



SHAREHOLDER UPDATE



ALLIED HEALTHCARE GROUP

PREVENT

TREAT

REPAIR

DELIVER

JULY 2012



Projected Company Milestones 2012/13

The following are some of the major milestones for Allied Healthcare Group in the coming 12 months:

- US regulatory filing update for CardioCel®
- Follow up data for heart valve reconstructions
- Data in pelvic floor and hernia repair
- Initial animal data for HPV vaccine programs
- Approval for CardioCel® in at least one jurisdiction
- Initiation of DNA vaccine HSV vaccine Phase I study
- Initial revenues from CardioCel® (first product from the regenerative medicine franchise)

Dear Shareholders,

In this mid-year shareholder newsletter, I would like to share with you some of the latest news about the activities and milestones achieved by our Company.

Since our last newsletter, I am happy to report that the Company continues to advance its development programs and progress has also been made towards achieving commercial outcomes.

Unfortunately, this progress has not been reflected in our share price with current market conditions affecting our and most other organisations' value in the market. However, Allied Healthcare Group has a strong management team that is driving value across our diverse product portfolios.

A notable example is the recent announcement of the submission of the CE Mark application to seek market approval for our lead tissue and regenerative medicine product CardioCel®. CardioCel® is a cardiovascular tissue patch to treat heart deformities caused by Congenital Heart Disease - which is one of the leading causes of death in infants in the Western world. As such, success with this project represents a major advance in child health in an area of unmet clinical need.

Our interests and work with Australian of the Year 2006 Professor Ian Frazer on commercialising next generation DNA vaccines is also progressing towards the initial Phase 1 testing in humans.

This will be a pivotal study for our vaccine group, as it is intended to show proof of technology; that is, it provides both preventative and therapeutic benefits against the Herpes Virus (HSV2). The Group's manufacturing partner VGXI has started manufacturing the product in the US and we expect the trial to start either later this year or early next year. Herpes is a global public health issue with no current preventative vaccine or treatment "cure" available.

We have also recently strengthened our Board of Directors with the appointment of Mr Peter Turvey as a Non-Executive Director. Peter was the General Counsel at CSL for 19 years and was their Company Secretary from 1998 to 2011. Peter brings vital experience to our Group and to our leadership teams, as well as a wealth of experience in participating in the growth of a large integrated Australian Healthcare Company.

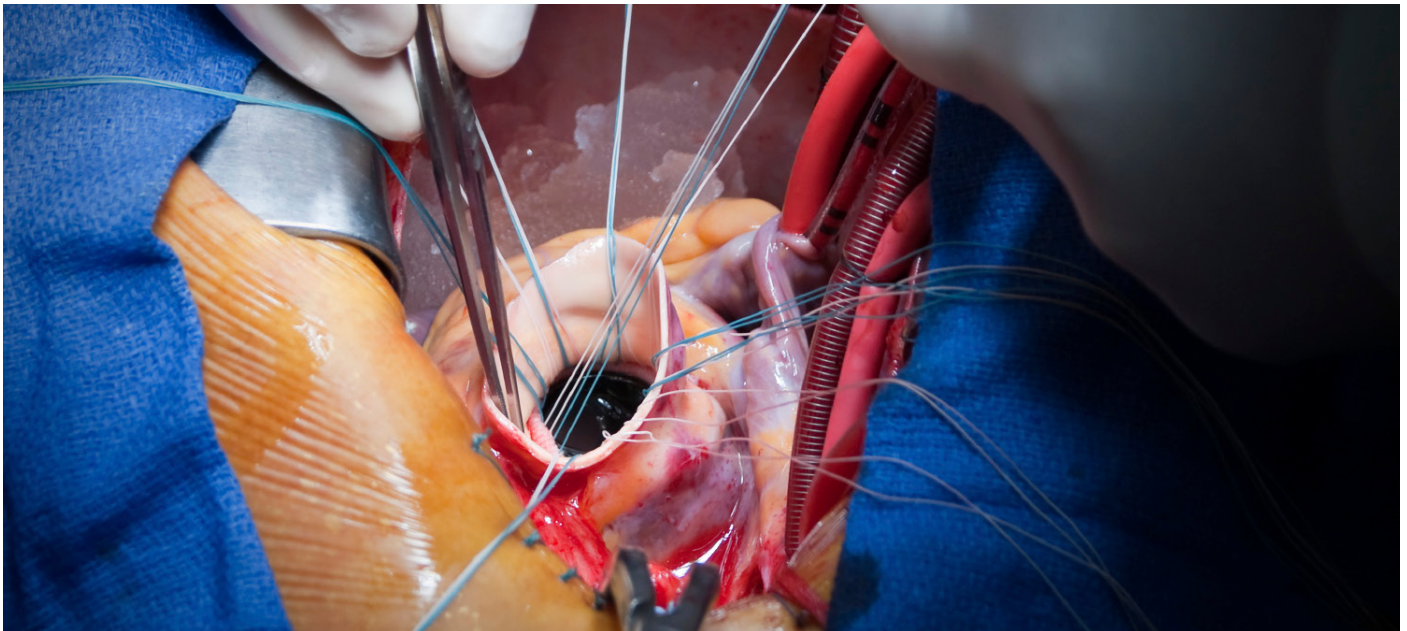
In summary, we are well positioned to build on the many opportunities within Allied Healthcare Group over the next twelve months and I look forward to keeping you updated as we continue to achieve our milestones and grow.

On behalf of the Board, I would also like to welcome all of our new shareholders and thank our existing shareholders for their ongoing support.

Yours sincerely,

Mr. Christopher Catlow

Chairman



Regenerative Medicine Franchise

Since the last newsletter, we've continued to make significant progress in bringing to market our lead product CardioCel®, as well as developing additional applications for the ADAPT® technology.

In June, we announced that the CardioCel® CE mark application for marketing approval in Europe has now been submitted. This is an exciting advance as a positive outcome will allow us to market the product in Europe, as well as being able to use this as a platform to seek broader approvals in other global jurisdictions. The Company continues to pursue regulatory approval in Australia and the US with a submission to the FDA expected to be finalised later this calendar year.

CardioCel® is a cardiovascular tissue patch to treat heart deformities caused by Congenital Heart Disease (CHD). All studies to date have demonstrated that CardioCel® significantly reduces the levels of calcification compared to current standards of treatment. Calcification is the buildup of calcium deposits on the tissue and is a major issue with products currently on the market.

We have also made very good progress in our studies in heart valve reconstructions and with pelvic floor & hernia repairs. The Company is expecting study results for several of these applications in the near future. If these results are positive, they offer excellent commercial potential as the global markets for these products are extensive.

Regenerative Medicine Portfolio

	Research	Preclinical	Clinical	Regulatory Filing	Market Approval
Therapeutic area					
Congenital Heart Disease	COMPLETE	COMPLETE	COMPLETE	2012	2013
	CARDIOCEL PATCH FOR REPAIR OF CONGENITAL HEART DEFECTS				
Cardiovascular Applications	COMPLETE	COMPLETE	IN PLANNING	2014	2015
	CARDIOCEL VASCULAR AND VALVE RECONSTRUCTION AND REPAIR				
Gynaecological Repair	COMPLETE	IN PROGRESS			
	PELVIC FLOOR REPAIR				
Abdominal Repair	COMPLETE	IN PROGRESS			
	HERNIA REPAIR				
Surgical	IN PROGRESS	IN PROGRESS			
	ORTHOPAEDICS				
Tissue Valves	COMPLETE	IN PROGRESS			
	CARDIOCEL AND ADAPT				
Stem Cell Delivery	IN PROGRESS	2012			
	MATRIX WITH STEM CELLS				

The coming year is shaping up to be a very exciting time in our regenerative medicine franchise, especially with our expected first regulatory approval, product launch and commercial sales of CardioCel® via Allied's sales & marketing division.

Recently Allied also announced a collaboration with CSIRO in the area of cellular therapies. It will be focusing upon stem cells and

researching the use of CardioCel® and other ADAPT® prepared tissue products as bio-scaffolds for the delivery of cells in cardiovascular applications. The collaboration is supported by Enterprise Connect through the Researchers in Business program.

Allied increased its holding in Coridon to 44.4% with a view to take a greater than 50% holding in the future.



Next Generation DNA vaccine programs

Our DNA vaccine programs continue to progress, with recent alliances with Nature Technology Corporation (NTC) for the vaccine vector (DNA delivery technology) and with VGXI Inc in the US which is manufacturing the clinical material for the Herpes (HSV-2) Phase I clinical study. Allied is expecting the initial Phase I study to begin late this year or early in the New Year, with first results coming through in 2013.

The Phase I study is designed to not only look at safety but to also give an indication of how well the immune system responds to the vaccine in providing protection and potential for therapeutic benefits against the herpes virus.

It is estimated that 1 in 6 people in the US are infected with the Herpes virus, with the

incidence higher in women between the ages of 14 to 49 with the rate around 1 in 5. In 2010, estimates suggested that globally over 500 million people were infected with the virus, with women more susceptible to infection than men. Herpes infections have been linked to other disease, and in some cases increase the chances of cervical cancer and Alzheimer disease. There is currently no vaccine or treatment on the market available to herpes sufferers and this represents a major global public health issue and unmet medical need.

We've also announced the initiation of the Human Papillomavirus (HPV) vaccine program. The importance of this program is that it has the potential to not only prevent HPV infections (similar to current vaccines on the market)

but also to be a therapeutic vaccine for those people that have already been exposed to the virus (something that current vaccines on the market can't do).

Infection with HPV has been linked with the onset of cervical cancer. In the US an estimated 13,000 women are affected by cervical cancer each year (National Cervical Cancer Coalition - <http://www.nccc-online.org/>).

Using some of the funds recently raised, Allied increased its holding in Coridon to 44.4% with a view to take a greater than 50% holding in the future.

HELP US TO IMPROVE OUR COMMUNICATIONS WITH YOU!

If you would like to receive email communication of future shareholder newsletters or other Allied Healthcare Group communications, such as press releases and ASX announcements you can provide your email contact details via the "Contact Us" page on the website <http://www.alliedhealthcaregroup.com.au> or by sending an email to:

info@alliedhealthcaregroup.com.au

The extensive media interest in our developments can be seen on our website:

<http://www.alliedhealthcaregroup.com.au/News-Room/Media>

All analyst coverage can be viewed on our website:

<http://www.alliedhealthcaregroup.com.au/News-Room/Analyst-Coverage>



Sales and Marketing

As the 2012 financial year comes to a close, we are expecting the Company will achieve sales revenue of approximately \$6.5M for the full year, down from \$6.9M reported in the previous financial year.

Our sales division did experience some unexpected interruptions to our supply chain for key high turnover product during the second half of the year, and that has impacted the final sales figure. In addition, some variations to timing of invoicing and some pending tenders that were not awarded prior to the end of June have contributed to the decrease in revenue this financial year.

Our team has been working diligently with our suppliers to resolve these supply issues and along with an increasing backorder list, we are forecasting an increase in sales revenue for the 2012/13 financial year.

We're excited to report that sales of our general cardiology products doubled over the previous year and highlight the potential for us to continue to grow in this market and become a key player – especially as CardioCel® gets marketing approval in various jurisdictions over the next 12-18 months.

In the next quarter we will also launch a new product in the surgical infusion pump range which has already received very positive pre-launch uptake. Our "whole of hospital"

infusion systems will also be marketed more strongly and alongside the cardiology range will help to build our position as a high-end device supplier. Core products in the infusion and portable drug delivery pumps geared to the ambulatory and home health sectors continue to exhibit double digit growth.

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