

ASM MEDIA RELEASE

UPDATE ON OUTSOURCING OF MANUFACTURING

SYDNEY 4 FEBRUARY 2016 – Allegra Orthopaedics Limited (Allegra) (ASX: AMT) announced to the market on 4 November 2015 that it had entered in an agreement to outsource its manufacturing activities of its highly acclaimed Active Knee product range. Allegra would now like to update the market on the financial impact of that announcement.

It has been determined that the decision to outsource manufacturing will result in one off, non-recurring costs to Allegra totalling \$589,010. These costs will be reflected in the Financial Statements as at 31 December 2015. The breakdown of these costs include raw material write downs of \$252,764, Plant and Machinery write downs of \$263,472 and severance costs of \$72,774 that are in relation to manufacturing employees ceasing employment with Allegra.

Going forward, Allegra expects to achieve improved product margins and product scale by sourcing its products from its manufacturing partners. It will also allow Allegra to focus on sales expansion as greater emphasis is placed on sales and marketing.

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ABOUT ALLEGRA ORTHOPAEDICS

Allegra's mission is to deliver to its customers the highest quality medical products in conjunction with unparalleled customer support.

Allegra's principal product is the Active Total Knee, which has significantly improved the quality of life for people globally.

Allegra is also the global licensee to a composite biocompatible ceramic material known as Sr-HT- Gahnite from the University of Sydney for veterinary and orthopaedic solutions. The Sr-HT-Gahnite is still under development and preliminary studies have duplicated the mechanical strength of the bone. Preclinical studies currently being performed indicate good bioactivity and ingrowth of bone into the synthetic scaffold prepared from the ceramic material. Importantly, it is 100 times mechanically stronger than synthetic bone substitute materials in clinical use.

The company continues to build upon its extensive portfolio of patents. It has extensive research relationships with universities, companies and surgeon inventors. Our partnerships are creating innovative products which will deliver significant shareholder value.

Allegra Orthopaedics Limited

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