

Dear Shareholders:

Fiscal 2009 was a year in which we saw positive strides being made in the execution of our business plan, which were initiated in fiscal 2008. Our new business model was crafted with the goal of becoming a premier biomaterials company serving the medical device industry to support next-generation devices.

Putting the Past Behind

Although we sold two divisions in fiscal 2008, which did not fit our strategic vision, closure of these two transactions was not realized until shortly after the end of fiscal 2009. The finalization and closure of our sale of Catheter and Disposables Technology, Inc. was uneventful, however, our sale of Gish Biomedical Inc. to MEDOS Medizintechnik AG (“MEDOS”) was complicated by a protracted dispute with MEDOS that restricted our access to \$1.0 million held in escrow for indemnity claims. In August 2009, the Company and MEDOS entered into a favorable settlement of the dispute resulting in MEDOS’ agreement to pay the Company \$580,000 and forgive a \$149,000 post-closing obligation previously recorded by the Company.

Although management’s primary focus has been the execution of the new business plan, bringing these sale transactions to closure, especially the protracted dispute with MEDOS, did result in a distraction of management’s time. We now move into fiscal 2010 with these issues well behind us enabling us to focus our resources on the business at hand.

With the distractions of the past addressed, management evaluated its resource requirements to ensure that the right people were placed in the right positions for future growth. This included investment in highly experienced sales, marketing, and research & development personnel. Management also evaluated those areas where cost efficiencies could be realized and executed on a plan to streamline costs to better serve this reinvigorated business entity.

AdvanSource Biomaterials on the Move

Early in fiscal 2009, the new business model was finalized and the Company launched AdvanSource Biomaterials. The name change to AdvanSource Biomaterials was formally approved by our shareholders at the 2008 Annual Meeting held in October 2008. AdvanSource Biomaterials’ targeted mission is to leverage our core technology, which is the development and commercialization of advanced biomaterials that target critical characteristics for use in a broad range of medical devices.

We executed a widely encompassing sales and marketing plan to elevate the AdvanSource Biomaterials brand. I am pleased to announce that over the past year since launching our rebranding and repositioning of the Company, the market has become resoundingly aware of our materials and expertise. We have participated in both domestic and international trade shows over the past year as AdvanSource Biomaterials and we have had overwhelming response from the many customers and potential customers with whom we have met. This has led not only to the opportunity to have our biomaterials evaluated by developers of medical devices, but has also resulted in development agreements that have been executed or are currently under negotiation. These customer developments are key to our ability to grow our business.

Our marketing plan provided for the exploitation of our leading-edge polymer technology, including advanced materials such as ChronoFlex®, HydroMed™, and HydroThane™. These products have been developed to give medical companies a competitive edge in overcoming a wide range of design and functional challenges from the need for dimensional stability, ease of manufacture, and demanding physical properties to reducing environmental stress-cracking and providing heightened lubricity for ease of insertion.

We are currently working on an expansion of our product lines that we believe will provide us more opportunities to drive product sales. This expansion includes coatings for medical devices, solution-based polymers and new biomaterials that provide us an expanded array of products to further broaden our customer base and to offer new products and services to existing customers.

Medical Device Product Developments

We concluded the European trials for our CardioPass coronary artery bypass graft during the fourth quarter of fiscal 2009. We believe we demonstrated clinical success in terms of outcome, ease of implantation and natural vessel feel. However, our clinical investigators noted patient enrollment in these clinical trials was very slow due to limitations resulting from the large size of the 4mm and 5mm CardioPass grafts. Our clinical investigators advised us that a greater clinical and market need exists for CardioPass grafts having an inner bore diameter of 2mm, 2-1/2mm and 3mm. In response to these observations, we have undertaken the development of a CardioPass graft having smaller inner bore diameters as recommended, which we expect to be ongoing during fiscal 2010.

Looking Forward

We are pleased with the progress we have made in establishing and elevating the AdvanSource Biomaterials brand which has met with success in becoming a well recognized and technology focused biomaterials company. We have already established important development agreements and relationships with new customers that we believe could result in the incorporation of our biomaterials technology into their next generation development products. We believe the strategy we embarked upon over the past year and a half will bear fruit within the next 12 to 18 months thereby making us less dependent on a single customer. I would like to emphasize, however, that the strategy to leverage our biomaterials technology so as to reap the benefits of the commercialization of medical devices produced by our customers will continue to take time. The time it takes for our customers to develop their medical devices and to obtain regulatory approvals to market their devices is outside of our control. However, I am optimistic that we are now making significant strides in achieving our goals and building a full positioned pipeline of new opportunities.

In closing, our goal continues to be the creation of long-term shareholder value. We have undertaken the task of reshaping the company once known as CardioTech into a new, vibrant and focused company born in fiscal 2009 as AdvanSource Biomaterials Corporation. I for one, continue to be very optimistic about our future prospects. To that end, I would like to thank our entire Company team for their dedication and hard work and to our shareholders for their continuing loyalty and support.

Sincerely,



President and Chief Executive Officer

September 2, 2009