



**ADVANCED SURGICAL DESIGN & MANUFACTURE LIMITED**  
ABN 71 066 281 132

***NOTICE OF ANNUAL GENERAL MEETING***

Notice is hereby given that the 2008 Annual General Meeting of Shareholders of Advanced Surgical Design & Manufacture Limited (“the Company”) will be held at 2/12 Frederick Street, St Leonards, NSW, 2065 on Wednesday, 12 November 2008 at 11.00am.

**BUSINESS**

**1. Financial and Other Reports**

To receive and consider the Financial Report of the Company and the Reports of the Directors and the Auditor in respect of the year ended 30 June 2008.

**2. Adoption of Remuneration Report**

To consider and, if thought fit, to pass the following as an ordinary resolution of the Company:

*“That, the Company’s Remuneration Report for the financial year ended 30 June 2008 (set out in the Directors’ Report) be adopted.”*

Note: The vote on this resolution is advisory only and the outcome will not be binding on the Directors or the Company.

**3. Election of Walter Kmet as a Director**

To re-elect as a Director Mr Walter Kmet who retires by rotation in accordance with the Company’s Constitution and, being eligible, offers himself for re-election.

**4. Grant of Employee Options to Dr Greg Roger**

To consider and if thought fit, to pass the following resolution as an ordinary resolution:

*“ That, for the purposes of Listing Rule 10.14 of the Listing Rules of the Australian Securities Exchange (ASX Listing Rules), the Corporations Act 2001 (Cth) (Corporations Act) and for all other purposes, approval be given for the grant to Dr Gregory James Roger of 250,000 options to acquire fully paid ordinary shares in the Company under the Company’s employee share option plan (‘ESOP’), and, upon exercise of those options, the acquisition of the fully paid ordinary shares underlying those options, in accordance with the rules of the ESOP and the terms set out in the Explanatory Statement accompanying this Notice of Meeting.”*

By Order of the Board

Richard Ulrick  
Company Secretary  
Sydney, 10 October 2008

## **PROXIES AND VOTING**

### **Eligibility to Vote**

For the purpose of voting at the meeting, the Directors have determined that all shares of the Company are taken to be held by the persons who are registered as holding them at 7.00pm (AEDT) on Monday 10 November 2008. The entitlement of members to vote at the meeting will be determined by reference to that time.

### **Proxies**

A Proxy Form accompanies this Notice of Annual General Meeting. A member who is entitled to attend and vote at the meeting is entitled to appoint no more than two proxies (who need not be members of the Company) to attend and vote in their place.

A single proxy exercises all voting rights. Where a member wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Company, or the member may copy the enclosed proxy form. A member appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and does not specify each proxy's voting rights, the rights are deemed to be 50% each. Fractions of votes are to be disregarded. A member or proxy that is a corporation and entitled to vote may appoint an individual to act as its representative. Evidence of the appointment of a representative must be in accordance with the Corporations Act 2001 (Cth) and lodged with the Company before the meeting or at the registration desk on the day of the meeting.

If any instrument (including an Appointment of Corporate Representative or Proxy Form) returned to the Company is completed by an individual or a corporation under Power of Attorney, the Power of Attorney under which the instrument is signed, or a certified copy of that Power of Attorney, must accompany the instrument unless the Power of Attorney has previously been noted by the Company.

To be valid, Proxy Forms must be lodged by 11.00am (AEST) on Monday 10 November 2008 by:

- (a) posting or facsimile to the Company's share registry as follows: Advanced Surgical Design & Manufacture Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Facsimile: (02) 9287 0309;
- (b) delivering it to Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000; or
- (c) mail, facsimile or delivering it to the registered office of the Company, namely, Unit 2, 12 Frederick Street, St Leonards, NSW (P O Box 72, St Leonards, NSW, 2065);

by no later than 11am (AEDT) on Monday 10 November 2008.

## **Corporate Representatives**

Corporate shareholders who wish to appoint a representative to attend the meeting on their behalf must provide that person with a properly executed letter or other document confirming that they are authorised to act as the company's representative.

## **Voting Exclusion**

### **Item 4**

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on the resolution the subject of Item 4 by any director of the Company (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person, as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

## **Questions**

In addition to asking questions at the meeting, written questions to the Chairman about the management of the Company, or to the Company's auditor about the content of the auditor's report and the conduct of the audit, may be submitted no later than Wednesday, 5 November 2008 to the Company's Share Registry, Link Market Services Limited, the contact details being set out above.

## **EXPLANATORY NOTES**

The purpose of these Explanatory Notes is to provide shareholders of the Company with information that is reasonably required by shareholders to decide how to vote upon the resolutions. The Directors recommend that shareholders read this Explanatory Statement before determining whether to support the resolutions.

### **Item 1- Financial and Other Reports**

The Company's Annual Report which contains the Financial and other Reports in respect of the year ended 30 June 2008 have been made available to shareholders.

No resolution is required for this item. Following consideration of the Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management of the Company and to ask the Company's auditor questions about its audit report, the conduct of the audit of the Company's financial report for the year ended 30 June 2008, the preparation and content of its audit report, the accounting policies adopted by the Company in its preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

### **Item 2 – Remuneration Report**

The Remuneration Report of the Company for the financial year ended 30 June 2008 is set out on pages 8 to 14 of the Company's Annual Report.

The Remuneration Report sets out the Company's remuneration arrangements for directors and senior executives.

The Chairman of the meeting will allow a reasonable opportunity for shareholders to ask questions about or make comments on the Remuneration Report at the meeting. In addition, shareholders will be asked to vote on adoption of the Remuneration Report. However, this vote is of an advisory nature only and does not bind the Company nor its Directors.

The directors unanimously recommend shareholders vote in favour of this resolution.

### **Item 3- Election of Walter Kmet as a Director**

Mr Kmet, aged 41, is a non-executive independent Director of the Company and was so appointed on 23 January 2007. He is also Chairman of the Audit & Risk Committee.

Walter Kmet has over 20 years experience in the health industry in Australia, Asia and the United Kingdom. Walter was formerly Managing Director of HSA Group Limited, CEO of Nations Healthcare Limited, and held leadership positions with MIA Group Limited and Mayne Nickless Limited. Walter works substantively with Little Company of Mary Health Care, and has been appointed a subject matter expert for Leading Innovation at the University of Queensland.

Mr Kmet has worked closely with both public and private sector health systems and major international institutions, including Johns Hopkins Hospital and the National Health Service, in developing best practice in health care. His international experience in the healthcare industry provides a source of guidance to ASDM as its international operations expand in the forthcoming years.

Walter holds a Bachelor of Commerce and Graduate Diploma in Health Services Management from the University of Newcastle, and Master in Business and Technology from University of New South Wales. He is a fellow of the Australian Institute of Management.

The directors, with Mr Kmet abstaining, unanimously recommend that shareholders vote in favour of this resolution.

#### **Item 4 – Grant of Employee Options to Dr Greg Roger**

The Board seeks approval from shareholders to issue 250,000 options to acquire fully paid ordinary shares in the Company to Dr Roger under the Company’s employee share option plan (“ESOP”).

ASX Listing Rule 10.14 prohibits the issue of securities to a director of a company under an employee incentive scheme without shareholder approval. In accordance with ASX Listing Rule 10.15A, the following information is provided:

- The options are to be issued to Dr Gregory James Roger who is a Director of the Company.
- A maximum of 250,000 shares may be issued to Dr Roger upon the exercise of the options.
- The options will be issued for no cash consideration. When exercisable, each option would entitle Dr Roger to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of \$0.60. A summary of the terms of the options are set out below in this Explanatory Note.
- No securities have been issued to directors or their associates or any other person referred to in ASX Listing Rule 10.14 under the ESOP since the last approval of shareholders.
- The persons referred to in ASX Listing Rule 10.14 entitled to participate in the ESOP are the executive directors of the Company and Dr Roger is currently the only executive director of the Company. No executive director will be able to participate in ESOP until approval is obtained under ASX Listing Rule 10.14.
- A Voting Exclusion Statement is set out above under “Voting Exclusion”.
- No loan will be made to Dr Roger in relation to the acquisition of the Company’s shares as a result of his exercise of any options.
- The options will be granted to Dr Roger within a week after the passing of the resolution.

Agreement has been reached between the Company and Dr Roger that:

- his employment continue for a fixed period ending 30 June 2012;
- the Company pay to Dr Roger as remuneration for his services for the year ending 30 June 2009 a salary having a total cost to the Company of \$239,137 per annum;
- Dr Roger’s salary package be reviewed annually by the Company in June of each year or any other time at the Company's discretion;

- Dr Roger be eligible to earn an annual bonus which for the year from 1 July 2008 will be \$70,000 for 100% attaining key performance goals and budget objectives relating to the Company's performance for the financial year; and
- subject to shareholder approval, Dr Roger be entitled to receive yearly grants of options from financial years commencing 1 July 2008 related to achievement of budgeted EBITDA or any other performance criteria to be set by the Board and notified to him annually.

The Board has agreed, subject to the receipt of necessary shareholder approval, to the grant of 250,000 options, all on the same terms, to Dr Roger as the Chief Executive Officer of the Company.

#### Performance Hurdles

The vesting of the maximum number of options (250,000) is conditional on the level of the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) for the financial year ending 30 June 2009 achieving 120% of the budgeted EBITDA for that year. Should this over-achievement of budgeted EBITDA not be met the maximum number of options exercisable is 200,000. The number of options able to be exercised relative to achieving differing percentages of budgeted EBITDA for the financial year ending 30 June 2009 is set out below:

Percentage of Budgeted EBITDA	Number of options exercisable
85	50,000
90	100,000
95	150,000
100	200,000
120	250,000

The number of options was determined by the Board having regard to a target dollar amount of \$25,000 for achieving 100% of the budgeted EBITDA and the likely valuation under the Black-Scholes method of valuing options.

The exercise price of \$0.60 to convert each option into one fully paid ordinary share in the capital of the Company was determined by the Board having regard to the trading range of \$0.35-\$0.45 of the Company's shares on the ASX since 20 August 2008 (the date of release of the Company's Preliminary Final Report for the financial year ended 30 June 2008) and the subscription price of \$0.60 per share under the Company's offer made under its prospectus dated 26 October 2007.

In addition any options will only vest and become exercisable on 30 June 2010 but will lapse should Dr Roger's employment with the Company cease before then. The options are exercisable at certain times after vesting but will expire if not exercised by 7 September 2011 (one week after the final date for release of the Company's Preliminary Final Report for the financial year ended 30 June 2011).

#### Other Main Terms of the ESOP

Upon a change of control of the Company, all options will vest and become immediately exercisable.

Options granted under the ESOP do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant options. The number of shares issued on the exercise of options will be adjusted for bonus issues made prior to the exercise of the options. Each ordinary share issued on exercise of an option will rank equally with all other ordinary shares then on issue.

If the Company, after having granted any options, reduces its issued share capital or subdivides or consolidates its shares, the number of the shares issued to an ESOP holder on exercise of options will be reduced, subdivided or consolidated, as the case may be, in accordance with the ASX Listing Rules.

Options granted under the ESOP are not transferable.

Where an ESOP holder ceases employment with the Company, any unvested options or any vested options that have not been exercised within the required period will lapse, except in specified circumstances.

#### Chapter 2E Requirements – Corporations Act 2001

Shareholders approval is also sought under the Corporations Act 2001. Chapter 2E (Part 2E) of that Act regulates the provision of financial benefits to related parties by a public company and a "financial benefit" is defined in broad terms to include a public company issuing securities or providing finance to a related party. A Director is considered a related party under that Act and Dr Roger is the Managing Director of the Company.

Section 208 of the Corporations Act provides that for a public company to give a financial benefit to a related party of that company, the public company must obtain the approval of members in the way set out in the Act and give the benefit within 15 months after the approval.

The following additional information is provided to satisfy those requirements.

The Company's executive remuneration structure comprises fixed annual remuneration, short term incentives and long term incentives. Further information about the Company's remuneration framework for executive officers, including the use of employee options, and Dr Roger's remuneration are set out in the remuneration report on pages 8-14 of the Company's 2008 annual report. As the Chief Executive Officer and Managing Director of the Company, Dr Roger is charged with overseeing the strategic direction of the Company and its overall development. To ensure alignment with shareholder interests, best practice requires that part of his remuneration should be linked to share price performance over the long term. The Board believes such alignment is best achieved through the grant of an equity based incentive and that the best form of equity incentive for a growth focused business is options.

Options act as a reward for past performance, as a long term incentive and as a retention mechanism. The primary objectives of the Nomination & Remuneration Committee and the Board in reviewing Dr Roger's remuneration package are to:

- align his interests with the interests of shareholders;
- ensure that his remuneration is competitive and aligned with market remuneration; and
- encourage the achievement of performance goals and growth of the Company's business.

The Board believes that the issue of options serves as both a short-term incentive and a long-term incentive to Dr Roger. As a short-term incentive, the options will encourage him to achieve the performance goals and budget objectives set by the Board. Following issue, the shares will act as a long-term incentive by aligning Dr Roger's interests with those of current shareholders seeking sustainable long term valuation creation in the Company's business.

The primary purpose of the issue of the options is to provide an incentive to Dr Roger to provide diligent and ongoing commitment and effort to the Company. Given this purpose and relatively small dilutive effect of any share issue, the Directors do not consider that there are any significant opportunity costs to the Company or benefits forgone by the Company in issuing the options on the terms proposed.

#### Financial Benefit to Dr Roger

The exercise price was calculated as indicated above to be at a premium to the market price of the shares in the Company. This exercise price premium provides a growth hurdle which needs to be exceeded in order for Dr Roger to receive any remuneration from the options.

The options to be issued to Dr Roger are not to be quoted on the ASX and as such have no actual market value. The indicative value of the 250,000 options has been calculated to be \$25,000.

#### Implications of Grant of Options

If shareholders approve the issue of options to Dr Roger and all or any of the options are exercised, the effect will be to dilute the shareholding of existing shareholders. The market price for the Company's shares during the period when any of the options are capable of exercise would normally determine whether Dr Roger exercises the options. Subject to any adjustments arising from any rights issues or bonus issues of securities by the Company, if all the options are exercised, a total of 250,000 shares will be issued to Dr Roger for consideration of \$0.60 cents per share.

There will be no funds raised from the issue of the options. However funds will be payable by Dr Roger at the time options are exercised at \$0.60 per share up to a maximum amount of \$150,000.

Except as set out above, the Directors are not aware of any other information that would reasonably be required by shareholders to allow them to make an informed decision whether it is in the best interest of the Company to pass the resolution.

#### Recommendation

The directors, with Dr Roger abstaining, unanimously recommend that shareholders vote in favour of the resolution the subject of this Item 4. Dr Roger declines to make a recommendation to shareholders about the proposed resolution because he has a material interest in the outcome of the resolution. However, each of the other Directors of the Company considers that the proposed issue of the options is a cost effective and efficient incentive when compared to other forms of incentive (e.g. increased cash remuneration). The Board, other than Dr Roger, also considers that this option grant will help to ensure continued alignment with the interests of shareholders and therefore recommends you vote in favour of the resolution subject of this Item 4.