



ALLIED HEALTHCARE GROUP

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23 September 2013

Dear Shareholder

Notice to Eligible Shareholders of Non-Renounceable Rights Issue

Rights Issue

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

On 23 September 2013 the Company announced that it is undertaking a fully underwritten, non-renounceable pro rata rights issue (**Rights Issue**). The Rights Issue comprises an offer of new fully paid ordinary shares in the Company (**New Shares**) on the basis of 1 New Share for every 5 ordinary shares in the Company held (**Entitlement**) by Eligible Shareholders (defined below) on the Record Date (defined below), at a price of \$0.05 per New Share.

The Rights Issue is non-renounceable, meaning that Eligible Shareholders who do not take up their Entitlement will not be able to transfer or receive any value for those Entitlements, and their equity interest in the Company will be diluted.

Eligibility and Record Date

Holders of shares in the Company as at 7pm (Sydney time) on 1 October 2013 (**Record Date**) with registered addresses in Australia, New Zealand, Hong Kong or Singapore will be eligible to participate in the Rights Issue (**Eligible Shareholders**).

Eligible Shareholders will also be entitled to subscribe for additional shares from any shortfall pursuant to a shortfall facility (**Shortfall Facility**).

Fully Underwritten

The Rights Issue is fully underwritten by RBS Morgans Corporate Limited (**Underwriter**). Any New Shares not subscribed for by Eligible Shareholders under the Rights Issue or the Shortfall Facility (**Shortfall Shares**) will be dealt with by the Underwriter in accordance with the agreed underwriting arrangements.

The Underwriter has received a commitment from Forrest Family Investments Pty Ltd in its capacity as Trustee for The Peepingee Trust to sub-underwrite 50% of the Shortfall Shares. Forrest Family Investments Pty Ltd in its capacity as Trustee for The Peepingee Trust is an associate of The Metal Group Pty Ltd, which is currently the Company's largest shareholder, and holds approximately 16.93% of the shares on issue. If no other shareholders take up any of their Entitlements, under the underwriting arrangements, this will result in Forrest Family Investments Pty Ltd in its capacity as Trustee for The Peepingee Trust having a relevant interest in 23.85% of the Company's shares.

A summary of the underwriting arrangements will be included in the Offer Document to be sent to shareholders on 3 October 2013.

Purpose of the Rights Issue

The Company will use the proceeds raised under the Rights Issue to progress the 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 scale up of manufacturing and launch of the Group's lead regenerative tissue product CardioCel[®], the first product out of its tissue engineering and regenerative medicine division using its platform ADAPT[®] Tissue engineering technology. Further funds will be used for additional regulatory approval of CardioCel[®] in other jurisdictions as well as extension studies for additional cardiovascular and non-cardiovascular applications.

CardioCel[®] is a cardiovascular tissue patch to treat heart deformities caused by congenital heart disease as well as for heart valve repair and reconstructions. CardioCel[®] has recently received its CE Mark for marketing approval in Europe and the Company expects FDA approval in 2014. 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.

Offer Document

The Rights Issue is being conducted in accordance with section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**). Accordingly, the Company is not required to lodge a prospectus with ASX or ASIC or provide one to its shareholders. The Company has prepared a document explaining the Rights Issue in more detail (**Offer Document**).

The Offer Document was lodged with ASX on 23 September 2013 and will be despatched to Eligible Shareholders on 3 October 2013, together with a personalised Entitlement and Acceptance Form.

A Cleansing Notice under section 708AA of the Corporations Act and Appendix 3B were also lodged with ASX on 23 September 2013.

All documents are available for inspection at the websites of ASX (www.asx.com.au) and the Company (www.alliedhealthcaregroup.com.au).

Timetable

Key dates for the Rights Issue are below:

Event	Date
Appendix 3B, section 708AA Cleansing Notice, notice to option holders and Offer Document lodged with ASX	23 September 2013
Notice of Rights Issue sent to Shareholders	24 September 2013
'Ex' Date (Shares trade on an 'ex' Entitlement basis)	25 September 2013
Record Date for determining Entitlements	1 October 2013
Offer Document despatched to Eligible Shareholders	3 October 2013
Closing Date (5pm Sydney time)	18 October 2013



Event	Date
New Shares quoted on a deferred settlement basis	21 October 2013
Company to notify ASX of under subscriptions (if any)	23 October 2013
Issue of New Shares pursuant to the Rights Issue	24 October 2013
Despatch holding statements	25 October 2013

The above dates are indicative only and may change without notice. The directors of the Company reserve the right to amend this indicative timetable at any time (subject to the Corporations Act and the ASX Listing Rules), to extend the Closing Date or to cancel the Rights Issue without prior notice in its absolute discretion. The commencement of quotation of New Shares is subject to confirmation from ASX.

Shareholders should consult their professional advisers in regards to the definition of 'Ex' Date and Record Date to ensure that their Entitlement is assured.

Capital Structure

The effect of the Rights Issue on the capital structure of the Company based on the current shares on issue is as follows:

- the maximum number of New Shares that may be issued under the Rights Issue is 208,637,705, raising a maximum of \$10,431,885; and
- after completion of the Rights Issue, the maximum number of issued shares in the Company will be 1,251,826,233.

This assumes no options are exercised and no other shares are issued prior to the completion of the Rights Issue.

Participating in the Rights Issue

The directors of the Company recommend the Rights Issue to shareholders.

However, before making a decision whether to apply for New Shares, Eligible Shareholders should read the Offer Document carefully and in its entirety when they receive it.

For further information on your Entitlement, please contact your professional advisor or the Company's share registry, Computershare Investor Services Pty Limited by phone on 1300 850 505 (from within Australia), or +61 (03) 9415 4000 (from outside Australia).

This notice is to inform you of the Rights Issue. You are not required to do anything in respect to this letter.

Yours faithfully

Christopher Catlow

Chairman