



AVASTRA SLEEP CENTRES LIMITED (AVS)

AVASTRA SLEEP CENTRES LIMITED  
ACN 094 446 803

## Offer Document

For

A fully-underwritten non-renounceable pro rata entitlements offer of approximately 76,982,249 New Shares at an issue price of \$0.03 per New Share on the basis of 2 New Shares for every 3 Shares held on the Record Date to raise up to the sum of \$2,309,467 (**Entitlements Offer**).

**This document is not a prospectus.**

This document does not contain all of the information an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

**This document is important and requires your immediate attention.** It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.

The Offer opens at 9.00 am Sydney time on 29 August 2008  
and

**closes at 5.00pm Sydney time on 12 September 2008 (Closing Date)**

Valid acceptances (including payment in full of Application Monies) must be received by 5.00pm Sydney time on the Closing Date.

**Please read the instructions in this document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement**

**This Entitlements Offer is fully underwritten by  
Colorado Investments Pty Ltd ACN 063 688 611**

## Important Information

**This document is not a prospectus** and does not contain all of the information that an investor would find in a prospectus or which may be required to make an informed investment decision regarding, or about the rights attaching to, the New Shares offered by this Offer Document.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

**This Offer Document is dated 15 August 2008.**

## Summary of the Offer

---

Issue Price	\$0.03
Shares offered under the Entitlements Offer (approx)	76,982,249
Shares on issue following the Offer	192,455,623
Options on issue	7,983,334
Total securities on issue following the Offer	200,438,957

---

## Important dates

---

Entitlements Offer dated and lodged:	Friday 15 August 2008
Record Date to determine Entitlements under the Entitlements Issue (7.00 pm Sydney time)	Monday 25 August 2008
Entitlement and Acceptance Form despatched	Friday 29 August 2008
Entitlements Offer closes (5.00 pm Sydney time)	Friday 12 September 2008
Allotment and issue of New Shares under Entitlements Offer	Friday 19 September 2008
Expected despatch of holding statements under Entitlements Offer	Monday 22 September 2008
Trading of New Shares expected to commence	Tuesday 23 September 2008

---

*Note: The above timetable is indicative only. Subject to the Listing Rules, Avastra may vary any of the above dates without notice to any recipient of this Entitlements Offer document or any Applicant. Eligible Shareholders are encouraged to submit their Applications as soon as possible after the Offer opens.*

## Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, as sent with this Offer Document. The Entitlement and Acceptance Form sets out an Eligible Shareholder's entitlement to participate in the Offer.

## Entitlements

The Entitlements Offer is non-renounceable so Entitlements may not be sold, assigned or otherwise disposed. If you decide not to take up all or part of your Entitlements, then they will be taken up by the Underwriter.

Shareholders who take no action in respect of their Entitlements will receive no benefits. An Entitlement and Acceptance Form is enclosed with this Offer Document.

## **ASX**

Avastra has applied to ASX for quotation of the New Shares. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of Avastra. The Entitlements Offer is conditional on ASX agreeing to grant quotation of the New Shares.

## **Overseas shareholders**

After considering the costs of compliance in relevant jurisdictions and the number of shareholders in those jurisdictions, the Company believes it is unreasonable to make the offer of New Shares under this Offer Document in any jurisdiction other than Australia and New Zealand. The distribution of this Offer Document in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of New Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Offer Document.

The Offer to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public who are not Eligible Shareholders are not entitled to apply for any New Shares. 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.

The New Shares have not been and will not be registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration. Accordingly, the Offer is not being made in the United States. In addition, applications may not be made by any person who cannot represent to the effect that it is not in the United States and is not acting for the account or benefit of a person in the United States (subject to certain exceptions) or, if applicable, who does not agree to the restrictions on resale in, or to persons in, the United States specified therein.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Application Form will be taken by Avastra as a representation that there has been no breach of such laws. The Entitlements that would have been offered to Ineligible Shareholders will be allowed to lapse and they will form part of the Shortfall.

## **Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## **Definitions, financial amounts and time**

Definitions of certain terms used in this Offer Document are explained in the Glossary. All references to currency are to Australian dollars and all references to time are to Sydney time, unless otherwise indicated.

## **1. DETAILS OF THE OFFER**

### **1.1 The Offer**

The Company is making a non-renounceable pro rata entitlements offer of New Shares at an issue price of \$0.03 per New Share on the basis of 2 New Shares for every 3 Shares held on the Record Date.

As at the Record Date, the Company had on issue 115,473,374 Shares. Approximately 76,982,249 New Shares will be issued under the Offer.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, such fraction will be rounded up to the nearest whole New Share. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Avastra considers that holdings have been split to take advantage of rounding, Avastra reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

The Offer is non-renounceable. Eligible Shareholders who do not wish to subscribe for some or all of their Entitlements cannot sell their Entitlements. Shareholders who do not exercise their Entitlements will have their percentage shareholding in the Company diluted.

Your Entitlement is shown on your personalised ENTITLEMENT AND ACCEPTANCE FORM.

The Company will raise gross proceeds of up to \$2.3 million through the Offer, before deducting estimated cash expenses of approximately \$188,000 consisting of an underwriting fee of \$138,000, legal and accounting fees of approximately \$50,000 and general printing, mail-out and administrative costs of the Offer.

#### **Avastra's Objective**

Avastra aims to become the largest, most profitable sleep centre operator in the United States. The total market in the United States for services and products sold by Avastra is estimated to be over \$US3.5 billion. Avastra has grown through acquisitions of established and profitable sleep centres. Most sleep centres are highly localised and Avastra has acquired what it believes are market leaders in each region.

During the past two years, Avastra acquired 'hub' companies which also provide clinical trials services, and spoke businesses – smaller sleep centre operations from which it may leverage within a geographic hub.

The hub centre revenue line results in higher margins and more revenue per bed night. Therefore, these businesses tend to have better infrastructure and systems. This theoretically makes integration much easier and less costly.

Avastra has also established a new greenfield 'hub' business ("North West facility"). In this model, Avastra worked with the hospital to move their existing sleep centre into a private sector setting. Unfortunately, this exercise required

more capital outlay following establishment than buying a similar established business. Hence, this Entitlements Offer is required to raise funds to cover the unexpected cost blow-out and lower-than-anticipated revenues from clinical trials and sleep studies.

Avastra intends to take advantage of opportunities to establish spoke businesses in regions where payor and research contracts are already in place after it has successfully integrated its existing businesses profitably.

Following the profitable integration of its existing businesses, Avastra intends to continue this strategy. However, at this point in time, Avastra's focus is firmly on integration and efficiencies.

### **The Purpose of the Offer**

Funds raised will primarily be used for working capital expenses, to make earn-out payments due to existing sleep centre vendors and payments to the contractor for the build-out of the North-West facility in Seattle, USA.

## **1.2**

### **Underwriting**

The Offer is fully underwritten by Colorado Investments Pty Ltd ACN 063 688 611 (**Colorado** or **Underwriter**) pursuant to the Underwriting Agreement.

The Underwriting Agreement is summarised in Section 1.9 of this Offer Document.

As at the date of this Offer Document, Colorado holds no shares in the issued capital of the Company. Interests associated with the Underwriter hold a total of 10,589,742 shares in the Company. Together this represents voting power of approximately 9.2% as at the date of this Offer Document.

If there is a Shortfall under the Offer, Colorado will place a majority of the New Shares to sub-underwriters under its sub-underwriting agreements. The sub-underwriters are wholesale investors identified by Colorado.

Should no Eligible Shareholder subscribe for New Shares, after distribution of the Shortfall to sub-underwriters neither Colorado nor any sub-underwriter will hold voting power of more than 19.9% in the Company.

## **1.3**

### **Entitlements and acceptance**

The entitlement of Eligible Shareholders to participate in the Offer was determined on the Record Date. Your entitlement is shown on the Entitlement and Acceptance Form accompanying this Offer Document. Cheques should be made out to "Avastra Sleep Centres Limited" in Australian Dollars only and marked "Not Negotiable".

## **1.4**

### **Opening and Closing Dates**

The Company will accept Entitlement and Acceptance Forms until 5.00pm Sydney time on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the Listing Rules.

## 1.5

### Allotment

An Application constitutes an offer to subscribe for New Shares on the terms and conditions set out in this Entitlements Offer document. Avastra reserves the right to:

- reject any Application that has not been correctly completed, or is accompanied by cheques that are dishonoured or payments that have not cleared by the close of the Offer; and
- reject any Application which may result in a breach of the law.

If an Application is rejected or accepted in part only, the relevant part of the Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

## 1.6

### Issue and despatch

The expected dates for issue of New Shares offered by this Offer Document and despatch of holding statements is expected to occur on the dates specified in the timetable set out on page 2 of this Offer Document.

It is the responsibility of Applicants to determine the allocation prior to trading in the New Shares. Applicants who sell New Shares before they receive their holding statements will do so at their own risk.

The Shares and options on issue immediately before and following completion of the Offer are set out in the table below.

Securities	Shares	Options	Total
Current position	115,473,374	7,983,334	123,456,708
Entitlements Offer	76,982,249	-	76,982,249
<b>Total</b>	<b>192,455,623</b>	<b>7,983,334</b>	<b>200,438,957</b>

*\*As part of the consideration for the underwriting of the Offer, the Underwriter will receive 4 million options for Shares to be allotted on 18 September 2008. This will increase the total number of options on issue to 11,983,334. Key terms of the Underwriting Agreement are set out in Section 1.11.*

*\*\*Subject to certain acquired hub businesses achieving agreed earning targets, further Shares may be issued to the vendors of those businesses over the earn-out periods, which range from 3 to 7 years.*

## 1.7

### Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for New Shares under this Offer Document. The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders.

Shareholders should consult their professional tax adviser in connection with subscribing for New Shares under this Offer Document.

**Risk factors**

Avastra is subject to a number of risks and other factors that may impact both on its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in Avastra.

The New Shares issued under this Offer do not carry any guarantee of profitability, dividends or the price at which they trade on ASX. The Directors consider the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up any Entitlements or investing in Avastra, the Directors strongly recommend investors examine the contents of this Offer Document in its entirety and information about the Company and consult their professional advisers before deciding whether to subscribe for New Shares pursuant to this Offer.

**General**

As with all stock market investments, there are risks associated with an investment in Avastra. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares under this Offer Document.

General factors that may affect the market price of Avastra Shares include:

- economic conditions in both Australia and internationally;
- investor sentiment and local and international share market conditions;
- changes in interest rates and the rate of inflation;
- changes to government regulation, policy or legislation;
- changes in exchange rates; or
- the nature of competition in the industry in which Avastra operates.

**Specific risks relating to Avastra**

Specific risk factors that may affect Avastra's business operations include but are not limited to the following:

**Low Barriers to Entry and Competition**

An important point about sleep diagnostics businesses is that few sustainable barriers of entry exist. Further, very little capital is needed to start a sleep centre (\$100,000 for a two-bed centre).

The Company's competitors may include companies with substantially greater resources. Competitors could develop services that are more effective or economic than the current services of the centres acquired by the Company.

In addition, Avastra may not be able to compete successfully against current or future competitors where aggressive pricing policies are employed to capture market share. Such competition could result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely



affect Avastra's business, operating results and financial position.

There may be changes in the US medical insurance market and practices which adversely affect overnight sleep centre testing businesses. For example, at present, because medical insurers insist on overnight sleep centre tests, the in-home ambulatory testing market is small. However, the Company believes that many factors, including constant improvements in ambulatory testing equipment and the desire of insurers and other payors to reduce testing costs, will cause in home ambulatory testing to continue to gain market share. This may have an adverse effect on the Company's sleep centres which rely on overnight stay testing.

The Company intends to address this segment of the market by targeting providers of ambulatory testing for acquisition and using integrated marketing efforts through its planned network of sleep centres to promote a home testing service.

#### Acquisition and Integration Risk

The Company's business strategy relies on being able to successfully acquire and integrate numerous sleep centres in order to build critical mass. Any failure to successfully acquire and integrate more businesses will adversely affect the Company's financial position.

To finance such acquisitions, Avastra may incur indebtedness and may seek to raise capital. Such actions and the terms on which such funding could be obtained may have a material adverse impact on Avastra's financial position.

To the extent that Avastra grows through acquisition, it will face operational and financial risks commonly encountered with such a strategy, including but not limited to continuity or assimilation of the operations and personnel of the acquired business, dissipation of Avastra's limited management resources and impairment of relationships with employees and customers of the acquired businesses as a result of the changes in ownership and management. In addition, depending on the type of transaction, it may take a substantial period of time to completely realise an acquisition's full benefit.

#### Ability to Attract and Retain Competent Management

Like any organisation, Avastra needs to attract and retain quality management. Avastra retains a variety of managers and advisers to identify, acquire, integrate and operate its sleep laboratories. If Avastra were to lose key individuals within the organisation the result may impact its profitability until suitable replacements are recruited. The Company is seeking to fill the position of Chief Executive Officer. Until this position is filled, the Directors believe the Company has adequate senior management available to ensure its business continues appropriately.

One way that the Company plans to address the low barriers to entry noted above is the reliance upon:

- relationships in the industry; and



- the availability of capital.

For Avastra's business, more than others, relationships and expertise are crucial. These relationships are key to the Company's plans, including cost savings on equipment, the ability to forge relationships with device manufacturers, obtaining referrals from durable medical equipment (**DME**) companies, and entering into contracts with major insurance companies. Therefore, the ability to attract and retain top management, particularly those parties that are accustomed to much higher salaries, is a material risk. In the absence of the ability to attract and retain such management, the business may have few other competitive advantages and may not be viable.

The Company addresses this risk through an effective share incentive plan.

#### Ability to raise capital

The Company's growth strategy requires the ability to raise additional capital. While the businesses acquired and built are anticipated to generate positive cash flow, it will not be sufficient to achieve the growth through acquisitions contemplated without additional fundraising. The inability of the Company to raise capital will adversely affect the ability of the Company to expand in accordance with this plan.

#### Reimbursement

Sleep centres receive the vast majority of their revenue from public or private insurance programs. A change in rates of reimbursement, or the elimination of reimbursement, will have an adverse effect on the business. The Company anticipates that insurance providers will continually attempt to reduce reimbursement rates. Reimbursement rates will vary from state to state in the USA and by insurance carrier.

#### Technological Change

A dramatic technological discovery in the treatment of sleep disorders could have a material adverse effect upon the Company. At present, the sleep test is required to determine the nature of the sleep disorder, and to determine whether a device should be prescribed. A change in the treatment of sleep disorders, or a change in the method or need to test patients before prescribing treatment, could have an adverse effect on the Company.

#### Government and other Regulation

The healthcare market is highly regulated in the United States. Changes in government regulations could affect reimbursement, as well as barriers to entry. Current regulations, for example, would make it difficult for device manufacturers to conduct sleep tests. Changes in regulations could change the competitive landscape.

Sleep test centres are a relatively young business in the US, and there is also the possibility that physicians, insurance companies or other parties require certain levels of accreditation from public or private associations. These requirements may raise barriers to entry, but also raise operational costs.

### Currency Risk

The primary source of revenue and profits for this business is US dollars, and Australian shareholders may find that changes in the value of US currency may adversely or beneficially affect the value of the asset in Australian dollars. In the past 12 months, the value of the Australian dollar has appreciated compared to the US dollar. The Company is not able to predict whether the Australian dollar will continue to rise or possibly fall in value compared to the US dollar in the future. The Company has a policy of not hedging against exchange rate changes.

### Legal Risk

The Company recently terminated its contract with Stanmore Capital Partners LLC (**Stanmore**) for the provision of investment banking services until September 2009 under a \$US10,000 per month retainer, as well as ceasing to licence office space from Stanmore under an agreement to July 2009 at \$US10,000 per month. The Company believes the agreements with Stanmore have been terminated in accordance with its contractual rights and the law. There is a risk that, despite the Company's opinion, Stanmore may seek compensation for the termination of the agreements.

### Doing business in the US

The Company's business strategy involves primarily the acquisition of sleep centre businesses in the US. Any change to the laws or tax regimes in the US or between Australia and the US may adversely affect the Company's business and value.

### Stockmarket Risks

The market price of shares in the Company may be significantly adversely affected by a variety of factors including (but not limited to) perceptions of, or variations in, general market conditions, operating performance, commodity prices, project and country risk, Board and management strength and expertise and a broad range of other factors which may or may not relate to the operations of the Company.

The above list of risk factors ought not be taken as exhaustive of the risks faced by the Company or its Shareholders. The above factors, and others not specifically referred to above, may in the future, materially affect the financial performance of the Company and the value of its Shares.

Before any decision is made to subscribe for New Shares in the Company, the above matters, and all other matters described in this document must be carefully considered. The New Shares to be allotted pursuant to this Offer Document should be regarded as speculative in nature and carry no guarantee with respect to the payment of dividends, return of capital or their market value.

Investment in the Company is regarded as speculative and neither the Company nor any of its Directors guarantees that any specific objective of the Company will be achieved or that any particular performance of the Company or its Shares, including the New Shares offered by this Offer Document, will be achieved.

## 1.9 Dividend policy

The Directors are unable to predict the timing of any future dividend payments, as this will depend on successful implementation of the acquisition strategy, successful and profitable operation of sleep diagnostic services businesses acquired and the future financial position of the Company. The Board believes that dividends could be paid after Avastra has established a nationwide footprint and consistently achieved certain levels of profitability.

## 1.10 Right to Vary or Withdraw Offer

Subject to the Listing Rules, Avastra may vary any of the dates set out in this Offer Document relating to the Offer, without notice to any recipient of the Offer Document or any Applicant. This includes, although is not limited to, varying the Closing Date.

Avastra may terminate the Offer, in which case all relevant Application Monies will be returned (without interest) to the respective Applicants.

## 1.11 Underwriting Agreement

The Company and the Underwriter entered into an Underwriting Agreement on 14 August 2008 under which the Underwriter agrees to underwrite the Offer fully to the extent of \$2,309,467.

Colorado will be paid an underwriting commission of 5% of the amount underwritten (\$115,473) plus a management fee of 1% of the total gross proceeds raised from the Entitlements Offer (\$23,095). Additionally, the Underwriter will receive 4 million options for Shares with a three year expiration period from 18 September 2008, at an exercise price of \$0.03 per option.

Colorado may terminate the Underwriting Agreement in certain circumstances including but not limited to the following:

- **(withdrawal of consent to Offer Document)**: if any person other than the Underwriter whose consent is necessary for the issue of this Offer Document withdraws that consent and that withdrawal in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(Offer Document or Cleansing Notice misleading)**: the Underwriter becomes aware of any:
  - (a) information in this Offer Document or the Cleansing Notice which is untrue, incorrect or misleading in a material way; or
  - (b) material omission from this Offer Documentwhich in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(new circumstance)**: the Company informs the Underwriter of any deficiency or new circumstance which relates to a misleading or deceptive statement in this Offer Document or a circumstance that may give rise to "excluded information" or non-compliance with Chapter 2M, section 674 or section 708AA of the Corporations Act which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse

Effect on the Company and subject to any applicable law, the Company fails to remedy that circumstance in accordance with the reasonable requirements of the Underwriter;

- **(default)**: the Company materially breaches the Underwriting Agreement and fails to remedy the breach to the reasonable satisfaction of the Underwriter or any warranty or representation by the Company under the Underwriting Agreement is or becomes materially untrue, which breach in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(material change)**: a change occurs after the date of the Underwriting Agreement affecting or relating to:
  - (a) the Company or a Subsidiary; or
  - (b) the industry in which the Company or a Subsidiary operates; which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(contravention)**: the Company contravenes:
  - (a) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any governmental agency;
  - (b) its constitution or another constituent document;
  - (c) the Listing Rules; or
  - (d) an encumbrance or document which is binding on:
    - (i) the Company or a Subsidiary; or
    - (ii) an asset of the Company or a Subsidiary;which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(ASX approval)**: ASX refuses to give approval to, or notifies the Company of its intention to refuse to, grant quotation of the Offer Shares;
- **(Insolvency Event)**: an Insolvency Event occurs in relation to the Company or a Subsidiary;
- **(Prescribed Event)**: a Prescribed Event occurs in relation to the Company or a Subsidiary except as disclosed in this Offer Document or Cleansing Notice or to the ASX or as approved in writing by the Underwriter;
- **(market movement)**: at any time after the date of the Underwriting Agreement:
  - (a) the All Ordinaries Index closes at 10% or more below its level as at the close of trading immediately preceding the date of this

agreement;

- (b) the S&P/ASX 200 Index closes at 10% or more below its level as at the close of trading immediately preceding the date of this agreement; or
- (c) the S&P/ASX Small Ordinaries Index closes at 15% or more below its level as at the close of trading immediately preceding the date of this agreement;
- **(war)**: an outbreak of new hostilities or a state of war, whether declared or not, arises after the date of this agreement, or an escalation of hostilities already in existence occurs, involving Australia, Japan, any member country of the European Union, the United States of America, Russia, Indonesia, Peoples' Republic of China, New Zealand, Hong Kong, Taiwan, Singapore or Malaysia, which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect;
- **(change of law)**: any Australian government adopts or announces any change in law or policy which in the reasonable opinion of the Underwriter has or is likely to have a Material Adverse Effect; or
- **(officers and senior managers)**: after the date of this agreement an officer or senior manager of the Company or a Subsidiary resigns or is removed from office, is charged with or convicted of a criminal offence or becomes a bankrupt, or steps are taken to achieve such an outcome.

The Company has indemnified the Underwriter and its related bodies corporate, officers, employees, agents and advisers (each an **Indemnified Person**) against any claim, loss, liability, cost or expense (including any legal cost on a full indemnity basis), that may be incurred or sustained by the Indemnified Person as a result of, and all prosecutions, penalties, fines and proceedings, whether civil or criminal, arising out of any of the following matters, regardless of when they occur:

- Non-compliance with any legal or ASX requirement in relation to the Offer, this Offer Document or any promotional or publicity activities in respect of the Offer.
- Without limitation to the above indemnified item, any misleading or deceptive statement in this Offer Document or Cleansing Notice or omission from this Offer Document or Cleansing Notice.
- The Company not complying with any of its obligations under this agreement including, but without limitation, breaching an undertaking, representation or warranty.

## 2. ADDITIONAL INFORMATION

### 2.1 Governing law

The Offer Document and the contracts that arise from the acceptance of the Applications under this Offer Document are governed by the law applicable in New South Wales and each Applicant submits to the exclusive jurisdiction of the

courts of New South Wales.

## **2.2 CHESS and Holding Statements**

Avastra participates in ASX's Clearing House Electronic Sub-register System (CHESS), in accordance with the Listing Rules and the ASTC Settlement Rules. CHESS is an automated transfer and settlement system for transactions in securities quoted on ASX under which transfers are affected in a paperless form.

Holdings will be registered in one of two sub-registers, an electronic CHESS sub-register or an issuer sponsored sub-register. The Shares of a Shareholder, who is a participant in CHESS or a person sponsored by a participant in CHESS, will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following the allocation of New Shares, Shareholders will be sent an initial statement of holding that sets out the number of New Shares that have been allocated. This statement will also provide details of a Shareholder's holder identification number (HIN) or where applicable, the security holder reference number (SRN) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their shareholding in Avastra. Shareholders will be required to quote their HIN or SRN, as applicable, in all dealings with a stockbroker or the Registry. Certificates will not be issued to Shareholders.

## **3. ACTION REQUIRED BY SHAREHOLDERS**

### **3.1 If you wish to take up your Entitlements**

If you are an Eligible Shareholder and you wish to take up all or part of your Entitlements, you must accept the offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Offer Document. This form will detail your entitlement to New Shares under the Offer. You should complete the form in accordance with the instructions set out in the form.

The completed Entitlement and Acceptance Form must be accompanied by a cheque or bank draft for the appropriate Application Monies. Please ensure the completed Entitlement and Acceptance Form, together with your cheque is received by the Share Registry:

Computershare Investor Services Pty Limited  
GPO Box 253  
SYDNEY NSW 2001

Or to pay by BPay (follow the instructions on the Entitlement and Acceptance form)

**by not later than 5.00pm Sydney time on Friday 12 September 2008** or such later date as the Directors advise. Completed Entitlement and Acceptance Forms and Application Monies will not be accepted at Avastra's registered office. Cheques should be made payable to "Avastra Sleep Centres Limited" and crossed "Not Negotiable".

Enquiries: Computershare Investor Services Pty Limited

- (within Australia) 1300 369 384,
- (outside Australia) +61 3 9946 4433

If you choose to take up only part of your Entitlements, then the New Shares that would have been issued under the Entitlements that you do not take up will be taken up by the Underwriter.

### 3.2 If you wish to sell or transfer your Entitlements

Eligible Shareholders must not sell or transfer their Entitlements. The Offer is non-renounceable. If you choose not to take up any or all of your Entitlements they will lapse to the extent they are not exercised. The entitlement to your Entitlements will form part of the Shortfall.

### 3.3 If you do nothing

If you are an Eligible Shareholder and you do nothing by 5.00pm Sydney time on Friday 12 September 2008, being the Closing Date, your Entitlements will form part of the Shortfall.

If your Entitlements form part of the Shortfall, then those New Shares that would have been issued to you under the Offer will be taken up by the Underwriter.

## 4. GLOSSARY

"**All Ordinaries Index**" means the All Ordinaries Index (for share prices) published by Standard & Poor's in respect of the financial market of ASX;

"**Applicant**" refers to a person who submits an Entitlement and Acceptance Form pursuant to this Offer Document;

"**Application**" refers to the submission of an Entitlement and Acceptance Form;

"**Application Monies**" means the moneys received from persons applying for New Shares;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASTC Settlement Rules**" the settlement rules of the ASX Settlement & Transfer Corporation Pty Ltd ABN 49 008 504 532;

"**ASX**" means ASX Limited ACN 008 624 691 or, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**Avastra**" or "**Company**" means Avastra Sleep Centres Ltd ACN 094 446 803;

"**Cleansing Notice**" means the cleansing notice dated 15 August 2008 lodged with ASIC in the 24 hour period prior to the issue of this Offer Document by the Company;

"**Closing Date**" means 5.00pm Sydney time 12 September 2008;

"**Colorado**" or "**Underwriter**" means Colorado Investments Pty Ltd ACN 063 688 611;



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

**"Directors"** means the directors of the Company;

**"Eligible Shareholder"** means a Shareholder with a registered address in Australia or New Zealand;

**"Entitlement"** means each Eligible Shareholder's right to subscribe for New Shares on the terms of the Entitlements Offer;

**"Entitlement and Acceptance Form"** means the Entitlement and Acceptance Form accompanying this Offer Document;

**"Entitlements Offer" or "Offer"** means the non-renounceable entitlements offer pursuant to this Offer Document by the Company of 2 New Shares for every 3 Shares held at the Record Date at an issue price of \$0.03 per New Share;

**"Ineligible Shareholders"** means Shareholders with registered addresses outside Australia and New Zealand;

**"Insolvency Event"** means with respect to a person:

- (a) the person is dissolved, wound up or placed into bankruptcy or an order is made by a court or an application is made to a court for an order or a resolution is passed or the person gives notice of its intention that the person be dissolved, wound up or placed into bankruptcy;
- (b) a liquidator, provisional liquidator or trustee in bankruptcy is appointed in respect of the person or any property of the person or an application is made to a court for an order that a liquidator, provisional liquidator or trustee in bankruptcy be appointed in respect of the person or any property of the person;
- (c) a controller or administrator is appointed in respect of the person or any property of the person or takes possession or gains control of any property of the person;
- (d) except to reconstruct or amalgamate while solvent, the person enters into, or resolves to enter into, a scheme of arrangement, administration, deed of company arrangement or composition with, or assignment for the benefit of, all or any class of its creditors, or it proposes a reorganisation, moratorium or other administration involving any of them;
- (e) the person is (or states that it is) insolvent or an insolvent under administration (each as defined in the Corporations Act);
- (f) as a result of the operation of section 459F(1) of the Corporations Act, the person is taken to have failed to comply with a statutory demand;
- (g) execution or other process issued on a judgment, decree or order of a court (whether an Australian Court or not) in favour of a creditor against the person, or another person authorised to be sued as nominal defendant on behalf of the person, is returned wholly or partly unsatisfied, or the person makes a statement from which it may be reasonably deduced that such an event has occurred;
- (h) the person takes any step to obtain protection or is granted protection from its creditors under any applicable legislation; or

- (i) anything analogous or having a substantially similar effect to any of the events specified above happens under the law of any applicable jurisdiction;

**"Issue Price"** means the amount of \$0.03 per New Share;

**"Listing Rules"** means the Listing Rules of the ASX;

**"Material Adverse Effect"** means material adverse effect on:

- (a) a decision of an investor to invest in Shares at the Issue Price, the outcome of the Offer or the subsequent market for the Shares; or
- (b) the assets and liabilities, financial position and performance, profits and losses, prospects, business or operations of the Company and its Subsidiaries taken as a whole;

**"New Share"** means a new Share proposed to be issued pursuant to this Offer;

**"Offer Document"** means this Offer Document dated 15 August 2008;

**"Prescribed Event"** means, with respect to a body corporate,:

- (a) the body corporate converts all or any of its shares into a larger or smaller number of shares;
- (b) the body corporate resolves to reduce its share capital in any way;
- (c) the body corporate:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) the body corporate issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option, except for the issue of any Shares pursuant to approvals obtained at the Extraordinary General Meeting of the Company to be held on 8 August 2008;
- (e) the body corporate issues, or agrees to issue, convertible notes;
- (f) the body corporate disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) the body corporate charges, or agrees to charge, the whole, or a substantial part, of its business or property; or
- (h) the body corporate resolves to be wound up;

**"Record Date"** means 7.00pm Sydney time 25 August 2008;

**"Registry"** means Computershare Investor Services Pty Limited ACN 078 279 277;

**"S&P/ASX 200 Index"** means the S&P/ASX 200 Index (for share prices) published by Standard & Poor's in respect of the financial market of ASX;

**"S&P/ASX Small Ordinaries Index"** means the S&P/ASX Small Ordinaries

Index (for share prices) published by Standard & Poor's in respect of the financial market of ASX;

"**Section**" means a section of this Offer Document;

"**Share**" means an ordinary fully paid share in the capital of the Company;

"**Shareholder**" means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date;

"**Shortfall**" means those New Shares not applied for by Eligible Shareholders pursuant to their Entitlements;

"**Subsidiary**" in relation to any person, has the meaning in the Corporations Act;

"**Underwriting Agreement**" means the Underwriting Agreement entered into between the Company and Colorado on or about 14 August 2008.