mail to reach the Company's share registry prior to the Offer closing date. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form.

##### **Payment by cheque**

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Allied Healthcare Group Ltd – Application Account" and be lodged at any time after the Opening Date, and on or before the Closing Date, at the Company's share registry (by post) at:

##### **By Post:**

Computershare Investor Services Pty  
Limited  
GPO Box 253  
SYDNEY NSW 2001

##### **Payment by BPAY®**

Alternatively, entitlements may be accepted electronically using BPAY®, in which case you are not required to return the Entitlement and Acceptance Form. You can simply make payment for the total number of shares accepted by using the Biller Code and the personalised Reference Number set out in your Entitlement and Acceptance Form. You must ensure that acceptance and payment by BPAY® is received no later than 5pm (Sydney Time) on 19 April 2012.

Instructions for making payment by BPAY® are set out in your Entitlement and Acceptance Form. You should be aware that your own financial institution may impose earlier cut-off times with regards to electronic payments and you should therefore take this into consideration when making payment.

#### **3.2 Acceptance of PART of your maximum entitlement under this Offer Document**

Should you wish to only take up part of your entitlement, then applications for New Shares under this Offer Document must be made on the Entitlement and Acceptance Form which accompanies this Offer Document, in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of New Shares you wish to accept and the Application Monies (calculated at \$0.03 per New Share accepted), and attach a cheque for the appropriate Application Monies.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to "Allied Healthcare Group Ltd – Application Account" and be lodged at any time after the Opening Date, and on or before the Closing Date at the Company's share registry (by post) at the addresses listed in Section 3.1.

If paying via BPAY®, you should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

### **3.3 Shortfall**

If you are an Eligible Shareholder and wish to apply for Shares in excess of your entitlement by applying for Shortfall Shares you may do so by completing the relevant sections of the Entitlement and Acceptance Form, in accordance with the instructions referred to in this Offer Document and on the Entitlement and Acceptance Form. Any Shares applied for in excess of your entitlement will be applied for under the Shortfall Offer and will be issued at the complete discretion of the Directors Please read the instructions carefully.

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to " Allied Healthcare Group Ltd – Application Account " and lodged at any time after the issue of the Opening Date and no later than 5.00pm (Sydney Time) on 19 April 2012 at the Company's share registry (by post) at the addresses listed in Section 3.1.

If paying via BPAY®, you should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the shareholder to ensure that funds are submitted through BPAY® by the date and time mentioned above. If you elect to pay via BPAY®, you must follow the instructions for BPAY® set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

### **3.4 Entitlement not taken up**

If you do not wish to accept any of your entitlement under the Offer, you are not obliged to do anything. You will receive no benefit or New Shares and your entitlement under the Offer will become Shortfall Shares.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your entitlement.

### **3.5 Enquiries concerning your entitlement**

If you have any questions in relation to your entitlement under the Offer, please contact:

Computershare Investor Services Pty Ltd

**Telephone:** 1300 606 724 (within Australia)  
+61 (0)3 9415 4624 (outside Australia)

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## 4. Risk Factors

**The New Shares offered under this Offer Document are considered speculative.** The Directors strongly recommend Eligible Shareholders examine the contents of this Offer Document and consult their professional advisers before deciding whether to apply for the New Shares pursuant to this Offer. In addition, Eligible Shareholders should be aware there are risks associated with investment in the Company. There are certain general risks and certain specific risks which relate directly to the Company's business and are largely beyond the control of the Company and its Directors because of the nature of the business of the Company.

The summary of risk factors described below ought not to be taken as exhaustive of the risks faced by the Company or by Eligible Shareholders. The risk factors described below, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of the New Shares offered under this Offer Document. The New Shares to be issued pursuant to this offer Document carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those New Shares.

### 4.1 Risks specific to the Company

(a) Commercial risk

The Company's ability to achieve profitability is dependent on a number of factors, including its ability to complete successful clinical trials, and obtain regulatory approval for an ADAPT® treated medical device. The Company will also seek to commercialise its ADAPT® technology through licensing its technology and via joint ventures for new product/medical device development. There is always a chance that technologies such as ADAPT® can be surpassed by newer technologies, however, the Company's continuing R&D into the use of stem cells with our ADAPT® scaffolds should provide the basis for second and third generation product development. Indications are that the commercially attractive markets already identified for the potential use of the ADAPT® technology will remain and grow substantially over the next ten to fifteen years.

The Company has made the appropriate patent applications. There is a risk that these patents will not be granted, which may lead to expensive and lengthy patent disputes for which there can be no guaranteed outcome.

(b) Clinical trial risk

The development of biomedical devices and technologies is inherently risky and subject to factors beyond the Company's control. The industry is heavily regulated, subject to intense competition and reliant on the timely availability of clinical data to reinforce product/device registration. There is no assurance that products developed using the ADAPT® technology will prove to be safe and efficacious in clinical trials or that the regulatory approval to manufacture and market products will be received. Clinical trials can also potentially expose the Company to product liability claims in the event that its products in development have unexpected effects on clinical subjects.

The Company also has an investment into Coridon. Coridon is currently undertaking research and development in the area of DNA vaccines. The nature of this is inherently risky and subject to factors beyond the Company's control and therefore has similar risks to those outlined above for the ADAPT® technology.

(c) Competition

There are competing development programs in the areas being researched by the Company. There can be no assurance that other parties will not develop, or achieve commercialisation or, products or intellectual property that compete with or supersede the Company's potential products or intellectual property.

There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which are being developed by the Company.

Despite the existence of a general statutory framework in Australia and international conventions which are intended to protect against certain anti-competitive practices, there can be no assurance that the applicable laws will be enforced sufficiently to protect the Company from anti-competitive practices by its competitors or that major competitors will not use their strategic positions to gain a competitive advantage in some future period, whether by means of price reductions or by other means.

(d) Financial performance

The amount, timing and payment of any dividend will depend on a range of factors, including future capital and research and development requirements and the financial position generally of the Company at the time. There will also be factors that affect the ability of the Company to pay dividends and the timing of those dividends that will be outside the control of the Company and its Directors. The Directors are, therefore, unable to give any assurance regarding the payment of dividends in the future.

(e) Intellectual property

The Company's success will depend, in part, on its ability to obtain adequate and valid patent protection, maintain trade secret protection and operate without infringing the proprietary rights of third parties or having third parties circumvent the Company's rights.

While the Company believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places the Company does business or enable the Company's rights to be enforced with sufficient adequacy;

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions, including the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if the Company succeeded or succeeds in obtaining the grant of patents, that others will not seek to imitate the Company's products, and in doing so, attempt to design their products in such a way as to circumvent the Company patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

Regarding the Company's patent applications, no guarantee can be given that such protection will be obtained by the Company. If such patents are not granted, it may be possible for a third party to imitate and use the Company's intellectual property without its authorisation or to develop and use similar technology independently. The Company will pursue vigorously both its existing and all future patent applications for Australian and foreign patent applications. No guarantee can be given nor does the grant of a patent guarantee that the patent concerned is valid or that the patented technology does not infringe the rights of others.

The Company may wish to expand into foreign countries in the future and the laws of many foreign countries treat the protection of proprietary rights differently from the laws in Australia. Those laws may not protect the Company's proprietary rights to the same extent as do laws in Australia.

(f) Staff

The Company's future success depends on its continuing ability to retain and attract highly qualified technical, research and development, and managerial personnel. Competition for such personnel can be intense and there can be no assurance that the Company will be able to retain its key managerial, research and development, and technical employees or that it will be able to attract and retain additional highly qualified personnel in the future. The inability to attract and retain the necessary personnel could have a material and adverse effect upon the Company's business, results of operations and financial condition.

## 4.2 General Risks

(a) Share market

There are general risks associated with any investment and the share market. The price of Shares may rise and fall depending on a range of factors beyond the Company's control and which are unrelated to the Company's financial performance. These factors may include movements on international stock markets, interest rates and exchange rates, together with domestic and international economic conditions, inflation rates, investor perceptions, changes in government policy, commodity supply and demand, government taxation and royalties, war, global hostilities and acts of terrorism.

(b) Liquidity risk

There is no guarantee that there will be an ongoing liquid market for the Shares. Accordingly, there is a risk that, should the market for the Shares become illiquid, the Shareholders will be unable to real

(c) Global credit and investment markets

Global credit, commodity and investment markets have recently experienced a high degree of uncertainty and volatility. The factors which have led to this situation have been outside the control of the Company and may continue for some time resulting in continued volatility and uncertainty in world stock markets (including the ASX). This may impact the price at which the Share trade regardless of operating performance, and affect the Company's ability to raise additional equity and/or debt to achieve its objectives, if required.

### **4.3 Investment Speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by prospective investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares offer under this Offer Document. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Prospective investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Offer Document.

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## 5. Defined Terms

These definitions are provided to assist persons in understanding some of the expressions used in this Offer Document.

**\$** means Australian dollars;

**Allied Medical** means Allied Healthcare Group Investments Pty Limited ACN 089 052 479;

**Applicant** refers to a person who submits an Entitlement and Acceptance Form or the Shortfall Offer and **Application** refers to the submission of an Entitlement and Acceptance Form or the Shortfall Application Form;

**Application Monies** means application monies for New Shares received by the Company from an Applicant;

**ASX** means ASX Limited (ACN 008 624 691) or, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**ASXS** means ASX Settlement Pty Ltd ACN 008 504 532;

**ASXS Operating Rules** means the operating rules of ASXS, except to the extent of any relief given by ASXS;

**Celxcel** means Celxcel Pty Ltd ACN 095 710 339;

**CHESS** means ASX Clearing House Electronic Subregistry System;

**Closing Date** means the closing date set out in Section 2.3;

**Company** means Allied Healthcare Group Limited ACN 1088 221 078;

**Coridon** means Coridon Pty Limited ACN 092 318 771;

**Corporations Act** means *Corporations Act 2001* (Cth);

**Directors** means the directors of the Company;

**Eligible Shareholder** means a person registered as the holder of Shares on the Record Date whose registered address is in Australia, New Zealand, Hong Kong or Singapore;

**Entitlement and Acceptance Form** means the Entitlement and Acceptance Form accompanying this Offer Document;

**Issuer Sponsored** means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS;

**Listing Rules** means the Listing Rules of the ASX;

**New Share** means a new Share proposed to be issued pursuant to this Offer;

**Offer** means the offer described in Section 2.1;

**Offer Document** means this Offer Document dated 21 March 2012;



**Option** means an option to acquire a Share;

**Opening Date** means the opening date set out in Section 2.3;

**Placement** has the meaning given in Section 2.2;

**Record Date** means 5.00pm (Sydney Time) on the date set out in Section 2.3;

**Section** means a section of this Offer Document;

**Share** means an ordinary fully paid share in the capital of the Company;

**Shareholder** means a holder of Shares;

**Shortfall Application Form** means the shortfall application form relating to the Shortfall Offer;

**Shortfall Offer** has the meaning in Section 2.8; and

**Shortfall Share** means Shares not subscribed for by Eligible Shareholders under the Offer.