

The Freedom of an Active Lifestyle.

NOTICE OF ANNUAL GENERAL MEETING 26 NOVEMBER 2008, 2.00PM

2008 Notice of Annual General Meeting

Portland Orthopaedics Limited ACN 086 839 992

Dear Shareholder,

2008 Notice of Annual General Meeting

I have pleasure in inviting you to our 2008 Annual General Meeting.

The Meeting will be held at the offices of Grant Thornton (NSW), located on Level 17, 383 Kent Street, Sydney on 26 November 2008. The Meeting will commence at 2.00pm and light refreshments will be available. Registration will commence at 1.30pm.

The following documents are enclosed with this letter:

- i) Notice of Annual General Meeting;
- ii) Explanatory Memorandum; and
- iii) Appointment of Proxy form.

Voting by Proxy

If you are unable to attend and vote at the meeting, we encourage you to still participate by lodging the proxy form included with this Notice of Annual General Meeting. You may nominate a proxy to vote on your behalf by completing the Appointment of Proxy form and returning it in the enclosed reply paid envelope so that it is received by no later than 2.00pm on 24 November 2008.

If you wish you may nominate the Chairman of the Meeting as your proxy. You may indicate whether you require your proxy to vote for or against or to abstain from voting in relation to each resolution, or you may leave that decision to your proxy after considering discussion at the Meeting.

If you appoint the Chairman of the Meeting as your proxy, and do not instruct the Chairman how to vote, the Chairman will vote in favour of each of the resolutions.

On behalf of the Directors of Portland Orthopaedics, I look forward to your participation in our 2008 Annual General Meeting.

Yours faithfully



John R. Lee

Chairman
20 October 2008

The Meeting will be held at the offices of Grant Thornton (NSW), located on Level 17, 383 Kent Street, Sydney on 26 November 2008.

The Meeting will commence at 2.00pm and light refreshments will be available. Registration will commence at 1.30pm.



NOTICE IS GIVEN that the Annual General Meeting of Portland Orthopaedics Limited (the "Company") will be held on Wednesday, 26 November 2008 at the offices of Grant Thornton (NSW) located on Level 17, 383 Kent Street, Sydney at 2.00pm.

Business of Meeting

Item 1: Financial Statements and Reports

To receive the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2008.

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

Resolution 1:

"That the Remuneration Report for the financial year ended 30 June 2008 be adopted."

(Please note that the vote on this item is advisory only and does not bind the Directors or the Company.)

Item 2: Election of Director

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

Resolution 2:

"That Dr Richard Gregson, who retires pursuant to Rule 5.1 of the Constitution of the Company, be re-elected as a Director of the Company."

Item 3: Approval of grant of Options to Managing Director

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

Resolution 3:

"That for the purposes of Listing Rule 10.14 and for all other purposes, approval is given for the grant of 8,000,000 Options under the Portland Orthopaedics Limited Executive and Staff Option Plan to the Chief Executive Officer and Managing Director, Mr John Brassil, in the manner set out in the Explanatory Notes to this Notice of Annual General Meeting."

Item 4: Renewal of approval of the Portland Orthopaedics Limited Executive and Staff Option Plan

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

Resolution 4:

"That for the purposes of ASX Listing Rule 7.2, Exception 9(b), and for all other purposes, the Shareholders approve the issue of securities by the Company under the "Portland Orthopaedics Limited Executive and Staff Option Plan" as an exception to ASX Listing Rule 7.1."

By order of the Board



Richard Gregson

Company Secretary
20 October 2008

Explanatory Memorandum

Explanatory Notes

These Explanatory Notes have been prepared for the information of Shareholders in relation to the business to be conducted at the Company's Annual General Meeting. It is part of, and should be read in conjunction with, the Notice.

Item 1: Financial Statements and Reports

There will be an opportunity for Shareholders at the Meeting to ask questions and comment on the Directors' Report, Financial Statements and Independent Audit Report for the financial year ended 30 June 2008. No resolution will be required to be passed on this matter.

The Company's Remuneration Report is set out in pages 19 to 24 of the Company's 2008 Annual Report.

The Remuneration Report:

- explains the Company's policy and processes for determining the remuneration of its key management personnel;
- discusses the relationship between remuneration policy and the Company's performance; and
- sets out remuneration details of each of the Directors and each of the key management personnel with the greatest authority for the strategic direction and management of the Company.

Shareholders will be given an opportunity to ask questions about, or make comments on, the Remuneration Report at the Meeting.

In accordance with the Corporations Act, the resolution is advisory only and does not bind the Company or the Directors.

Item 2: Election of Director

Resolution 2: Election of Richard Gregson BSc PhD MBA, Non-Executive Director

Rule 5.1 of the Company's Constitution requires one-third (or the next lowest whole number) of the Directors (excluding the Managing Director) to retire at the Annual General Meeting of the Company. Any Directors who retire in accordance with Rule 5.1 of the Constitution are eligible for re-election at the Annual General Meeting.

Richard Gregson is a Director and in accordance with Rule 5.1 of the Company's Constitution, offers himself for re-election.

Dr Gregson is Managing Director of Equity Partners, a private equity fund management group that manages funds on behalf of institutional investors. Equity Partners invested in Portland in October 2001. He has served as a non-executive Director on the Boards of a number of private companies and prior to entering the private equity industry he was involved in the healthcare industry. He brings substantial business development, finance and commercial expertise to the Board.

Dr Gregson is the Managing Director of Equity Partners Management Pty Limited (Equity Partners Management) and a Director of Equity Partners Two Pty Limited. Equity Partners Two Pty Limited, as trustee of the Equity Partners 2 Trust is the holder of 74,025,613 shares. Equity Partners Management is entitled to be paid management fees based on the total amount of funds invested in the various trusts managed by it, and an incentive fee based upon the overall performance of the portfolios.

Richard Gregson is also a Director of Energy Developments Limited and Traffic Technologies Limited.

The Board (other than Dr Gregson) recommends that Shareholders vote in favour of Resolution 2.

Item 3: Approval of grant of Options to Managing Director

Resolution 3

The Company's Remuneration Report is set out on pages 19 to 24 of the Company's 2008 Annual Report. The Remuneration Report explains the Company's policy and processes for determining the remuneration of its senior executives, including its Chief Executive Officer and Managing Director, Mr John Brassil. As explained in the Remuneration Report, Mr Brassil receives performance-linked remuneration which includes short-term and long-term components. Under the long-term component of Mr Brassil's performance-linked remuneration, Mr Brassil may receive options to subscribe for ordinary shares in Portland Orthopaedics Limited under the Portland Orthopaedics Limited Executive and Staff Option Plan ("Plan").

Shareholder approval is sought for the grant of 8,000,000 Options to Mr John Brassil pursuant to the Plan. Shareholder approval is required under Listing Rule 10.14 because Mr Brassil is a Director of the Company. All employees of the Company and the Directors are eligible to participate in the Plan. The following table sets out the names of Directors to whom Options have been issued under the Plan since Shareholders last approved the issue of Options to Directors and the number of Options issued to them. All Options under the Plan are issued for nil consideration.

NAME	NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE
John Brassil	1,500,000	\$0.105	19 December 2017

If Resolution 3 is passed, the Options will be issued as soon as practicable but no later than 12 months after the date of the meeting and approval will not be required under Listing Rule 7.1 to exempt the Options from counting towards the 15% of the issued capital of the Company that can be issued in any 12-month period without Shareholder approval.

The terms of the Options to be issued to Mr Brassil are summarised below:

- upon exercise of an Option, Mr Brassil will be issued one fully paid ordinary Share;
- the Options will be issued for nil consideration;
- 4,000,000 Options will vest on 1 January 2009 and 4,000,000 Options will vest on 1 January 2010. The exercise price of these Options is \$0.025;
- upon the occurrence of a change of control in the Company, Options which have not yet vested (if any) may be deemed to have vested;
- the Options will expire five years from the date of vesting, or subject to limited exceptions, earlier upon the occurrence of a cessation event such as termination of employment if those Options have not vested;
- in the event of any reorganisation, the Board will adjust, subject to the Listing Rules, the number of Shares to be issued upon exercise of each Option or the exercise price of the Options (or both), as it deems appropriate so that the benefits conferred on Mr Brassil after the reorganisation are the same as the benefits conferred on Mr Brassil prior to the reorganisation;
- if there is a pro rata issue, there will be a change in the exercise price of the Options or a change in the number of underlying securities over which Options can be exercised, in accordance with the Listing Rules;
- in the event that the Company makes a bonus issue of Shares to ordinary Shareholders, the number of Shares over which an Option is exercisable will be increased by the number of Shares Mr Brassil would have received if the Option had been exercised before the record date for the bonus issue;
- the Options will not be quoted by ASX and cannot be transferred without the prior written consent of the Board; and
- there is no loan in relation to the acquisition of Options.

Voting

In accordance with the Listing Rules, the Company will disregard votes cast on Resolution 3 by a Director of the Company and any of their associates. However, the Company need not disregard a vote if:

- 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
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Directors and their associates are excluded from voting on Resolution 3. Accordingly, the Directors make no recommendation in relation to Resolution 3.

Item 4: Renewal of approval of the Portland Orthopaedics Limited Executive and Staff Option Plan

Resolution 4

The Company implemented the Portland Orthopaedics Limited Executive and Staff Option Plan before its ASX listing, pursuant to which it has issued Options to eligible employees in order to provide them with an incentive to perform (“Option Plan”). A summary of the terms of the Option Plan is attached to this Explanatory Memorandum.

Listing Rule 7.1 prohibits the Company from issuing equity interests representing more than 15% of the issued capital of the Company in any 12-month period without Shareholder approval unless the issue is within certain exceptions set out in Listing Rule 7.2. Under Exception 9(b) of Listing Rule 7.2, an issue of securities under an employee incentive scheme is an exception to Listing Rule 7.1 if within three years before the date of issue, Shareholders have approved the issue of securities as an exception to Listing Rule 7.1.

Accordingly, Shareholder approval is sought for the issue of the Options to eligible employees of the Company (and Shares issued upon exercise of those Options) for the purposes of Exception 9(b) of Listing Rule 7.2. If approval is given, securities issued under the Option Plan will be exempt from counting towards the 15% of the issued capital of the Company that can be issued in any 12 month period without Shareholder approval under Listing Rule 7.1.

Since the date of the Company’s listing on the ASX, 10,410,000 Options have been issued under the Option Plan and no shares have been issued as a result of the exercise of those Options.

Voting

In accordance with the Listing Rules, the Company will disregard votes cast on Resolution 4 by a Director of the Company and any of their associates. However, the Company need not disregard a vote if:

- 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
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Directors and their associates are excluded from voting on Resolution 4. Accordingly, the Directors make no recommendation in relation to Resolution 4.

Explanatory Memorandum

Attending this Meeting

If you propose to attend the Meeting in person, please bring your personalised proxy form with you. If you have returned your proxy form, you are still welcome to attend the Meeting but this will invalidate your proxy.

Proxies

Please note that:

1. A Shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy.
2. A proxy need not be a Shareholder of the Company.
3. A shareholder who is entitled to cast two or more votes may appoint not more than two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
4. To be valid, the form appointing the proxy and power of attorney or other authority (if any) under which it is signed (or a certified copy thereof) must be lodged, or received by fax, at least 48 hours prior to the Meeting at the following address:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Fax +61 3 9473 2118

Voting intentions

The Chairman of the Company intends to vote in favour of all resolutions on the agenda in respect of undirected proxy votes where the Chairman is appointed as proxy.

Attorney

To vote by attorney, the instrument conferring the power of attorney (or a certified copy) must be lodged, or received by fax, at least 48 hours prior to the Meeting at the address set out for the return of proxies.

Corporate representative

A body corporate may appoint an individual to act as its representative to exercise any of the powers the body may exercise at Meetings of the Company's Shareholders. Unless otherwise stated, the corporate representative may exercise all of the powers the appointing body can exercise. The certificate evidencing the appointment of a corporate representative (or a certified copy) must be either produced when registering at the Meeting or lodged, or received by fax, at least 48 hours prior to the Meeting at the address set out for the return of proxies.

Voting entitlement

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001*, that for the purposes of voting at the meeting or adjourned Meeting, Shares will be taken to be held by those persons in the Company's Register of Members as at 7.00pm (Sydney time) on 24 November 2008. Transactions registered after that time will be disregarded in determining Shareholders entitled to attend and vote at the Meeting.

Glossary

In this Notice and Explanatory Memorandum:

2008 Annual Report means the annual report of the Company in respect of the financial year ended 30 June 2008;

ASX means ASX Limited or the Australian Securities Exchange, as the context may require;

Board means the board of Directors;

Corporations Act means the *Corporations Act 2001* (Cth);

Directors means the directors of the Company from time to time;

Explanatory Notes means the explanatory notes which accompany, and are incorporated as part of, this Notice;

Listing Rules means the listing rules of ASX Limited;

Meeting means the Annual General Meeting of the Company to be held at 2.00pm on 26 November 2008;

Notice means this Notice of Meeting;

Options means Options to subscribe for Shares, the terms of which are summarised in the Explanatory Notes;

Shares means fully paid ordinary shares in the capital of the Company; and

Shareholders means the holders of Shares.



Questions from Shareholders

Your questions are important to us. Please use this form to submit any questions about Portland Orthopaedics Limited that you would like us to respond to at the Annual General Meeting (“AGM”). Your questions should relate to matters that are relevant to the business of the Meeting.

Questions will be collated and we will respond to as many of the more frequently asked questions as possible at the AGM. Please note we will not be able to reply individually.

Shareholder’s name:

Address:

Security Holder Reference Number (SRN) or Holder Identification Number (HIN):

Questions:

This form must be received by the Company’s Share Registrar, Computershare Investor Services Pty Limited, in the reply paid envelope provided or faxed to +61 3 9473 2118 by 19 November 2008.

Alternatively you may email Portland Orthopaedics Limited at agm@pldortho.com.

Attachment

– Option Plan Summary

The terms and conditions of the Option Plan are summarised below. The summary is not a complete description of the terms of the Option Plan. A copy of the Option Plan may be inspected at the registered office of the Company during normal business hours by prior appointment.

Issue of Options

In accordance with the terms of the Option Plan, the Board may offer Options to executives (including any Director or employee as determined by the Board) of the Group. The Board will determine the eligibility of persons, their entitlement and vesting date of Options. The Board may delegate to the Chief Executive Officer of the Company, the authority to issue Options under the Option Plan. Options will be issued for no consideration unless the Board determines otherwise and in aggregate, must not exceed 10% of the total number of Shares on issue in the capital of the Company at that time.

Exercise price

The exercise price per Share for the Options is determined by the Board in its absolute discretion at the time of issue of the Options.

Exercise of Options

Provided that an Optionholder is an employee of the Company, the Options held by that Optionholder will vest and become exercisable on the dates determined by the Board. The Options will be exercisable in accordance with their terms of issue during the exercise period determined by the Board.

If the Company disposes of all or substantially all of its assets or business or all of the Shareholders sell all of their Shares, the Board may, by notice to the Optionholder, determine which of an Optionholder's unvested Options will vest and will become capable of exercise at any time during the 60-day period commencing on the date each Optionholder is given notice of the transaction.

Lapse of Options

Subject to the absolute discretion of the Board, if for any reason other than that they have been made redundant or terminated without cause, an Optionholder ceases to be employed by, or, in the case of an Optionholder who is a Director, ceases to be a Director of any member of the Group at any time:

- all Options which have not yet vested will automatically lapse; and
- within 30 days from the date upon which the optionholder ceases to be employed by the Company, the Optionholder may elect to exercise any of the Options which have vested and are able to be exercised but have not yet been exercised.

Notwithstanding anything to the contrary in the Option Plan, upon an Optionholder ceasing to be employed by any member of the Group as a result of redundancy or termination without cause, the Options held by that Optionholder automatically vest and the Optionholder may exercise any or all of the Options in accordance with their terms.

Transfer of Options

Options may not be transferred or encumbered except with the prior written consent of the Board. On the death of an Optionholder, all the Options held by their estate will automatically vest and the executor of that Optionholder's estate or its beneficiaries, may exercise any or all of the Options in accordance with their terms.

Reorganisations

In the event of a reorganisation of the capital of the Company, subject to the ASX Listing Rules (if applicable), the number of Shares to be issued upon the exercise of each Option or the exercise price of the Options (or both) will be adjusted as the Board deems appropriate, so that the benefits conferred on Optionholders after the reorganisation are the same as the benefits conferred on the Optionholders prior to the reorganisation.

Rights issues

Optionholders are not entitled to participate in any rights issued by the Company prior to the exercise of the Options.

Pro rata issues

If the Shares are traded on the ASX or another stock exchange and there is a pro rata issue, there will be a change in the exercise price of the Options or a change in the number of underlying securities over which Options can be exercised, in accordance with the Listing Rules.

Bonus issues

In the event that the Company makes a bonus issue of Shares to ordinary Shareholders, each Optionholder will receive upon exercise of each Option, such number of Shares as they would have received had they participated in the bonus issue as the holder of the Shares that would have been issued to them if they had exercised their Options prior to the record date for the bonus issue.

Dividends

Options will not confer on the Optionholder a right to participate in the dividends paid by the Company.

ASX Listing Rules

If, while the Shares are traded on the ASX or other stock exchange, there is any inconsistency between the terms of the Option Plan and the ASX Listing Rules, the ASX Listing Rules will prevail.

Quotation

The Company does not intend to apply for quotation of the existing Options on the ASX.