ASX ANNOUNCEMENT

Allied Healthcare Group & CSIRO announce stem cell collaboration for heart failure

Brisbane, Australia, 3 July 2012

Allied Healthcare Group (ASX: AHZ) has signed a research collaboration with CSIRO focusing on the development of novel tissue engineering technologies which has the potential to aid tissue repair in the heart. The company has obtained support for the project from Enterprise Connect through the Researchers in Business to partially fund the research. The research will focus on the development of ADAPT® treated tissue matrices as scaffolds for the delivery of adult mesenchymal stem cells in models of heart failure.

To date studies indicate the ADAPT treated tissue offers advantages over other tissues in reduced calcification. The aim of this collaboration is to use the ADAPT technology to produce a new platform for the delivery of stem cells. Repair of cardiovascular tissue through provision of a tissue bioscaffold and the attraction of cells to repopulate and replace the initial scaffold would be anticipated to offer a superior, long lasting regenerative medicine implant that becomes native tissue. The technology could be applied across a range of medical conditions beyond cardiovascular applications.

"This development allows us to increase the undoubted commercial potential of the CardioCel® and ADAPT® technology and produce a new platform technology based on a combination of the Allied technology with stem cells. This builds further on the company strategy to bring multiple products to market for the multi-billion dollar regenerative medicine market" stated Lee Rodne Allied Healthcare Group Managing Director.

Allied's regenerative medicine division has developed a novel tissue engineering technology called ADAPT® that provides acellular tissue matrices that have so far been utilised in the repair of congenital heart defects, valve replacement, hernia and pelvic floor repair. The tissues are fully compatible with the human body. The engineering process also provides the ability to regulate the porosity and associated properties of the tissue and this provides potential to design them for use as bioscaffolds for the delivery of stem cells.

Stem cells are recognised as important in tissue repair and regeneration and are believed to act through mechanisms including the recruitment of cells to the area for repair. Many studies demonstrate the matrix (properties and composition) on which the stem cells are seeded impact the type of new tissues formed.

CSIRO's Biomedical Materials and Devices group has extensive experience in the development and evaluation of novel materials and surfaces for both the controlled expansion of stem cells and as scaffolds for stem cell matrices. The Researchers in Business grant enables Allied Healthcare Group and its subsidiary Celxcel to pursue a joint program with CSIRO Biomedical Materials and Devices group to assist with the development of its ADAPT® engineered tissues to generate the next generation of cardiac repair and regenerative products. This is the first of potentially many projects for Allied Healthcare Group in the regenerative medicine area.

ABN 35 088 221 078
Level 1, 197 Adelaide Terrace
Perth Western Australia 6000

PO Box 6879 East Perth
Western Australia 6892

T +61 (0)8 9266 0100
F +61 (0)8 9266 0199
E info@alliedhealthcaregroup.com.au
www.alliedhealthcaregroup.com.au

"The ability to access world class researchers in the stem cell science area at CSIRO enables Allied to more rapidly progress the development of the next generation of its technology and is another important step in recognising the full application of the ADAPT® engineering technology in tissue engineering and is aimed to demonstrate its wider application" said Bob Atwill, CEO of Celxcel. "This technology will offer next generation improvements in tissue repair of cardiac tissue, defects and reconstruction of deformed or damaged heart valves in the first instance and potential wider applications in soft tissue repair using our technology".

Positive results will pave the way for further commercial applications of the ADAPT® tissue engineering process.

"CSIRO is excited to be working with Allied Healthcare Group, as it is important for CSIRO to work flexibly with innovative Australian companies" said Charles Lindall, Commercial Manager at CSIRO.

For more information, please contact:

Dr Julian Chick, Chief Operating Officer Allied Healthcare Group Tel: +61 3 9620 5454
Bob Atwill, Allied Healthcare Group Executive and CEO, Celxcel Tel: +61 448 778 880

Media:
Paul Dekkers
Buchan Consulting
+61 2 9237 2800
pdekkers@buchanwe.com.au

About Allied Healthcare Group Limited

Allied Healthcare Group Limited (ASX: AHZ) is a diversified healthcare company focused on investing in and developing next generation technologies with world class partners, acquiring strategic assets to grow its product and service offerings and expanding revenues from its existing profitable medical sales and distribution business. The Company has assets from Research & Development through Clinical Development as well as Sales, Marketing and Distribution.
Allied Healthcare Group is in the process of commercializing its innovative tissue engineering technology for regenerative medicine and is a major investor in Brisbane based Coridon Pty Ltd, led by Professor Ian Frazer developing next generation vaccines for global markets.

Further information on the Company can be found on www.alliedhealthcaregroup.com.au.

About Celxcel

Celxcel, a regenerative tissue engineering technology company founded in 2001 focusing on tissue engineering and regenerative medicine based around the proprietary ADAPT® Tissue Engineering Process (TEP). Celxcel's lead program has successfully completed a number of animal studies and a Phase II human clinical trial for its lead product CardioCel®. CardioCel® is a cardiovascular patch used to repair paediatric heart deformities. These deformities range from routine "Hole in the Heart" operations to major vessel outflow tract repairs. The CardioCel® patch may also be used to repair leaking heart valves in paediatric patients.

Celxcel uses its patented ADAPT® Tissue Engineering Process (TEP) as a platform technology to produce implantable tissue patches for use in various soft tissue repair applications and for the production of replacement tissue heart valves. The ADAPT technology is used to process animal derived tissues to produce implantable tissue patches that are compatible with the human body. The technology has a number of advantages over current tissue treatment processes on the market, most notably the reduction of calcification post implantation. This technology has the potential for medical professionals to use regenerative products instead of synthetic products currently used in soft tissue repair.

About CSIRO

CSIRO, the Commonwealth Scientific and Industrial Research Organisation, is Australia's national science agency and one of the largest and most diverse research agencies in the world. CSIRO's Biomedical Materials research develops and evaluates new materials and devices for tissue repair, replacement and regeneration.