



**ASX/MEDIA RELEASE
Shareholders Newsletter**

21 July 2009

Dear Investor,

This is our third newsletter, intended to keep shareholders informed of recent developments at Advanced Surgical Design & Manufacture Limited.

Highlights

- Continued growth in UK market
- Launch of the Active Knee in USA
- PAD multi-centre clinical trial

ASDM's management focus over the past six months has been on growing sales revenues and delivering a positive operating cash flow whilst maintaining investment in key opportunities such as the PAD device and overseas market development.

The second half of 2008/09 has shown very positive signs in turnover and earnings; however these results and any comments related to them contained in this newsletter are still subject to finalisation and our auditor's review. We continue on track both with the growth of our orthopaedic business and with exciting new product developments in Orthopaedics and Cardio-Vascular surgery.

Our annual result, due for announcement shortly, will show an improved net cash balance over the past six months. As a result ASDM is well positioned at the start of the new financial year to continue its growth.

Continued Growth in the UK

We are pleased that the Active Knee continues to make headway in the competitive UK market. Our sales team have now successfully promoted the range to doctors in England and Wales and more patients have been successfully implanted with the ASDM Active Knee.

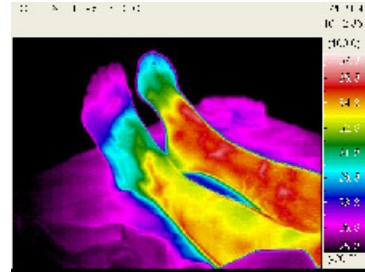
Launch in USA

We have begun a measured, organic launch process in the USA. Already one surgeon has begun using the Active Knee and 8 patients successfully received implants in June 09. The sales growth in the US, while in its early stages, is very promising.

PAD Multi-Centre Clinical Trial Approval

The PAD device is the Hyperperfusion treatment developed by Dr Rodney Lane, used to save limbs threatened with amputation from gangrene.

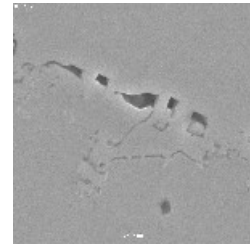
Following recent completion of the Pilot Trial of the PAD Device, ASDM is now sponsoring a broader multi-centre, multi-surgeon trial in Australia to prove out the success of the device. This larger trial, involving many more surgeons and multiple treatment centres, is intended to achieve regulatory approval by the TGA of the PAD as a Class III device, one of the highest levels of approval. This would enable the PAD to be marketed widely as an approved medical device with demonstrated therapeutic benefits.



A successful trial case has also been performed in Germany and further trials are expected through the coming year.

Other developments

The licensing of ASDM's proprietary polishing technology to DJO Surgical in the US is progressing and the second milestone payment has been made following successful third party testing of the polishing technology's effects on the chrome cobalt knee replacement.



Ultra-polished surface of Chrome Cobalt

ASDM's sales staff in Victoria and the UK are supporting continued growth in sales and pursuing the distribution of ASDM's new products as well.

With the end of the Financial Year behind us, ASDM management is pleased with the performance of the company over the past year and we thank you again for your support. If you have any further questions about ASDM and its progress, please visit our new website (asdm.com.au) or feel free to email me at:

greg.roger@asdm.com.au or telephone on 02 9439 4448.

Please forward your email address to us so we can provide this sort of update electronically to as many people as possible.

Dr Greg Roger
Chief Executive Officer

ABOUT ADVANCED SURGICAL DESIGN AND MANUFACTURE

ASDM designs and manufactures medical devices. Its principal product is the Active Knee, a prosthetic implant of which more than 3,500 have been implanted. This product is supported by a range of Orthopaedic accessories and surgical tools and other Orthopaedic products.

ASDM provides a highly effective integrated service to surgeons building on its strengths in design and engineering. Core capabilities that underpin this service are integrated design and engineering, regulatory/compliance competency, manufacturing, distribution and customer service.

The company has built an extensive patent and product development portfolio through collaborative research relationships with universities, companies and surgeon inventors that extends beyond orthopaedics. These collaborations are yielding promising projects in several specialities with strong prospects for commercialisation over the next few years.

For more information, please visit www.asdm.com.au