



Portland Orthopaedics.

ABN 92 086 839 992

Offer.

For a non-renounceable rights issue of one New Share for every Share held at an issue price of 2.5 cents per New Share.

Applications must be lodged by 5.00pm (Sydney time) on Friday 25 July 2008.

This Offer Document is provided for information purposes and is not a prospectus or other form of disclosure document. It does not contain all of the information that an investor may require to make an investment decision and it does not contain all of the information which would otherwise be required by Australian law or any other law to be disclosed in a prospectus.

This is an important document that requires your immediate attention. You should read this document in its entirety before making any investment decisions.

If you are unsure as to how to deal with this Offer, you should seek independent financial, taxation or other professional advice.



PORTLAND
ORTHOPAEDICS

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Important Notice

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This is an important document

It is important that you carefully read this Offer Document in its entirety before deciding to invest in Portland Orthopaedics Limited (**Portland Orthopaedics**) and, in particular, that you consider the risk factors that could affect the financial performance of Portland. In addition to the general risks applicable to all investments in listed companies, there are specific risks associated with an investment in Portland Orthopaedics. These risks are discussed in section 4 of this Offer Document. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied on as having been authorised by Portland Orthopaedics in connection with the Offer. Neither Portland Orthopaedics nor any other person warrants the future performance of Portland Orthopaedics or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

Ineligible Shareholders

This Offer Document contains an Offer only to persons (including individuals and corporate entities) with registered addresses in Australia or New Zealand. The Offer is not extended to, and no New Shares are offered or will be issued to, persons with registered addresses outside of Australia or New Zealand (Ineligible Shareholders). Portland Orthopaedics considers it unreasonable to extend the Offer to those Shareholders with registered addresses in jurisdictions outside Australia and New Zealand having regard to the small number and value of the New Shares that would be offered in such jurisdictions and the cost of complying with the legal and regulatory requirements in those jurisdictions.

Foreign jurisdictions and restrictions on the distribution of this Offer Document

This Offer Document and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of New Shares in any place outside Australia or New Zealand. The distribution of this Offer Document and the accompanying Entitlement and Acceptance Form outside of Australia or New Zealand may be restricted by law and persons who come into possession of this Offer Document and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. Neither this Offer Document nor the accompanying Entitlement and Acceptance Form may be sent or passed to persons outside Australia or New Zealand or otherwise distributed outside Australia or New Zealand.

In particular, the Offer has not been, and will not be, registered under the *US Securities Act* or the securities laws of any state of the United States and is not being made in the United States or to persons resident in the United States. Without limitation, neither this Offer Document nor the accompanying Entitlement and Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States.

The New Shares being offered to residents of New Zealand under this Offer Document are offered in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2002* (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law and may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Defined terms and abbreviations

Terms and abbreviations used in this Offer Document are defined in section 7 of this Offer Document.

Application for New Shares

If you wish to apply for New Shares, you must complete and return the personalised Entitlement and Acceptance Form which accompanies this Offer Document by the Closing Date. If you have not received a personalised Entitlement and Acceptance Form, please contact Computershare Investor Services on +61 2 8234 5334.

Key Features of the Offer.

The following information is not intended to be comprehensive and should be read in conjunction with the more detailed information released by Portland Orthopaedics under its continuous disclosure obligations. You should read this entire document before making a decision to invest, as well as Portland Orthopaedics' announcements to the ASX.

Key Statistics

Issue Price	2.5 cents per New Share
Number of New Shares offered under this Offer Document	162,899,356
Maximum amount to be raised under the Offer	\$4,072,483
Maximum number of Shares on issue following the Offer	325,798,712

Important Dates*

Announcement of the Offer	Wednesday 25 June 2008
Application to ASX for quotation of New Shares	Wednesday 25 June 2008
Shares trade <i>ex-rights</i>	Friday 27 June 2008
Record Date to determine entitlements of Shareholders to participate in the Offer (at 7.00pm AEST)	Thursday 3 July 2008
Despatch of Offer Document and Entitlement and Acceptance Form	Monday 7 July 2008
Opening Date	Monday 7 July 2008
Closing Date for Offer and date payment required to be received in full	Friday 25 July 2008
Securities quoted on a deferred settlement basis by ASX	Monday 28 July 2008
Despatch Date of holding statements	Tuesday 5 August 2008
Deferred settlement trading ends and normal trading commences	Wednesday 6 August 2008

* Dates are indicative only. Portland Orthopaedics may vary these dates without notice, but only in accordance with ASX Listing Rules.

Chairman's Letter.

Dear Shareholder,

Under this Rights Issue, Eligible Shareholders may subscribe for one New Share for every Share held on the Record Date at an issue price of \$0.025. The entitlements being offered are non-renounceable. **Eligible Shareholders may apply for New Shares in excess of their pro-rata entitlement under the Rights Issue.**

The Company's two largest Shareholders, GBS Venture Partners Pty Ltd and Equity Partners Two Pty Ltd are considering their level of commitment to the Offer. We will announce to the ASX their level of commitment once advised. In support of the Offer, key members of the Board and senior management have agreed to support the Offer by committing to subscribe for a minimum of their entitlements under the Offer.

On behalf of the Directors, I invite you to participate in the Rights Issue. You are urged to read the Offer Document and recent Company announcements in detail before making a decision to participate.

Yours faithfully,



John R Lee
Chairman

25 June 2008



1. Answers to Key Questions.

Question	Answer
What is the Offer?	One New Share for every one Share held at a price of 2.5 cents per New Share.
Who can participate in the Offer?	Only Eligible Shareholders can participate in the Offer. Eligible Shareholders are persons with registered addresses in Australia and New Zealand and who are registered holders of Shares at 7.00pm (AEST) on the Record Date, being 3 July 2008.
How much do I have to pay to participate in the Offer?	The Issue Price for a New Share is 2.5 cents. You may subscribe for all, or part of, your Entitlement.
What are the terms of the New Shares?	The New Shares issued under the Offer will rank equally with existing Shares.
Is the Offer underwritten?	The Offer is not underwritten, however, key members of the Board and senior management have given irrevocable commitments to subscribe for their full entitlements under the Offer.
What is the purpose of the Offer?	To fund working capital until the Company reaches cash flow breakeven at which point it currently intends to fund requirements from operations.
What are my options?	You may either: <ul style="list-style-type: none">– take up all or part of your Entitlement;– apply for New Shares to an amount greater than your Entitlement;– do nothing and allow all of your New Shares representing your Entitlement to lapse in which case it may be placed at the Directors' discretion.
How do I exercise my Entitlements?	If you are an Eligible Shareholder, and you wish to subscribe for all or some of the New Shares making up your Entitlement, you must complete the Entitlement and Acceptance Form and lodge it, together with a cheque or payment by BPAY® for the Application Money. Further details are found in section 3. If you have not received an Entitlement and Acceptance Form, please contact Computershare Investor Services on +61 2 8234 5334
Can I sell or transfer my Entitlements?	No, as the Rights Issue is non-renounceable, you cannot sell or transfer any of your Entitlements to New Shares. There will be no trading of Entitlements on ASX.
How can I obtain further information?	Portland Orthopaedics encourages you to seek advice from your financial or other professional adviser. Enquiries concerning the Entitlement and Acceptance Form should be directed to Computershare Investor Services on +61 2 8234 5334. Enquiries concerning this Offer Document should be directed to the Portland Orthopaedics Chief Financial Officer and Company Secretary, James Wynn, on 0412 430 583 or +61 2 9700 1533.

2. The Offer.

2.1 Introduction

This Offer Document contains an offer to Eligible Shareholders of New Shares in Portland Orthopaedics. As the Entitlements to New Shares are non-renounceable, Shareholders may not sell or otherwise dispose of their rights to apply for New Shares under the Offer.

This document is important and requires your immediate attention. It should be read in its entirety. Please read carefully the instructions on the accompanying Entitlement and Acceptance Form.

2.2 Summary of Offer

Portland Orthopaedics is making a non-renounceable pro-rata Offer of New Shares on the basis of one New Share for every one Share held at a price of 2.5 cents per New Share to holders of Shares who are registered as at 7.00pm (AEST) on the Record Date, Thursday 3 July 2008.

2.3 Use of the proceeds of the Offer

The proceeds of the Offer will be used to provide working capital for the Company, as it requires inventory to fund future sales and repay short-term debt. Any additional capital will be used to expand sales and marketing efforts in the US and Australia. The costs of conducting the Offer will also be paid out of the proceeds. It is expected that the costs of conducting the Offer (including legal costs and fees charged by the share registry) will be approximately \$65,000.

For further information regarding the costs of the Offer, please refer to section 6.1 of this Offer Document.

2.4 Your Entitlement

Only Eligible Shareholders may apply for New Shares under the Offer. The number of New Shares to which an Eligible Shareholder is entitled is shown on the personalised Entitlement and Acceptance Form.

Applicants are encouraged to apply for New Shares as early as possible. To apply for Shares under the Offer, Eligible Shareholders must complete the Entitlement and Acceptance Form and lodge it together with a cheque or payment by BPAY® for the Application Money before the Closing Date. For further information regarding exercising your Entitlement, please refer to section 3 of this Offer Document

Entitlements are non-renounceable, which means that Eligible Holders may not transfer, dispose of or otherwise deal with any part of their Entitlement that they do not take up. There will be no trading of Entitlements on ASX.

2.5 Closing Date

The Company will accept applications from the Opening Date until 5.00pm (AEST) on Friday 25 July 2008 or such other date as the Directors in their absolute discretion may determine, subject to the requirements of the *Corporations Act 2001* and the ASX Listing Rules.

2.6 Total number of New Shares to be issued

The maximum number of New Shares to be issued pursuant to this Offer will be 162,899,356.

2.7 Issue of New Shares

Portland Orthopaedics expects to issue the New Shares on or before 31 July 2008 and expects to despatch holding statements for the New Shares on or before 5 August 2008. No issue of New Shares will be made unless permission is granted for quotation of the New Shares on ASX.

Application Monies will be held in trust for applicants in a subscription account until New Shares are allotted. Interest earned on Application Monies will be for the benefit of Portland Orthopaedics and will be retained by Portland Orthopaedics irrespective of whether New Shares are issued.

2.8 Ranking

The New Shares will be fully paid and, upon issue, rank equally with existing Shares in Portland Orthopaedics.

2.9 Foreign Shareholders

The Offer is not being extended (and accordingly Entitlement and Acceptance Forms will not be sent) and New Shares will not be issued or allotted to Shareholders with registered addresses outside of Australia and New Zealand.

Shareholders with a registered address in Australia or New Zealand who hold Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that taking up the New Shares under the Offer does not breach securities laws in the relevant overseas jurisdictions.

Laws may restrict the distribution of this Offer Document and the accompanying Entitlement and Acceptance Form outside of Australia and New Zealand and persons who come into possession of this Offer Document and the accompanying Entitlement and Acceptance Form should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. It is the responsibility of any overseas applicant to ensure compliance with all laws of any country relevant to their application. The return of the completed Entitlement and Acceptance Form and a cheque, or payment for New Shares by BPAY®, for the amount of the Application Money, will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

2.10 Taxation implications

The Board considers that it is not appropriate to provide advice regarding the taxation consequences of subscribing for New Shares under this Offer Document.

The taxation implications and the effects of participating in the Offer can vary depending on the circumstances of each individual investor, the particular circumstances relating to his or her holdings of securities and the taxation laws applicable to investors as residents of different jurisdictions.

2.11 Acceptance of applications and allotments

An application constitutes an offer to acquire New Shares on the terms and conditions set out in this Offer Document. Portland Orthopaedics reserves the right:

- not to proceed with the Offer at any time before the issue of New Shares under this Offer Document;
- to reject any application, including but not limited to applications made using BPAY®, applications that have been incorrectly completed, or are accompanied by cheques that are dishonoured; and
- to issue to any applicant fewer New Shares than applied for by the applicant.

In consideration for the Directors agreeing to consider an application, the relevant applicant agrees that, subject to the requirements of the Corporations Act, the application is an irrevocable offer that cannot be withdrawn. An Entitlement and Acceptance Form does not need to be signed to be a binding application.

Where the number of New Shares issued to an applicant is less than the number of New Shares applied for, the surplus Application Money will be returned to the applicant as soon as practicable after the close of the Offer. Interest will not be paid on the Application Money held by Portland Orthopaedics or returned to an applicant. Portland Orthopaedics will retain any interest earned on the Application Money.

As soon as practicable after the Offer closes:

- New Shares will be issued to successful applicants and they will be notified of the number of New Shares issued to them; and
- Unsuccessful applicants will be notified and their Application Money (to the extent that they are not successful) will be returned to them (without interest). An applicant may be unsuccessful because, for example, their application has been incorrectly completed or fewer New Shares are issued to the applicant than the number of Shares for which they applied.

It is expected that the allotment of New Shares will take place shortly after the Closing Date, and that holding statements for New Shares will be despatched within seven Business Days from the Closing Date.

It is the responsibility of the unsuccessful applicants to determine the number of New Shares issued to them prior to trading in Shares. Applicants who sell New Shares before they receive their holding statement do so at their own risk.

2.12 Shortfall and applications for additional New Shares

Subject to the Corporations Act and the requirements of the ASX Listing Rules, the Directors have reserved the right to place some or all of any Shortfall arising from Eligible Shareholders applying for less than their Entitlement under the Offer, at their discretion within two months of the Opening Date of the Offer. The Directors may at their discretion place the Shortfall with Eligible Shareholders.

Eligible Shareholders (excluding related parties of the Company, unless approved by the Company's Shareholders), may apply for additional New Shares forming part of the Shortfall, providing that they take up their full Entitlement indicated on the Entitlement and Acceptance Form. The allocation of these New Shares will be limited to any Shortfall and will be at the discretion of the Directors. Accordingly, Eligible Shareholders who wish to apply for additional New Shares may receive fewer than that number for which they applied.

In that event, any surplus Application Money received from the relevant Eligible Shareholders will be returned in full (without interest) as soon as practicable after the closing of the Offer.

Eligible Shareholders wishing to apply for additional New Shares should do so in accordance with the instructions on the Entitlement and Acceptance Form.

2.13 Risks

Any investment in Portland Orthopaedics involves general risks associated with an investment in shares quoted by ASX. There are also a number of specific risk factors, both specific to Portland Orthopaedics and of a general nature, which may affect the future operating and financial performance of Portland Orthopaedics and the value of an investment in the Company. These specific risks include:

- Business risks;
- Marketing;
- Competition;
- Risk of product liability and uninsured risk;
- Research and development;
- Funding;
- Patents;
- Technological obsolescence;
- Loss of key management;
- Customers loss or default; and
- Reimbursement risk.

Further information is provided in section 4.

3. What Eligible Holders May Do.

3.1 Entitlements

Entitlements to participate in the Offer will be determined on the Record Date. The number of New Shares to which an Eligible Shareholder is entitled is shown on the personalised Entitlement and Acceptance Form. Before taking any action in relation to the Offer, you should read this Offer Document in its entirety, and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser.

3.2 Your options under the Rights Issue

If you are an Eligible Shareholder you may:

- take up all or part of your Entitlement;
- seek a number of New Shares greater than your Entitlement; or
- take up none of your Entitlement.

If an Eligible Shareholder wishes to take up part only of their Entitlement, the balance of their Entitlement will lapse. An Eligible Shareholder who does not wish to take up their Entitlement, should do nothing, and their Entitlement will lapse. Any Entitlement not taken up will form part of the Shortfall.

The Directors reserve the right to issue any Shortfall at their discretion. Thereafter, any remaining Shortfall will be issued to Shareholders who have applied for Shares in excess of their Entitlement.

3.3 How to take up your Entitlement

If you wish to take up part, all or in excess of your Entitlement complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form indicating the total number of New Shares for which you wish to take up. Ensure your application is received by the Registry in accordance with the details on the Entitlement and Application Form that accompanies this Offer Document.

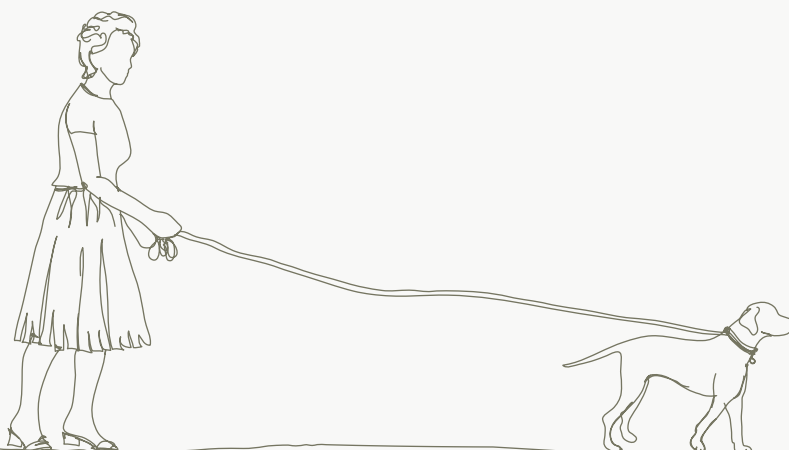
3.4 Do nothing

If you do nothing, your Entitlement will lapse. Although you will continue to own the same number of Shares in Portland Orthopaedics, your percentage shareholding in Portland Orthopaedics will be diluted.

3.5 Form of Payment

Completed Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars and drawn on an Australian branch of an Australian bank for the Application Money (being an amount equal to the number of New Shares applied for, multiplied by the Issue Price per Share (being 2.5 cents per Share) unless payment of the Application Money is made using BPAY®.

Cheques should be made payable to Portland Orthopaedics Shares Account and crossed “**Not Negotiable**”. Eligible Shareholders using BPAY® should use the reference number as shown on their personalised Entitlement and Acceptance Form. **No additional brokerage or stamp duty is payable by investors to acquire Shares under the Offer.**



4. Risk Factors.

There are a number of risk factors which could adversely impact Portland Orthopaedics' performance and the value of its Shares. Eligible Shareholders should consider these risk factors and should consult their stockbroker, accountant, lawyer or other professional adviser before deciding whether to subscribe for New Shares under the Offer. These risk factors include:

4.1 General risk factors

- (1) **Economic conditions** – The performance of Portland Orthopaedics may be significantly affected by changes in economic conditions. Profitability of the business may be affected by factors such as market conditions, interest rates and inflation.
- (2) **Geopolitical factors** – Portland Orthopaedics may be affected by the impact that geopolitical factors have on the various world economies or the Australian economy or on financial markets and investments generally or specifically.
- (3) **Sharemarket conditions** – Portland Orthopaedics, being a company listed on ASX, is subject to the market forces that influence the broad sharemarket trends and the price of securities of individual companies. Recent global political and economic events may cause share price fluctuations in the Australian sharemarket and globally. Accordingly, assuming that the New Shares are granted official quotation by ASX, they may trade on ASX at higher or lower prices than the Issue Price.
- (4) **Foreign currency exchange rate fluctuations** – Changes in foreign currency exchange rates can affect the value of Portland Orthopaedics' assets and liabilities, revenues and costs. Portland Orthopaedics may in appropriate circumstances in the future, use hedging transactions to reduce its exposure to these risks. The results of Portland Orthopaedics may therefore be affected as a result of exchange rate fluctuations.
- (5) **Changes in government policies** – Changes in law, government policies or other factors may adversely affect the earnings of the Company.
- (6) **Taxation** – Portland Orthopaedics' business could be materially affected by changes to federal, state and local government policies and tax regimes.
- (7) **Other** – Other risk factors include those normally found in conducting business, including litigation resulting from the breach of agreements or in relation to employees or contractors (through personal injuries, industrial matters or otherwise) or any other cause, including strikes, loss of service of key management or operational personnel, non-insurable risks, delay in resumption of activities after reinstatement following the occurrence of an insurable risk and other matters that may interfere with the business or trade of Portland Orthopaedics.

4.2 Specific risks

In addition to the above, there are a number of specific risks concerning Portland Orthopaedics of which potential investors should be aware. The following is not an exhaustive summary, but points to some of the risks that are specific to Portland Orthopaedics. Any one or a combination of such risks could affect Portland Orthopaedics and thus the value of any investment in Portland Orthopaedics.

- (1) **Business risks** – The earnings may be affected by a number of factors including the general commercial and economic risks faced by all businesses, including but not limited to the risk of industrial disruption, the loss of a major customer, litigation, interruption to the supply of product or its pricing and terms, the success or otherwise of any advertising campaign, an increase in interest rates and other events that unforeseeably and unpredictably could interrupt normal commercial activity.
- (2) **Marketing** – Investors should be aware of the potentially long lead times involved in bringing products to market. The future success of Portland Orthopaedics lies in its ability to get its products accepted in the international marketplace. Thus, timing represents a major risk factor in regard to Portland Orthopaedics' marketing success overseas.
- (3) **Competition** – Portland Orthopaedics' current and future potential competitors include companies with substantially greater resources. There is no assurance that Portland Orthopaedics will be able to win market share from its competitors and that its competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by Portland Orthopaedics or which would render the products obsolete and/or otherwise uncompetitive. In addition, Portland Orthopaedics may not be able to compete successfully against current or future competitors where aggressive marketing campaigns that may employ pricing policies to capture market share or prevent Portland Orthopaedics from winning market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect Portland Orthopaedics' future business, operating results and financial position.
- (4) **Risk of product liability and uninsured risk** – Portland Orthopaedics' business exposes it to potential product liability risks that are inherent in the research and development, manufacturing, marketing and use of its products. It is necessary for Portland Orthopaedics to secure sufficient levels of insurance to cover potential product liability risks in the course of maintaining its business.

There can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient quantum, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of Portland Orthopaedics.

4. Risk Factors.

- (5) **Research and development** – Portland Orthopaedics can make no representations that any of its research and development will be successful, or that products yet to be commercialised are or will be commercially exploitable. There are many inherent risks in development of surgical products, particularly in the earlier stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific or commercial reasons.
- Products derived from Portland Orthopaedics' research and development may be subject to various regulatory controls and approvals in various parts of the world. These controls and approvals may affect both the timing and cost of bringing products to the market. Delays or failure in obtaining regulatory approval for a product may seriously affect Portland Orthopaedics' commercial value or even its economic viability.
- (6) **Funding** – Future opportunities may require that Portland Orthopaedics raise additional capital from equity or debt sources, or seek other sources of funds. There can be no assurance that Portland Orthopaedics will be able to raise such capital or access funds on favourable terms or at all. If Portland Orthopaedics is unable to obtain such additional capital, it may not be able to exploit such opportunities.
- (7) **Patents** – The costs of enforcing existing and potential patent rights against infringers or defending infringement charges by other patent holders may be significant. In addition, no assurances can be given that the patent applications currently pending by Portland Orthopaedics will be granted. Further, all patents have a limited life and some of Portland Orthopaedics' patents may expire before Portland Orthopaedics is able to fully exploit the exclusivity arising from these patents. Thus the Directors of Portland Orthopaedics must warn potential investors of the vagaries of patents pending and patents currently granted on Portland Orthopaedics' products.
- (8) **Technological obsolescence** – Portland Orthopaedics operates in a market characterised by rapid and significant technological change. While Portland Orthopaedics is not aware of any developments in the healthcare industry that would render its current or planned products less competitive or obsolete, there can be no assurance that future technological changes or the development of new or competitive products by others will not do so.
- (9) **Loss of key management** – The Company's performance is substantially dependent on its senior management and key technical personnel to continue to develop and manage the Company's products and services. The loss of key management could have a material adverse effect on the business and consequently its financial performance. It is noted that key personnel in senior positions have entered into formal employment contracts with the Company. The future success of the Company is also dependent on its ability to attract and retain highly qualified technical and managerial personnel. The inability to attract such personnel may result in a material adverse effect on the business.
- (10) **Customers' loss or default** – Default by, or disputes with, major clients could create difficulties and cause a reduction in earnings or cash flow of Portland Orthopaedics. Disputes with third parties may also indirectly impact upon Portland Orthopaedics.
- (11) **Reimbursement risk** – The Company currently markets its products in the United States of America and Australia. The cost of the Company's products in both the United States and Australia are covered by public or private health insurance. The removal of such funding may have an adverse impact upon the number of implants used or the revenue able to be achieved from each implant.

5. Effects of the Rights Issue.

5.1 Financial effects of the Rights Issue

The Rights Issue will increase Portland Orthopaedics' cash reserves which will provide Portland Orthopaedics with additional capital to reduce existing short-term debt facilities and provide funding for future working capital, including extending marketing of commercialised product in the US and Australia.

5.2 Effects of the Rights Issue on control

The principal effect of the Rights Issue on Portland Orthopaedics' capital structure will be to increase the total number of issued Shares. The Rights Issue is unlikely to have a material impact on the control of Portland Orthopaedics depending on the level of Entitlements taken up by Eligible Shareholders and in particular, by the four largest shareholders.

The following table shows the existing capital structure of Portland Orthopaedics:

SHAREHOLDER	SHARES	% HOLDING
GBS Venture Partners	42,018,962	25.79
Equity Partners	42,025,613	25.80
Savings Australia	20,179,749	12.39
Mr Ronald Sekel	6,897,810	4.23
Remaining Shareholders	51,777,222	31.78
Total	162,899,356	100

5.3 Maximum Entitlements are taken up by Eligible Shareholders

If all Eligible Shareholders take up their Entitlements under the Rights Issue the percentage ownership and degree of control will remain unchanged.

5.4 Commitment by existing Shareholders

A number of key members of the Board and senior management have given a commitment to the Company to subscribe for their full entitlements under the Offer, including:

- Mr Ron Sekel (Director and founder of the Company) and his associates;
- Mr John Lee (Chairman of the Company) and his associates;
- Mr John Brassil (Chief Executive Officer and Managing Director of the Company) and his associates; and
- Mr James Wynn (Chief Financial Officer and Company Secretary) and his associates.

If the three largest shareholders of the Company and the above listed key members of the Board and senior management subscribe for their full entitlements under the Offer, and no other Shareholder subscribes for their entitlements under the Offer, the capital structure of Portland Orthopaedics will be as follows:

SHAREHOLDER	SHARES	% HOLDING
GBS Venture Partners	84,037,924	30.65
Equity Partners	84,051,226	30.65
Savings Australia	40,359,498	14.72
Mr Ronald Sekel	13,795,620	5.03
Remaining Shareholders	51,940,556	18.95
Total	274,184,824	100

6. Additional Information.

6.1 Expenses

The estimated expenses of the Offer are \$65,000 as shown below:

Legal	\$25,000
Share Register and ASX	\$25,000
Printing, mailing and other	\$15,000
Total	\$65,000

6.2 Privacy

When you apply for Shares, Portland Orthopaedics will collect personal information from you in the Entitlement and Acceptance Form. The personal information that you supply to Portland Orthopaedics will be used for the primary purpose of processing your application and providing you with Shares. If you do not supply the company with all the information it needs, it may be unable to process your application and provide you with Shares.

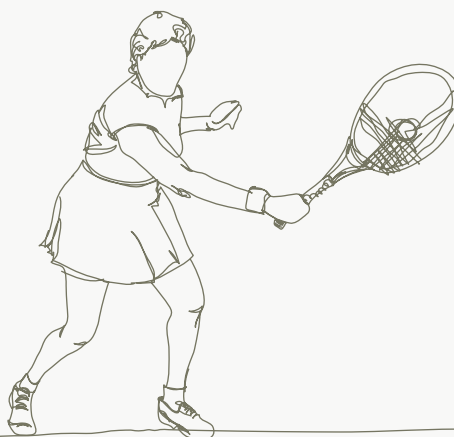
Portland Orthopaedics may disclose personal information you provide to it to:

- any third party that it engages to provide services such as registry, auditing, mailing or printing services;
- government bodies, when and to the extent required by law; and
- any professional advisers to the Company (including legal and accounting firms, auditors and advisers).

By writing to Portland Orthopaedics at the address set out in the Corporate Directory in this Offer Document, you can request access to the personal information about you that it holds. Your request will be assessed in accordance with the National Privacy Principles. If you have any questions about the personal information collected, you should contact the Company Secretary.

6.3 Governing law

This Offer Document and the contracts which arise on acceptance of Entitlement and Acceptance Forms are governed by the law applicable in the State of New South Wales, Australia and each applicant submits to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia.



7. Definitions.

Terms and abbreviations used in this Offer Document have the following meaning:

\$	Australian dollars (and references to cents are to Australian cents) unless otherwise indicated
AEST	Australian Eastern Standard Time (unless a date falls during the period in which daylight savings applies in New South Wales, in which case AEST will mean Australian Eastern Daylight Savings Time)
Application Monies	Monies paid by Eligible Shareholders in respect of the New Share they apply for
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691
ASX Listing Rules	The official listing rules of ASX as waived or modified from time to time
Board	The board of directors of Portland Orthopaedics
Business Day	Has the meaning ascribed to it in Chapter 19 of the ASX Listing Rules
Closing Date	5.00pm, Friday 25 July (unless extended)
Company or Portland Orthopaedics	Portland Orthopaedics Limited ABN 92 086 839 992 and (where applicable) its controlled entities.
Corporations Act	<i>Corporations Act</i> 2001 (Cth)
Director	A director of the Company
Eligible Shareholder	A Shareholder who has a registered address in Australia or New Zealand and who is registered as a holder of Shares as at the Record Date
Entitlement	The entitlement of an Eligible Shareholder to apply for one New Share for every one Share held at 7.00pm (AEST) on the Record Date
Entitlement and Acceptance Form	The entitlement and acceptance form that accompanies this Offer Document
Equity Partners	Equity Partners Two Pty Limited ACN 093 766 280 in its capacity as trustee for Equity Partners 2 Trust
Foreign Shareholders	Shareholders with registered addresses outside Australia or New Zealand
GBS	GBS Venture Partners Pty Limited ABN 54 072 515 247 in its capacity as trustee for GBS Bioventures II
Issue Price	2.5 cents per New Share
New Share	A Share to be issued pursuant to this Offer Document at the Issue Price
Offer	Offer of New Shares under this Offer Document
Offer Document	This offer document dated 25 June 2008
Opening Date	7 July 2008

7. Definitions.

Record Date	7.00pm (AEST) on 3 July 2008
Registry	Computershare Investor Services Pty Ltd ACN 078 279 277
Rights Issue	The offer of New Shares to Eligible Shareholders under this Offer Document
Savings Australia	Savings Australia Pty Limited ACN 006 457 987 in its capacity as trustee for Superannuation Trust of Australia
Shareholder	A person who holds Shares
Shares	Fully paid ordinary shares in the capital of Portland Orthopaedics
Shortfall	Those New Shares not subscribed for by way of an application pursuant to this Offer Document by 5.00 pm (AEST) on the Closing Date

Corporate Directory

Chairman

John Lee (j.lee@pldortho.com)

Directors

John Brassil (j.brassil@pldortho.com)

Ronald Sekel

Richard Gregson

Company Secretary

James A Wynn (j.wynn@pldortho.com)

Registered Office

Unit 3, 44 McCauley Street

Matraville NSW 2036

Australia

Ph: 61 2 9700 1533

Fax: 61 2 9666 8544

US Sales Office

Portland Orthopaedics Inc.

301 Orchard Street

Suite 1C

St Clair MI 48079

Ph: 1 810 326 3840

Fax: 1 810 326 3842

Legal Adviser

Deacons

225 George Street

Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Ltd,

GPO Box 253

Sydney NSW 2001

Australia

Auditor

Grant Thornton NSW*

*Details included for information purposes only.

Website

www.pldortho.com

