

## Advanced Surgical Design & Manufacture Limited Corporate Governance Statement – November 2007

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Best Practice Recommendations are not mandatory. However, the Company will be required to provide a statement in future annual reports disclosing the extent to which the Company has followed the Best Practice Recommendations.

	<b>Best Practice Recommendations</b>	<b>Compliance</b>	<b>Comment</b>
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Complies	The Company's Corporate Governance Policy sets out the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and running of the Company to individuals who are best able to discharge those responsibilities. Corporate expectations are set out in the directors' letters of appointment.
<b>2.</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	Complies	2/3 of the Board members are independent directors.
2.2	The chairperson should be an independent director.	Complies	Peter Kazacos is the independent non-executive Chairman.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Complies	The Chief Executive Officer (Greg Roger) and the Chairman (Peter Kazacos) are different people.

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2.4	The board should establish a nomination committee	Complies	The Board has appointed a Nomination & Remuneration Committee, which comprises the independent Chairman and Chief Executive Officer. A majority of the Committee is not independent, however, the Board is of the view that it is appropriate given the size and composition of the Board and current size and complexity of the business.
2.5	Provide the information indicated in <i>Guide to reporting on Principle 2</i> .	Complies or will comply	Some of the information has been disclosed in the Prospectus. The Company will provide an explanation of any departures from the Best Practice Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in future annual reports. The Nomination & Remuneration Committee's Charter has been posted on the Company's website.
<b>3.</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executive as to: (a) the practices necessary to maintain confidence in the Company's integrity; and (b) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Complies	The Board has adopted a Code of Conduct which sets out the Company's obligations and standard of conduct when dealing with each other, competitors, customers and the community.
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Complies	The Board has developed a Securities Dealing Policy that applies to trading in the Company's securities by directors and employees. This policy is available on the Company's website.
3.3	Provide the information indicated in <i>Guide to reporting on Principle 3</i> .	Complies	The Company will provide an explanation of any departures from the Best Practice Recommendations 3.1,

	<b>Best Practice Recommendations</b>	<b>Compliance</b>	<b>Comment</b>
			3.2 and 3.3 in future annual reports. The Company's Code of Conduct and Securities Dealing Policy has been posted on the Company's website.
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all materials respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Will comply	The Board requires the Chief Executive Officer and the Chief Financial Officer (or their equivalents) to make such a statement at the relevant time.
4.2	The board should establish an audit committee.	Complies	The Board has appointed an audit & risk committee.
4.3	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> <li>• only non-executive directors</li> <li>• a majority of independent directors</li> <li>• an independent chairperson, who is not chairperson of the board</li> <li>• at least three members.</li> </ul>	Does not comply (in that it has 2 members owing to the size of the Board and the Company's operations)	The Audit & Risk Committee comprises the 2 non-executive directors. The chairman of the Audit & Risk Committee (Walter Kmet) is not the chairman of the Board.
4.4	The audit committee should have a formal charter.	Complies	
4.5	Provide the information indicated in <i>Guide to reporting on Principle 4</i> .	Complies	The Company will provide the relevant details (including an explanation of any departures from the best practice recommendations 4.1, 4.2, 4.3, 4.4 and 4.5) in future annual reports. The Audit & Risk Committee Charter has been posted on the Company's website.
<b>5.</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule	Complies	The Company has a continuous disclosure policy in place designed to ensure the timely disclosure of material

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	disclosure requirements and to ensure accountability at a senior management level for that compliance.		information.
5.2	Provide the information indicated in <i>Guide to reporting on Principle 5</i> .	Complies	The Company will provide an explanation of any departures from the Best Practice Recommendations 5.1 and 5.2 in future annual reports. The Company's Continuous Disclosure Policy has been posted on the Company's website.
<b>6.</b>	<b>Respect the rights of shareholders</b>		
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Complies	The Company's Shareholder Communication Policy has been posted on its website.
6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Will comply	The Board will request the external auditor to attend all future annual general meetings of the Company to answer shareholder questions about the conduct of the audit and the preparation of the auditor's report.
<b>7.</b>	<b>Recognise and manage risk</b>		
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Complies	The Board has appointed an Audit & Risk Committee with responsibility for the effectiveness of risk management and internal compliance and control.
7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:  (a) the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the	Will comply	The Board will require the Managing Director and Chief Financial Officer (or their equivalents) to provide such a statement at the relevant time.

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	<p>policies adopted by the board; and</p> <p>(b) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.</p>		
7.3	Provide the information indicated in <i>Guide to reporting on Principle 7</i> .	Complies	<p>The Company will provide an explanation of any departures from the Best Practice Recommendations 7.1, 7.2 and 7.3 in future annual reports.</p> <p>A description of the Company's risk management process has been posted on the Company's website.</p>
<b>8.</b>	<b>Encourage enhanced performance</b>		
8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Complies or will comply	<p>The Board has appointed a Nomination &amp; Remuneration Committee with responsibility for reviewing the performance of the Board, Directors and senior management.</p> <p>As the process for performance evaluation is enhanced it will be posted on the Company's website.</p>
<b>9.</b>	<b>Remunerate fairly and responsibly</b>		
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	Complies	The Chief Executive Officer's and Chief Financial Officer's remuneration and a summary of the terms of their service arrangements are disclosed in the Prospectus.
9.2	The board should establish a remuneration committee.	Complies	The Board has appointed a Nomination & Remuneration Committee comprised of 1 non-executive director and the Chief Executive Officer.
9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Complies	The Company's constitution provides that the remuneration of non-executive directors will be not more

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			that the aggregate fixed sum determined by a general meeting. The aggregate remuneration has been set at an amount of \$250,000 per annum. The remuneration of the executive director is disclosed in the Prospectus.
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approval by shareholders.	Complies	The Company will ensure that any payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.
9.5	Provide the information indicated in <i>Guide to reporting on Principle 9</i> .	Complies or will comply	Some of the information is disclosed in the Prospectus. The Company will provide an explanation of any departures from the Best Practice Recommendations 9.1, 9.2, 9.3, 9.4 and 9.5 in future annual reports. The Nomination & Remuneration Committee Charter has been posted on the Company's website.
<b>10.</b>	<b>Recognise the legitimate interests of stakeholders</b>		
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	Complies	The Company has such a Code of Conduct and it is posted on the Company's website.