Rules 4.3A

Appendix 4E

Preliminary final report

Name of entity

ORTHOCELL LIMITED

ABN or equivalent company reference	Financial year ended ('current period')
57 118 897 135	30 June 2021

For announcement to the market

	Current year reported amount $	Change up/(down) from previous year %
Revenues from product sales	1,017,962	up 41.5%
Other revenues from continuing operations	273,873	up 19.3%
Total revenues from continuing operations	1,255,835	up 36.7%
Loss from ordinary activities after tax attributable to members	9,037,025	up 46.9%
Net loss for the period attributable to members	9,037,025	up 46.9%

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	Nil	- ¢
Final dividend	Nil	- ¢
Previous corresponding period	Nil	- ¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A	

Net Tangible Assets per share	30 June 2021	30 June 2020
Net tangible asset backing per ordinary security (cents per share)	8.16	10.44

The above results should be read in conjunction with the notes and commentary contained in this report.

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Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.
(Tick one)

☑ The +accounts have been audited.	☐ The +accounts have been subject to review.
☐ The +accounts are in the process of being audited or subject to review.	☐ The +accounts have *not* yet been audited or reviewed.

Sign here:  Date: 27 August 2021
(Managing Director)

Print name: Paul Anderson

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ortho·cell

advancing tissue repair & regeneration

REGENERATING MOBILITY

2021 ANNUAL REPORT

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CORPORATE DIRECTORY

Board of Directors

Dr Stewart Washer
Executive Chairman, appointed 7 April 2014
Mr Paul Anderson
Managing Director, appointed 21 March 2006
Mr Matthew Callahan
Non-Executive Director, appointed 30 May 2006, resigned 23 August 2019, re-appointed 10 February 2020
Professor Lars Lidgren
Independent Non-Executive Director, appointed 17 December 2007
Mr Qi Xiao Zhou
Non-Executive Director, appointed 8 November 2012
Ms Leslie Wise
Executive Director, appointed 9 June 2020

Company Secretary

Mr Simon Robertson

Registered Office & Principal Place of Business

Building 191, Murdoch University
South Street
Murdoch WA 6150, Australia

Share Register

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth WA 6000, Australia

Auditor

PKF Perth
4th Floor, 35 Havelock Street
West Perth WA 6005, Australia

Solicitors

Gilbert + Tobin
Level 16, Brookfield Place Tower 2
123 St Georges Terrace, Perth WA 6000, Australia

Bankers

Westpac Banking Corporation

Securities Exchange Listing

Australian Securities Exchange
ASX code: OCC

Website

www.orthocell.com.au

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DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Orthocell Limited (referred to hereafter as the 'Company' or 'parent entity') and the entity it controlled at the end of, or during, the year ended 30 June 2021.

1. Directors

The following persons were directors of Orthocell Limited during the financial year and up to the date of this report, unless otherwise stated:

Dr Stewart Washer	Executive Chairman
Mr Paul Anderson	Managing Director & CEO
Mr Matthew Callahan	Non-Executive Director
Professor Lars Lidgren	Independent Non-Executive Director
Mr Qi Xiao Zhou	Non-Executive Director
Ms Leslie Wise	Executive Director

Executive Chairman

Dr Stewart Washer has 25 years of CEO and board experience in medical and agri-food biotech companies. He is Chairman of Emyria Ltd (ASX: EMD), specialised clinics and drug development company, director of Botanix Pharmaceuticals Ltd (ASX: BOT), developing CBD drugs for antimicrobial and skin diseases and Founding Chairman and current Director of Cynata Therapeutics Ltd (ASX: CYP) developing a range of stem cell therapies.

Stewart has held a number of Board positions in the past, including Chairman of Hatchtech Pty Ltd that was sold in 2015 for A$279m and was a director of iCeutica that was sold to a US Pharma. He was also a Senator with Murdoch University and was a Director of AusBiotech Ltd.

Current Directorships
Cynata Therapeutics Ltd (ASX: CYP)
Emyria Ltd (ASX: EMD)
Botanix Pharmaceuticals Limited (ASX: BOT)

Previous directorships (last 3 years)
Zelira Ltd (ASX: ZLD)

Managing Director

Mr Paul Anderson has over 20 years' experience in the medical device and regenerative medicine fields with expertise in bridging the gap between research and clinical practice in the development of emerging medical technologies. He also has extensive expertise in the establishment of GMP manufacturing facilities and scale-up activities for cell therapies and biological medical devices, and the associated regulatory filings.

Mr Anderson has a proven track record with over 16 years' experience in CEO and board roles. His intimate knowledge of the regenerative medicine fields compliments his insight and know-how in taking biological therapies from research to clinical applications and market introduction.

Current / Previous directorships (last 3 years)
Nil

Executive Directors

Ms Leslie Wise is an experienced board member with an extensive track record in medical device technologies and the life science industry including regulatory and market access strategies and commercialisation of Large and SMEs to the next level of growth and expansion.

Leslie's 18-year record of accomplishment has given her a broad range of expertise including market access, business strategy, product development, clinical trial design, reimbursement strategy and global commercialisation.

Current and previous directorships (last 3 years)
Nil

Non-Executive Directors

Mr Matthew Callahan is a founding director of Orthocell. Mr Callahan is an experienced life sciences executive based in Philadelphia, USA. He has been the founding CEO or Executive Director of pharmaceutical and health tech companies including iCeutica Inc, Churchill Pharma Inc, Dimerix Biosciences, Emyria Ltd and Botanix Pharmaceuticals. He has led the development of four products that have received FDA approval and he has more than 25 years legal, IP and investment management experience. Mr Callahan has worked as an investment director for two venture capital firms investing in life

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sciences, clean technology and other sectors, and was General Manager and General Counsel with Australian listed technology and licensing company iPernica (now Nearmap ASX: NEA), where he was responsible for the licensing programs that generated more than $120M in revenue.

Current directorships
Botanix Pharmaceuticals Limited (ASX: BOT)
Emyria Ltd (ASX: EMD)

Previous directorships (last 3 years)
Nil

Professor Lars Lidgren is an Independent Non-Executive director of Orthocell who has authored and co-authored over 450 original publications and has more than 150 patents/applications. He was spokesman for Biomaterials in the Nordic Orthopaedic Society, Chairman for the Swedish National Knee Register, Director of the National Board of Health and Welfare, Musculoskeletal Competence Centre, and member of several editorial boards. Professor Lidgren initiated and has led the UN ratified Bone and Joint Decade and founded Scandimed, a global leading company in bone cements and delivery. Professor Lidgren is the inventor, founder and board member of Bone Support, an emerging leader in bone therapeutics.

Current directorships
Bone Support (Nasdaq Smallcap: Bonex)
Curando Nordic (Nasdaq First North: CUR)

Previous directorships (last 3 years)
GWS (Nasdaq First North: GWS)

Mr Qi Xiao Zhou has over 16 years' experience within China as a senior business manager & executive. Mr Zhou is the founding CEO of Shenzhen Lightning Digital Technology Co Ltd, a company focused on the manufacture & distribution of electronic semiconductor since 2001. Mr Zhou has experience within the public markets in Hong Kong, China & Taiwan and brings to the Board a wealth of business management & development experience. Mr Zhou also has broad connections and experience in the licensing of technologies into the Asian region.

Current / Previous directorships (last 3 years)
Nil

Directors' interests

As at the date of this report, the interests of the Directors in the shares and options of Orthocell Limited were:

	Shares	Options
Dr Stewart Washer	1,545,194	2,000,000
Mr Paul Anderson	7,750,353	4,000,000
Mr Matthew Callahan	1,229,622	2,000,000
Prof Lars Lidgren	1,236,060	1,000,000
Ms Leslie Wise	-	2,000,000
Mr Qi Xiao Zhou	6,197,117	400,000

Company Secretary

Simon Robertson has held the role of Company Secretary since 8 November 2012. Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Governance Institute of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publicly listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director was:

	Full Board	
	Attended	Held (1)
Dr Stewart Washer	6	6
Mr Paul Anderson	6	6
Mr Matthew Callahan	6	6
Professor Lars Lidgren	6	6
Ms Leslie Wise	5	6
Mr Qi Xiao Zhou	2	6

	Remuneration Committee	
	Attended	Held (1)
Dr Stewart Washer	1	1
Mr Matthew Callahan	1	1
Professor Lars Lidgren	1	1

(1) Held: represents the number of meetings held during the time the director held office.

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2. Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of the development and commercialisation of cell therapies and biological medical devices.

3. Review and results of operations

The loss for the consolidated entity after income tax amounted to $9,037,025 (30 June 2020: $6,151,029).

Overview

Orthocell Ltd is a regenerative medicine company focused on regenerating mobility for patients by developing products for the repair of a variety of soft tissue injuries. Development to date has focused on two main products:

1. **CelGro®** is a naturally derived collagen medical device designed for use in multiple indications to augment the surgical repair of bone, peripheral nerves, tendons, and cartilage. CelGro® represents a paradigm shift in bone and soft tissue reconstruction and has distinct competitive advantages over existing tissue repair devices, particularly in the areas of cell compatibility, mechanical properties (strength and ease of use) and facilitating high quality tissue repair. Orthocell recently received FDA 510(k) approval for Striate+, the first application of the CelGro® platform used in dental bone and soft tissue repair procedures. Striate+ is also approved in Australia (ARTG) and Europe (CE Mark) for the same.
2. **Ortho-ATI®** is a first in class cell therapy for treatment of chronic tendon injuries. The unique treatment uses each patient's own tendon-derived cells to stimulate tendon regeneration and is delivered via a non-surgical ultrasound guided injection. Ortho-ATI addresses a significant unmet clinical need in the healing of tendons which are resistant to existing therapies.

Summary of key events

CelGro®

Soft tissue reconstruction platform medical device

During the 2021 financial year Orthocell achieved key milestones in executing its partnering strategy for Striate+, clinical development milestones in nerve repair and development objectives of key pipeline products.

Bone regeneration

Striate+ premium dental membrane - Path to Partnering

<u>Expanding target market regulatory and reimbursement approvals</u>

During the year, Orthocell successfully completed the Australian and United States regulatory phase for the Striate+ (previously branded as CelGro® Dental) premium dental membrane.

<u>Australian Market</u>

In December 2020, the Company received notification from the Australian Therapeutic Goods Administration that Striate+ had been included on the Australian Register of Therapeutic Goods allowing the product to be used in dental bone and tissue regeneration procedures. Subsequent to this the Company was granted inclusion of Striate+ on the Australian Prostheses List enabling dental practitioners to receive reimbursement from private insurers when using Striate+ in dental procedures, reducing the costs to patients.

The Company has been actively preparing for market entry since gaining Australian market and reimbursement approval, establishing key opinion leader accounts, engaging with public/teaching hospitals, private hospitals and corporatised dental practices and evaluating potential distributors. Post the year end, the Company engaged Samson Medical Technologies as exclusive distributor in Australia of Striate+, for bone and soft tissue repair. The Company looks forward to working with the team at Samson Medical to enter the Australian market and establish Striate+ as the highest quality collagen membrane for oral bone and soft tissue regeneration procedures.

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United States Market

On 14 January 2021, Orthocell received FDA 510(k) clearance to market and supply Striate+ for dental bone and tissue regeneration procedures. The FDA 510(k) clearance now allows Orthocell to supply Striate+ in the US dental market, estimated at US$500 million per annum.

Since gaining US market approval the Company has focused on preparing for market entry, completing the:

- incorporation of a US company to enable supply of product in the US
- set up of a US warehouse and logistics solution
- engagement of the Seattle Study Club and Sunrise Dental Solutions Group as US education partners – launch programs are in progress
- set up of US key influencer/key opinion leader accounts
- development of marketing collateral key influencer/opinion leader videos capturing user feedback and highlighting the distinct Striate+ advantages of better handling characteristics and higher quality dental outcomes; and
- engagement of Cellerent Consulting Group to lead the development and roll out of the Striate+ digital marketing campaign designed to maximise product awareness and drive product adoption.

EU/UK Market

New strains of COVID-19 and subsequent social distancing restrictions in the EU and the UK prevented most dental practices from treating patients. In response to these restrictions, the Company placed various promotional and distribution personnel related expenses on hold until dental surgeons are able to return to the regular treatment of patients. The Company utilised the period to prepare for the anticipated return of demand for high quality products, such as Striate+, to facilitate rapid and high quality dental procedures by continuing to invest in its clinician advocacy program and targeted digital marketing program. In particular, the Company has developed key influencer/ opinion leader product videos with Dr Nick Fahey and Dr Jonathan Bell highlighting the improved healing time, increased cortical bone and handling characteristics when using Striate+.

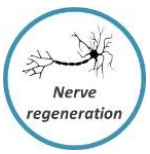
Clinician advocacy program and product use in centres of excellence

The Company engaged ten industry leading clinicians (KOL's) based in the US and EU to assist in rolling out the clinician advocacy program, to expand the network of referring clinicians and assist discussions with strategic partners. Clinicians were supplied with Striate+ for use in their clinics and scheduled industry workshops, conference attendance and podium presentations for 2021 calendar year.

Growing the body of clinical evidence

The company announced the publication of positive pre-clinical and clinical results for the use of CelGro® in enhancing repair of critical bone defects in the highly regarded "Tissue Engineering" Journal. The paper is entitled "Collagen Membrane for Guided Bone Regeneration in Dental and Orthopaedic Applications". A copy of the publication can be found here: CelGro® GBR Publication.
Accelerated repair of critical bone defects represents an area of significant clinical interest to the dental and orthopaedic community. Orthocell intends to leverage CelGro®'s ability to guide superior quality bone formation to further position CelGro® as the best-in-class collagen membrane for bone and soft tissue repair.

Engaging Partners - The Company continues to progress discussions with potential global partners to manage the distribution and marketing of Striate+ for dental bone and soft tissue repair procedures. With scalable manufacturing, US, AUS and EU regulatory approval in place, and industry leading brand ambassadors using the product, Orthocell is well positioned to execute on its partnering strategy.



CelGro® Nerve Regeneration - ***Positive CelGro® nerve regeneration results in quadriplegic patients***

Orthocell announced the first interim data read out of all patients in the CelGro® nerve regeneration trial at 12 months post treatment. Positive clinical data shows nerve repair with CelGro® following injury to the spinal cord, brachial plexus and other peripheral arm/hand nerves consistently restores arm and hand function. In summary:

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- **75.8% of all nerve repairs (25 of 33) in the clinical study resulted in functional recovery** (MRC grade 3 or 4[1]) **of muscles controlled by the repaired nerve** at 12 months post treatment; and
- **In the quadriplegic patient cohort, 76.5% of nerve repairs (13 of 17) also resulted in functional recovery** (MRC grade 3 or 4[1]) **of muscles controlled by the repaired nerve** at 12 months post treatment

These results combined with the pre-clinical data showing superior nerve regeneration when compared to the market leading nerve repair device, positions CelGro® as the potential market leader in nerve regeneration and restoration of voluntary muscle control of paralysed upper limbs.

In light of these results, the Company has engaged Experien Group, as the Company's US regulatory advisers to evaluate opportunities for expedited approval of CelGro® for nerve regeneration. The evaluation has been completed and the team is now developing the US FDA submission to confirm the most appropriate US regulatory pathway, potential for inclusion in expedited programs and what this will mean for reimbursement value for the product.



CelGro® Tendon & Ligament repair - *CelGro® tendon regeneration trial successful final results*

During the year, the Company has continued to progress the AUS and US product registration and commercialisation program for the CelGro® tendon repair medical device and has collated additional clinical evidence relating to the positive performance of CelGro® in augmenting tendon repair in preparation for the Australian TGA submission. Whilst COVID-19 restrictions have impacted timeframes to collate this data, the team remains focussed on finalising submission documents for approval of the tendon repair product in the EU, AUS and the US.

CelGro® collagen rope – a potential breakthrough pipeline product for ligament repair

Orthocell has developed an alternative to tendon graft made from braided CelGro® collagen fibres for ACL reconstruction. The CelGro® collagen rope is designed to significantly improve treatment efficiency & effectiveness by simplifying repair techniques, reducing surgery time & mitigating the risks associated with harvesting the patient's hamstring tendon. During the year, the Company announced a United States patent has been accepted for a potential breakthrough CelGro® collagen rope device to enhance the surgical repair of Anterior Cruciate Ligament injuries. The patent entitled "Collagen Construct & Method for Producing the Collagen Construct" is now approved in Australia, Japan & the United States providing additional important intellectual property to protect the CelGro® platform for soft tissue regeneration & repair applications and expires on or after 12 October 2035.

The company is in the process of completing the pre-clinical study using CelGro® collagen rope for Anterior Cruciate Ligament (ACL) reconstruction & will provide a full report of study results by 3Q CY2020.

CelGro® Patent protection secured globally

During the 2021 financial year, the Company was granted divisional patents in the US, China, Hong Kong and New Zealand for its CelGro® collagen medical device platform. The patents cover the sutureless repair of soft tissue and novel collagen ropes to augment ligament repair surgeries, such as Anterior Cruciate Ligament (ACL) reconstruction

Orthocell has a strong CelGro® patent portfolio with granted patents in all major jurisdictions including the US, Europe, Australia and New Zealand, China, Hong Kong, Mexico, Canada and Singapore.

Ortho-ATI®

Cell therapy to regenerate damaged tendon tissue

Ortho-ATI® is a breakthrough in regenerative medicine – a novel cell therapy developed to treat chronic degenerative tendon injuries (tendinopathy / tendonitis). Ortho-ATI® can be used in both surgical and non-surgical applications and is at the forefront of a large and increasing market opportunity, estimated to be worth >US$7.7bn and growing.

The Company is currently conducting two clinical trials with Ortho-ATI®, the first is focused on rotator cuff and the second on tennis elbow tendon defects. The rotator cuff study is fully recruited and is on track to provide a final data read out in CY2021. This will be the world's first randomised, active controlled clinical trial of a tendon regeneration cell therapy and represents a significant inflection point for the Company on its pathway to US approval and commercialisation. The tennis elbow study is 86% recruited and plans to be fully recruited in CY 2021.

Successful Annual Quality Survey

As part of Orthocell's commitment to its continuous delivery of high-quality regenerative medicine products, the Company administers an Annual Quality Study ("AQS") to capture patient feedback following treatment of chronic tendon injuries with Orthocell's Ortho-ATI® cellular therapy.

On the 9th of July, the Company announced the results from its 2019 AQS and trends since 2015. Summary results included:

- 87.5% satisfaction in patients who received Ortho-ATI® tendon repair treatment, in the shoulder, in the four AQS surveys conducted between 2015 and 2019
- 74.2% satisfaction in patients who received Ortho-ATI® tendon repair treatment in the four AQS surveys conducted between 2015 and 2019
- 2019 AQS included treatment of six (6) different anatomical locations (tendons) including Elbow (56%), Shoulder (18%), Hip (13%), Knee (3%) Achilles/ankle/foot (10%).

Corporate

In January 2021, the Company received a Research and Development (R&D) tax incentive cash refund of $2,394,397 for the financial year 2019/2020.

Cash reserves will be used to progress regulatory approvals and commercialisation of CelGro® for bone, nerve and tendon regeneration into key markets following recent successful clinical results and growing demand from industry leading clinicians and potential partners for superior regenerative medicine medical devices. In addition, funds raised will be utilised to advance the development and commercialization of Ortho-ATI®, support continued business development and marketing initiatives and for general working capital purposes.

Coronavirus (COVID-19) pandemic

During parts the financial year ended 30 June 2021 the Company's sales were mildly impacted by Covid-19 due to elective surgeries being placed on hold in some states of Australia and restricted activities in overseas markets. Whilst there has been recommencement of elective surgeries in some states future sales may continue to be impacted by Covid-19.

4. Dividends

No dividends were paid during the current or previous financial years and no dividends have been declared subsequent to the financial year end and up to the date of this report.

5. Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

6. Likely developments and expected results of operations

Orthocell remains focused on executing its partnering strategy for CelGro in dental bone and soft tissue repair designed to optimise shareholder value. This includes rolling out the clinician advocacy program and undertaking targeted education, promotion and advertising programs led by Orthocell's key opinion leaders. Orthocell intends to leverage the CE Mark to achieve AUS and US regulatory approvals and accelerate the introduction of the tendon and nerve indications, in parallel to the commercialisation of Ortho-ATI and pipeline products.

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7. Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

8. Therapeutic Goods Administration regulation

Orthocell Limited is subject to Australian federal legislation administered by the Therapeutic Goods Administration (TGA). Orthocell hold a manufacturing license (MI-19052008-LI-002420-11) provided by the TGA for tissue processing, on site storage and release for supply of autologous tenocytes and chondrocytes.

9. Remuneration report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the consolidated entity in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the consolidated entity are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the parent Company.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives.
- Link executive rewards to shareholder value.
- A portion of executive remuneration may be put 'at risk', dependent on meeting pre-determined performance benchmarks.
- Where appropriate, establish performance hurdles in relation to variable executive remuneration.

Due to the early stage of development which the Company is in, shareholder wealth is directly affected by the Company share price, the Company is not in a position to pay dividends. By remunerating directors and Executives in part by options, the Company aims to align the interests of directors and executives with shareholder wealth, thus providing individual incentive to perform and thereby improving overall Company performance and associated value.

Remuneration structure

Non-executive director remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at General Meetings and is currently set at $450,000.

The value of aggregate directors' fees sought to be approved by shareholders and the manner in which it is apportioned amongst directors will be reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. In addition, if a director performs extra or special services beyond their role as a director, the Board may resolve to provide additional remuneration for such services.

Fees for directors are not linked to the performance of the consolidated entity however, to align all directors' interests with shareholder interests, directors are encouraged to hold shares

in the Company and may receive options. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders. For this reason, there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

Executive remuneration

Objective
The Company aims to reward executives (both directors and Company executives) with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- Attract and retain high quality individuals.
- Reward executives for Company performance.
- Align the interest of executives with those of shareholders.
- Link reward with the strategic goals and performance of the Company.
- Ensure total remuneration is competitive by market standards.

Structure
Executive remuneration consists of both fixed and variable (at risk) elements.

Fixed Remuneration

Objective
The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices.

Structure
Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

Objective
The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure
Variable remuneration may be delivered in the form of a cash bonuses, or share options. During the financial year ended 30 June 2021 the Company granted options to Executives as detailed in the tables below.

The remuneration of executives for the years ended 30 June 2020 and 30 June 2021 are detailed in the tables below.

Details of remuneration:

Amounts of remuneration
Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables. The key management personnel of the consolidated entity consisted of the following directors of Orthocell Limited:

Dr Stewart Washer
- Executive Chairman

Mr Paul Anderson
- Managing Director

Ms Leslie Wise
- Executive Director

Mr Matthew Callahan
- Non-Executive Director

Prof Lars Lidgren
- Independent Non-Executive Director

Mr Qi Xiao Zhou
- Non-Executive Director

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Key management personnel remuneration details:

	Short-term benefits		Post-employment benefits	Long-term benefits	Equity-based payments		
	Cash salary and fees	Bonus	Super-annuation	Long Service Leave	(1)	Total	Performance related
	$	$	$	$	$	$	%
2020							
Non-executive Directors:							
Mr M Callahan	46,440	-	-	-	66,353	112,793	58.8%
Prof L Lidgren	45,000	-	-	-	180,480	225,480	80.0%
Mr QX Zhou	37,671	-	3,579	-	14,510	55,760	26.0%
Executive Directors:							
Mr P Anderson	370,000	69,375	41,741	14,429	82,493	578,038	26.3%
Dr S Washer	150,000	-	-	-	66,353	216,353	30.7%
Ms Leslie Wise(2)	4,375	-	-	-	215,481	219,856	98.0%
Total	653,486	69,375	45,320	14,429	625,670	1,408,280	49.4%
2021							
					(1)		
Non-executive Directors:							
Mr M Callahan	120,000	-	-	-	406,000	526,000	77.2%
Prof L Lidgren	45,000	-	-	-	101,500	146,500	69.3%
Mr QX Zhou	41,096	-	3,904	-	81,200	126,200	64.3%
Mr P Anderson	375,000	93,750	44,531	8,945	812,000	1,334,226	67.9%
Dr S Washer	150,000	-	-	-	406,000	556,000	73.0%
Ms Leslie Wise(2)	66,338	-	-	-	215,481	281,819	76.5%
Total	797,434	93,750	48,435	8,945	2,022,181	2,970,745	71.2%

(1) Equity-based payments relate to unlisted options issued. This is a non-cash component with a fair value based on an independent valuation as detailed below. The options convey the right to the key management personnel to purchase shares at the relevant exercise price in accordance with the terms and conditions of the options.

(2) The remuneration contract for Ms Leslie Wise, based in the United States, is denominated in USD based on USD 50,000 per annum.

Share-based compensation

Fair value of options granted

The fair value at grant date is determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

On 15 October 2020 following shareholder approval at the Annual General Meeting (AGM) on 14 October 2020 the following share-based payments of options were made to key management personnel for nil consideration:

Grant date	Exercise price	Share price at grant date	Expiry date	No. issued	Fair value per option	Total fair value
15 Oct 2020	$0.583	$0.405	14 Oct 2024	8,900,000	$0.203	$1,806,700

During the year ended 30 June 2020 the following equity-based payments of options were made to key management personnel for nil consideration:

Grant date	Exercise price	Share price at grant date	Expiry date	No. issued	Fair value per option	Total fair value
20 Nov 2019	$0.617	$0.565	20 Nov 2022	1,000,000	$0.3394	$339,440
10 Jun 2020	$0.410	$0.355	11 Jun 2025	2,000,000	$0.215	$430,962

The options issued on 10 June 2020 vest 50% on grant and 50% one year from date of grant. During the year ended 30 June 2020 $215,481 of these options were recognised as vested.

During the year ended 30 June 2018 the following share-based payments of options were made to key management personnel for nil consideration:

Grant date	Exercise price	Expiry date	No. issued	Fair value per option	Total fair value
7 May 2018	$0.395	8 May 2021	6,600,000	$0.1076	$710,160

The options vest 33% on grant, 33% one year from date of grant, and 34% two years from date of grant. During the year ended 30 June 2020 $236,720 (2019: $236,720) of these options were recognised as vested.

There were no other share-based payments of options made to key management personnel during the years ended 30 June 2021 and 30 June 2020.

Shares

During the year ended 30 June 2020 share-based payments of shares were made to key management personnel in lieu of fees as approved at a meeting of shareholders held 20 May 2019:

	2021		2020	
	Value of shares	Number of shares [1]	Value of shares	Number of shares [1]
Mr Matthew Callahan	-	-	10,000	21,053
Professor Lars Lidgren	-	-	3,750	7,895
Mr Qi Xiao Zhou	-	-	7,500	15,675
Dr Stewart Washer	-	-	12,500	26,316

(1) Number of shares calculated based on the VWAP of all shares traded during the month that the fee relates to.

There were no other share-based payments of shares made to key management personnel during the years ended 30 June 2021 and 30 June 2020.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 30/06/2020	Additions	Disposals	Other	Balance 30/06/2021
Ordinary shares:					
Mr Paul Anderson	7,032,555	717,798	-	-	7,750,353
Mr Matthew Callahan [1]	652,263	577,359	-	-	1,229,622
Professor Lars Lidgren	1,133,435	102,625	-	-	1,236,060
Dr Stewart Washer	967,835	577,359	-	-	1,545,194
Mr Qi Xiao Zhou	6,103,492	93,625	-	-	6,197,117
	15,889,580	2,068,766	-	-	17,958,346

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(1) Mr Callahan is a founder and director of Stone Ridge Ventures Pty Ltd which is the manager of both the SRV Tech Trust and SRV Nominees Pty Ltd (the trustee for the SRV Trust which is the carry trust for the SRV Tech Trust). Mr Callahan is considered to have a relevant interest in the 200,000 shares held by SRV Nominees Pty Ltd at 30 June 2021 (2020: 200,000) due to his position as a director or shareholder of the respective trustee companies and holds a beneficial interest in the SRV Trust

Options holdings

The number options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance 30/06/2020	Options granted	Options exercised	Expired/ forfeited/ other	Balance 30/06/202	Options vested & exercisable
Options over ordinary shares:						
Mr Paul Anderson	3,663,692	5,200,000	(3,150,000)	(13,692)	5,700,000	5,700,000
Dr Stewart Washer	1,945,842	2,000,000	(1,850,000)	(95,842)	2,000,000	2,000,000
Mr Matthew Callahan	1,850,000	2,000,000	(1,850,000)	-	2,000,000	2,000,000
Professor Lars Lidgren	854,767	500,000	(300,000)	(54,767)	1,000,000	1,000,000
Ms Leslie Wise	2,000,000	-	-	-	2,000,000	2,000,000
Mr Qi Xiao Zhou	354,767	400,000	(300,000)	(54,767)	400,000	400,000

There were no other transactions with key management personnel.

Employment Contracts

The Company has entered into employment agreements with the following key employees (each an Executive) on the following material terms and conditions.

Mr Paul Anderson

Position:	Managing Director
Salary:	$375,000 pa plus superannuation
Short-term incentive:	A bonus of a maximum of 25% of Base Salary may be payable each year subject to achievement of key performance indicators to be agreed by the Board
Notice period:	6 months

Under the employment agreement:

(i) either party may terminate the employment agreement by providing the amount of notice set out in the table above. The Company may terminate the agreement without notice (and without having to pay the Executive an amount in lieu of notice) if the Executive engages in serious or wilful misconduct

(ii) the Executive is entitled to 20 days annual leave and 10 days personal leave per annum, and to long service leave and other paid and unpaid leave in accordance with applicable legislation

(iii) the Executive acknowledges that intellectual property created by the Executive will be owned by the Company

(iv) the Executive agrees to keep confidential information secret and confidential except to the extent required by law, and

(v) during the employment and for a period of 12 months post-employment (or less if a court finds 12 months to be invalid), the Executive agrees not to carry on any business that competes with the business of the Company, solicit, employ or engage any director, employee or contractor of the Company, or entice, provide services to, or accept services from any customer, contractor or supplier of the Company to discontinue their relationship with the Company or otherwise reduce the amount of business they do with the Company. This restraint applies in Australia and New Zealand, or if a court finds this

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invalid, across, Australia, or if a court finds this invalid, across Western Australia.

Consulting arrangements

The Company has entered into the consulting agreements with the parties set out below under which directors Mr Matthew Callahan and Dr Stewart Washer are to provide services to the Company. The key terms of the consulting agreements are as follows:

Mr Matthew Callahan / Thylacine LLC Pty Ltd

Consulting fee $1,500 per day

Consulting services:
Advisory services to the Company on general matters relating to the Company's business, identifying, evaluating and developing new opportunities, performing duties as a non-executive director and any other duties as may be delegated by the Board from time to time.

Dr Stewart Washer / Biologica Ventures Pty Ltd

Consulting fee $150,000 per annum

Consulting services:
Services to the Company in relation to acting as Chairman of the Company. The Company and Dr Washer acknowledge that Dr Washer will be the Executive Chairman of the Company pursuant to this consultancy agreement.

Ms Leslie Wise / Evidence Matters, Inc

Consulting fee US$50,000 per annum

Consulting services:
Services to the Company in relation to acting as Executive Director of the Company. The Company and Ms Wise acknowledge that Ms Wise will be the Executive Director of the Company pursuant to this consultancy agreement.

The Company can terminate a consulting agreement on 3 months' notice. The Company may terminate the agreement without notice (and without having to pay the Consultant an amount in lieu of notice) if the Consultant or the Key Employee is guilty of gross misconduct, the Key Employee dies, or becomes permanently incapacitated or incapacitated for a period of 2 months in any 6 month period, the Consultant or the Key Employee breaches the agreement and does not rectify the breach, the Key Employee ceases to be a Director, the Consultant or the Key Employee fails to provide the services under the agreement or breaches the covenants under the agreement. The Consultant may terminate the agreement by 6 months' notice or by notice if the Company breaches the agreement or fails to observe any provision and has not adequately responded to the breach or non-observance within 15 days.

The consultants and the key employees acknowledge that intellectual property created by them in providing services under the agreements will be owned by the Company and undertakes not to divulge any confidential information except so far as may be necessary in connection with the proper performance of their obligations to the Company under the agreement or with the consent of the Company.

Non-Executive Directors letters of appointment

Pursuant to letters of continuing appointment Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou are continuing their appointments to the Board as a Non-Executive Directors following listing. Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou will each be paid a director's fee of $45,000 per annum.

Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform special duties or otherwise perform services outside the scope of the ordinary duties of a director. They may also be reimbursed for all reasonable and properly documented expenses incurred in performing their duties.

This concludes the remuneration report, which has been audited.

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10. Directors' and Officers' deeds of indemnity, access and insurance

The Company has entered into a deed of indemnity, access and insurance with each of its Directors and the Company Secretary. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by law against any loss which the officer may incur, or be liable for, arising from or in connection with the officer acting as an officer of the Company.

Under the deeds, the Company is also required to enter into an insurance policy for the benefit of the officer that insures the officer for all liability to which the officer is exposed in providing services in the capacity of an officer of the Company for which insurance may be legally obtained. When the policy expires, the Company must ensure that it maintains an insurance policy for the officer during the officer's term of appointment that is on terms no less favourable to the officer (subject to the ability of the Company to reduce the scope of the insurance to the extent it considers reasonable, if it is determined that the cost of maintaining it is such that it is not in the interests of the Company to maintain it, or the Company is unable to obtain the insurance on reasonable terms).

11. Shares under option

At the date of this report the following options are on issue:

Grant date	Expiry date	Exercise price	Number of options
31/12/2018	31/12/2021	$0.250	6,044,795
13/06/2019	13/06/2022	$0.413	1,000,000
28/06/2019	28/06/2022	$0.545	2,000,000
14/08/2019	14/08/2022	$0.413	1,620,000
20/11/2019	20/11/2022	$0.617	1,650,000
20/11/2019	20/11/2022	$0.537	150,000
10/06/2020	11/06/2025	$0.410	2,000,000
08/10/2020	08/10/2023	$0.400	200,000
15/10/2020	14/10/2024	$0.583	16,640,000
05/02/2021	05/02/2024	$0.517	450,000
05/06/2024	04/06/2024	$0.536	1,600,000

12. Shares issued on the exercise of options

During the year ended 30 June 2021 and up to the date of this report there were 5,973,344 shares of the Company issued on the exercise of 13,708,503 options granted (2020: 2,294,625).

13. Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The Company incurred premiums of $105,377 for the year ending 30 June 2021 in respect of this policy.

14. Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

15. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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16. Matters subsequent to the end of the financial year

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

17. Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the consolidated financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 22 to the consolidated financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

18. Officers of the Company who are former audit partners of PKF Perth

There are no officers of the Company who are former audit partners of PKF Perth.

19. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

20. Auditor

PKF Perth continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Paul Anderson
Managing Director
27 August 2021
Perth

AUDITOR'S INDEPENDENCE DECLARATION

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PKF Perth

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Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ORTHOCELL LIMITED

In relation to our audit of the financial report of Orthocell Limited for the year ended 30 June 2021, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

27 AUGUST 2021
WEST PERTH
WESTERN AUSTRALIA

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Sales revenue	3	1,017,962	719,523
Cost of goods sold	4	(625,645)	(505,374)
Gross profit		392,317	214,149
Other revenue	3	237,873	199,325
Expenses			
Research & development		(7,343,345)	(5,469,602)
Administrative & corporate		(3,253,672)	(2,557,625)
Sales & marketing		(1,464,595)	(1,441,822)
	4	(12,061,612)	(9,469,049)
Loss before income tax expense		(11,431,422)	(9,055,575)
Income tax benefit	5	2,394,397	2,904,546
Loss after income tax expenses		(9,037,025)	(6,151,029)
Other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss		(9,037,025)	(6,151,029)
Loss per share		$	$
Basic earnings per share	30	(0.047)	(0.036)
Diluted earnings per share	30	(0.047)	(0.036)

Note: the above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	6	16,328,913	20,441,616
Trade and other receivables	7	264,040	253,110
Inventories	8	468,885	47,552
Other	9	10,607	63,087
Total current assets		17,072,445	20,805,365
Non-current assets			
Property, plant and equipment	10	312,739	234,648
Right-of-use assets	11	621,723	500,887
Intangibles	12	1,323,507	1,629,671
Total non-current assets		2,257,969	2,365,206
Total assets		19,330,414	23,170,571
Liabilities			
Current liabilities			
Trade and other payables	13	973,956	865,148
Lease liabilities	14	114,158	107,630
Employment benefits	15	549,687	553,172
Other	16	295,857	334,667
Total current liabilities		1,933,658	1,860,617
Non-current liabilities			
Lease liabilities	14	507,565	393,258
Employment benefits	15	14,834	13,215
Total non-current liabilities		522,399	406,473
Total liabilities		2,456,057	2,267,090
Net assets		16,874,357	20,903,481
Equity			
Issue capital	17	55,776,179	53,674,762
Reserves	18	6,213,160	3,375,532
Accumulated losses	19	(45,114,982)	(36,146,813)
Total equity		16,874,357	20,903,481

Note: the above statement of financial position should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Issued Capital	Share-based payment reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2019	39,026,963	1,955,279	(30,257,780)	10,724,462
Loss after income tax expense	-	-	(6,151,029)	(6,151,029)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	15,266,136	-	-	15,266,136
Share equity costs	(660,000)	-	-	(660,000)
Issue of options	-	1,254,862	-	1,254,862
Options exercised (reversal of reserve)	41,663	(41,663)	-	-
Expiry of options	-	(261,996)	261,996	-
Options vesting	-	469,050	-	469,050
Balance at 30 June 2020	53,674,762	3,375,532	(36,146,813)	20,903,481
Balance at 1 July 2020	53,674,762	3,375,532	(36,146,813)	20,903,481
Loss after income tax expense	-	-	(9,037,025)	(9,037,025)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	709,148	-	-	709,148
Share equity costs	-	-	-	-
Issue of options	-	4,008,755	-	4,008,755
Options exercised (reversal of reserve)	1,392,269	(1,392,269)	-	-
Expiry of options	-	(68,856)	68,856	-
Options vesting	-	289,998	-	289,998
Balance at 30 June 2021	55,776,179	6,213,160	(45,114,982)	16,874,357

Note: the above statement of changes in equity should be read in conjunction with the accompanying notes

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		928,221	821,827
Payments to suppliers & employees (inclusive of GST)		(8,509,190)	(9,089,865)
R&D tax concession received		2,394,397	2,904,546
Grants received		354,000	-
Interest received		199,242	116,385
Interest paid		-	(9,764)
Net cash used in operating activities	29	(4,633,330)	(5,256,871)
Cash flows from investing activities			
Payments for intangible assets		(35,653)	(47,938)
Payments for property, plant & equipment		(152,867)	(7,260)
Net cash used in investing activities		(188,520)	(55,198)
Cash flows from financing activities			
Subscription funds received on issue of shares		-	14,423,000
Subscription funds received on exercise of options		709,147	754,386
Share equity costs		-	(660,000)
Net cash from financing activities		709,147	14,517,386
Net increase/(decrease) in cash and cash equivalents		(4,112,703)	9,205,317
Cash and cash equivalents at the beginning of the financial year		20,441,616	11,236,299
Cash and cash equivalents at the end of the financial year	6	16,328,913	20,441,616

Note: the above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general purpose consolidated financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements cover Orthocell Limited as a consolidated entity consisting of Orthocell Limited and its subsidiaries. Orthocell Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

Historical cost convention
The consolidated financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Going Concern

The consolidated entity has net assets of $16,874,357 (2020: $20,903,481) as at 30 June 2021 and incurred a loss of $9,037,025 (2020: $6,151,029) and net operating cash outflow of $4,633,330 (2020: $5,256,871) for the year ended 30 June 2021.

The consolidated entity's ability to continue as a going concern and meet its debts and future commitments as and when they fall due is dependent on the Company's ability to raise sufficient working capital to ensure the continued implementation of the consolidated entity's business strategy.

The financial report has been prepared on a going concern basis. In arriving at this position, the directors have had regard to the fact that the Company has, or in the directors' opinion will have access to, sufficient cash to fund

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administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities and results of Orthocell Limited ('Company' or 'parent entity') and its subsidiaries Ausbiomedical Pty Ltd, Orthocell UK Ltd and Orthocell (US) LLC as at 30 June 2021. Orthocell Limited and its subsidiaries together are referred to in these consolidated financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity.

The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The consolidated financial statements are presented in Australian dollars, which is Orthocell Limited's functional and presentation currency, except where stated otherwise.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

"Sale of goods" are derived from the sale of cell therapy products and biological scaffold products where control transfers to our customers and our performance obligations are satisfied at the time of delivery to or receipt of the products by the customer. The revenue derived from cell therapy products is recognised at the time when the patient's cells have been processed and are ready to be delivered to the patient. The revenue derived from biological scaffold products is recognised at the time of delivery to the customer.

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Research and development tax incentive

The research and development tax incentives are recognised at their fair value on receipt when all conditions have been complied with. The research and development tax incentives are recognised as income tax benefits in the consolidated statements of profit or loss and other comprehensive income.

Interest
Interest revenue is recognised when it is received or due to be received.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within twelve months after the reporting period, or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to

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known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable

Inventory relating to work in progress is comprised of cell therapies (Ortho-ACI and Ortho-ACI) and scaffold batches still in production phase.

Cell therapies work in progress consists of the costs of patients' cells being held in the laboratory awaiting delivery and implantation into the patient. Inventory items are stated at the lower of cost and net realisable value. Inventory comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

As indicated in Note 2, when making the decision whether inventory items should be carried forward in the statement of financial position, or written off, management must consider the likelihood of whether each particular patient will proceed to implantation. This requires a degree of estimation and judgement based on historical sales experience, the ageing of the inventories and other demographic and market factors.

At present management consider that 2 years is a reasonable period of time to hold inventory in the statement of financial position for each patient unless there is further particular information that would indicate otherwise. This policy is reviewed annually.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends

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to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	Straight line	40 yrs
Plant & equipment	Diminishing value	3-7 yrs
Computer software	Straight line	2-3 yrs
Furniture & fittings	Diminishing value	10-15 yrs

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately

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are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment.

The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial & technical feasibility, the consolidated entity is able to use or sell the asset, has sufficient resources, & intent to complete the development & its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years for Trademarks and 20 years for Patents. Capitalisation commences on application for the patents or trademark. Amortisation commences once the patent or trademark has been granted over the remaining useful life of the patent. The useful life is taken as 10 years for Trademarks and 20 years for Patents from the date of application. Costs associated with maintaining intangibles are expensed as incurred. Patents and trademarks are sought globally in various jurisdictions. If a patent or trademark is unsuccessful the costs are then fully written off. All patents and trademarks once granted have an annuity commitment over the term of their life and these are detailed in note 25.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Employee benefits

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured at current value and is not discounted if the effect of discounting is immaterial. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, which are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

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Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either in the principle market or in the absence of a principal market in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the

asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not assessed the impact of these new or amended Accounting Standards and Interpretations, except as noted.

AASB No.	Title	Application date *	Issue date
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contributions of Assets between an Investor and its Associate or Joint Venture	1 Jan 2022	Dec 2014
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 Jan 2022	Mar 2020
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendment	1 Jan 2022	Jun 2020

* Annual reporting periods beginning after

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, believed to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees, directors and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for expected credit losses

The provision for expected credit losses of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Impairment of work in progress

Work in progress comprises patient cells taken via biopsy and cryopreserved awaiting implantation at the patients discretion at a future date. Impairment of work in progress assessment requires a degree of estimation and judgement. While the patient cells held can be preserved indefinitely the company has estimated that if the patient has not proceeded with implantation within 2 years from biopsy, resulting in a sale of the product, the value of the work in progress is impaired to nil.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will

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increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. The useful life of patents and trademarks is based on the period of the life of the patent or trademark, which is usually 20 years.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions. Other qualitative measures are also considered in the assessment of impairment.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at current value and is not discounted if the effect of discounting is immaterial. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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Note 3. Revenue

	2021 $	2020 $
Sales revenue		
Sale of goods	1,017,962	719,523
	1,017,962	719,523
Other revenue		
Interest	199,242	116,385
Government grants & subsidies	37,500	80,000
Foreign currency gain	447	-
Other	684	2,940
	237,873	199,325
Total revenue	1,255,835	918,848

Note 4. Expenses

Loss before income tax includes the following specific expenses:

Cost of sales		
Cost of sales	625,645	505,374
Interest expense leases	15,273	9,764
Depreciation and amortisation		
Depreciation – plant & equipment	74,775	59,803
Depreciation – right-of-use assets	100,177	-
Amortisation – patents & trademarks	260,700	200,710
Total depreciation and amortisation	435,652	260,513
Rental expense relating to operating leases		
Minimum lease payments	-	-
Short-term lease payments	2,553	112,329
Total rental expense relating to operating leases	2,553	112,329
Employment expenses		
Salaries & wages	3,426,457	3,031,389
Employment benefits	(1,866)	124,000
Superannuation expense	314,930	283,884
Directors' fees	343,217	254,465
Payroll & other taxes	176,512	119,284
Other employment costs	61,989	11,169
Government subsidies Covid-19	(204,000)	(214,500)
Share-based payments expense	2,488,187	1,285,300
Total employment expenses	6,605,426	4,894,991
Write off assets		
Inventories	24,081	15,554
Intangibles	81,117	-

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Note 5. Income tax expense

	2021 $	2020 $
Income tax expense/(benefit)		
Current tax	(2,394,397)	(2,904,546)
Deferred tax – origination and reversal of temporary differences	-	-
Aggregate income tax expense	(2,394,397)	(2,904,546)
Numerical reconciliation of income tax expense & tax at the statutory rate		
Loss before income tax expense from continuing operations	(11,431,422)	(9,055,575)
Tax at the statutory tax rate of 26% (2020: 27.5%)	(2,972,170)	(2,490,283)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	844,657	508,621
Impact of reduction in future corporate tax rate	420,190	-
Income tax benefit not brought to account	1,707,323	1,981,662
	-	-
Research and development tax benefit received	(2,394,397)	(2,904,546)
The following deferred tax balances have not been recognised:		
Deferred tax assets not recognised at 25% (2020: 27.5%)		
Provisions and accruals	203,203	155,756
Capital raising costs	169,340	275,264
Carried forward revenue losses	4,586,809	4,208,413
	4,959,352	4,639,434
Deferred tax liabilities not recognised at 25% (2020: 27.5%)		
Prepayments	2,652	17,343
	2,652	17,343

The tax benefits of the above deferred tax assets will only be obtained if:

(i) The company derives future assessable income of a nature and an amount sufficient to enable the benefits to be utilised,

(ii) The company continues to comply with the conditions for deductibility imposed by law, and

(iii) No changes in income tax legislation adversely affects the company in utilising the benefits.

There has been a legislated change in the corporate tax rate that will apply to future income years. The impact of this reduction in the corporate tax rate has been reflected in the unrecognised deferred tax positions and the prima face income tax reconciliation above.

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Note 6. Cash and cash equivalents

	2021 $	2020 $
Cash at bank	16,328,913	20,441,616
	16,328,913	20,441,616

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of financial position as follows:

Balance as above		
Cash and cash equivalents	16,328,913	20,441,616
Balance as per statement of financial position	16,328,913	20,441,616

Note 7. Trade and other receivables

Trade receivables	180,302	51,800
Other receivables:		
Sundry debtors	119	137,751
GST refund due	83,619	63,559
	83,738	201,310
	264,040	253,110

Impairment of receivables
There have been no expected credit losses of trade receivables in the year ended 30 June 2021 (30 June 2020: $0).

Past due but not impaired
Customers with balances past due but without provision for expected credit losses amount to $70,416 as at 30 June 2021 (30 June 2020: $6,594)

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

0 to 3 months overdue	32,505	495
3 to 6 months overdue	37,911	6,099
Over 6 months overdue	-	-
	70,416	6,594

Note 8. Inventories

Consumables, at cost	109,884	-
Work in progress, at cost	80,385	42,097
Finished goods, at cost	278,616	5,455
	468,885	47,552

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Note 9. Other

	2021 $	2020 $
Prepayments	10,607	63,087
	10,607	63,087

Note 10. Property, plant and equipment

Leasehold improvements – at cost	272,501	272,501
Less: Accumulated depreciation	(97,696)	(90,883)
	174,805	181,618
Plant and equipment – at cost	721,325	571,344
Less: Accumulated depreciation	(589,137)	(523,689)
	132,188	47,655
Furniture and fittings – at cost	49,676	46,791
Less: Accumulated depreciation	(43,930)	(41,415)
	5,746	5,375
	312,739	234,648

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

	Leasehold improvements $	Plant and equipment $	Furniture and fittings $	Total $
Balance at 30 June 2019	188,431	91,974	6,786	287,191
Additions	-	5,134	2,126	7,260
Disposals	-	-	-	-
Depreciation	(6,813)	(49,453)	(3,537)	(59,803)
Balance at 30 June 2020	181,618	47,655	5,375	234,648
Additions	-	149,981	2,885	152,866
Disposals	-	-		
Depreciation	(6,813)	(65,448)	(2,514)	(74,775)
Balance at 30 June 2021	174,805	132,188	5,746	312,739

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Note 11. Right-of-use assets

	2021 $	2020 $
Land and buildings – right-of-use	621,723	500,887
Less: Accumulated depreciation	-	-
	621,723	500,887

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Opening balance	500,887	-
Additions	221,013	500,887
Disposals	-	-
Depreciation	(100,177)	-
Closing balance	621,723	500,887

The right-of-use asset is based on a new lease being entered into with a commencement date of 30 June 2020. Additions to the right-of-use assets during the year were $221,013 (2020: $500,887) relating to an adjustment of the lease term upon signing a new lease agreement.

The consolidated entity leases land and buildings for its offices and clean room facility under an agreement of five years with an option to extend. On renewal, the terms of the lease are renegotiated. The consolidated entity leases office equipment under agreements of up to five years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 12. Intangibles

Patents and trademarks – at cost	2,202,158	2,271,954
Less: Accumulated amortisation	(878,651)	(642,283)
	1,323,507	1,629,671

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	1,629,671	1,782,442
Additions	35,653	47,939
Written off	(81,117)	-
Amortisation expense	(260,700)	(200,710)
Closing balance	1,323,507	1,629,671

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Note 13. Trade and other payables

	2021 $	2020 $
Trade payables	892,616	790,091
Other payables	81,340	75,057
	973,956	865,148

Note 14. Lease liabilities

Current lease liabilities	114,158	107,630
Non-current lease liabilities	507,565	393,258

Note 15. Employee benefits

Current:		
Annual leave entitlements	333,576	329,309
Long service leave entitlements	216,111	223,863
	549,687	553,172
Non-current:		
Long service leave entitlements	14,834	13,215
	14,834	13,215

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and where employees are entitled to pro-rata payments in certain circumstances. Employee benefit amounts are presented predominantly as current, as the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 16. Other liabilities

Accrued expenses	295,857	334,667
	295,857	334,667

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Note 17. Equity – issued capital

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares – fully paid	190,584,151	184,698,772	58,855,910	56,754,493
	190,584,151	184,698,772	58,855,910	56,754,493
Share equity costs – ordinary shares	-	-	(3,079,731)	(3,079,731)
	190,584,151	184,698,772	55,776,179	53,674,762

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 Jul 2019	153,366,810		39,026,963
Issue of shares in lieu of fees	11 Jul 2019	108,771	$0.475	51,666
Issue of shares on exercise of options	11 Jul 2019	50,000	$0.250	12,500
Issue of shares on exercise of options	25 Jul 2019	738,000	$0.250	208,559
Issue of shares in lieu of fees	14 Aug 2019	42,357	$0.482	20,417
Issue of shares in lieu of fees	10 Sep 2019	40,159	$0.415	16,667
Issue of shares on exercise of options	9 Oct 2019	350,000	$0.250	98,910
Issue of shares on exercise of options	29 Oct 2019	190,000	$0.250	53,694
Issue of shares	11 Dec 2019	26,000,000	$0.500	13,000,000
Share issue costs		-		(660,000)
Issue of shares on exercise of options	17 Dec 2019	75,000	$0.250	18,750
Issue of shares	17 Dec 2019	547,667	$0.580	317,647
Issue of shares	30 Dec 2019	2,846,000	$0.500	1,423,000
Issue of shares on exercise of options	19 Feb 2020	343,958	$0.250	85,989
Balance	30 June 2020	184,698,722		53,674,762
Issue of shares on exercise of options	11 Jul 2020	88,235	$0.250	22,059
Issue of shares on exercise of options	6 Jan 2021	600,000	$0.250	150,000
Issue of shares on exercise of options	22 Jan 2021	3,370,525	$0.574	1,162,080
Issue of shares on exercise of options	22 Feb 2021	35,294	$0.250	8,824
Issue of shares on exercise of options	31 Mar 2021	30,256	$0.504	15,064
Issue of shares on exercise of options	31 Mar 2021	360,000	$0.250	101,736
Issue of shares on exercise of options	14 May 2021	1,100,000	$0.340	511,280
Issue of shares on exercise of options	14 May 2021	207,059	$0.250	51,765
Issue of shares on exercise of options	29 Jun 2021	50,000	$0.250	12,500
Issue of shares on exercise of options	29 Jun 2021	44,060	$0.612	66,109
Balance	30 June 2021	190,584,151		55,776,179

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Note 17. Equity – issued capital (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital. The Company does not have any externally imposed capital requirements. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Management Policy
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the value of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses to maximise synergies.

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Note 18. Share-based payment reserve

	2021 Options	2020 Options	2021 $	2020 $
Share-based payment reserve	29,272,000	23,382,000	6,213,160	3,375,532
	29,272,000	23,382,000	6,213,160	3,375,532

Movements in share-based payment reserve

Details		Date	No of options	$
Balance at 30 June 2019			21,180,000	1,955,279
Value of options exercised [3]	OCCOPT11	25 Jul 2019	(738,000)	(24,059)
Issue of options [6]	OCCOPT14	14 Aug 2019	1,660,000	426,118
Value of options exercised [3]	OCCOPT11	9 Oct 2019	(350,000)	(11,410)
Expiry of options	OCCOPT3	12 Oct 2019	(650,000)	(108,160)
Value of options exercised [3]	OCCOPT11	29 Oct 2019	(190,000)	(6,194)
Issue of options [7]	OCCOPT15	20 Nov 2019	1,650,000	560,076
Issue of options [8]	OCCOPT16	20 Nov 2019	150,000	53,187
Expiry of options	OCCOPT4	13 Dec 2019	(490,000)	(80,164)
Expiry of options	OCCOPT5	13 Dec 2019	(600,000)	(40,000)
Expiry of options	OCCOPT6	22 Mar 2020	(40,000)	(5,612)
Value of options vested [2]	OCCOPT10	7 May 2020	-	394,533
Issue of options [9]	OCCOPT17	10 June 2020	2,000,000	215,481
Value of options vested [4]	OCCOPT12	12 Jun 2020	-	74,517
Expiry of options	OCCOPT7	19 Jun 2020	(200,000)	(28,060)
			2,202,000	1,420,253
Balance at 30 June 2020			23,382,000	3,375,532
Issue of options [10]	OCCOPT18	8 Oct 2020	200,000	40,302
Issue of options [11]	OCCOPT19	15 Oct 2020	16,640,000	3,377,920
Value of options exercised [2]	OCCOPT10	22 Jan 2021	(10,800,000)	(1,162,080)
Issue of options [12]	OCCOPT20	5 Feb 2021	650,000	181,485
Value of options exercised [3]	OCCOPT11	31 Mar 2021	(360,000)	(11,736)
Value of options exercised [2]	OCCOPT10	31 Mar 2021	(140,000)	(15,064)
Expiry of options [2]	OCCOPT10	8 May 2021	(60,000)	(6,456)
Expiry of options [1]	OCCOPT9	8 May 2021	(500,000)	(62,400)
Value of options exercised [1]	OCCOPT9	8 May 2021	(1,100,000)	(137,280)
Issue of options [13]	OCCOPT21	2 Jun 2021	1,600,000	409,048
Value of options vested [9]	OCCOPT17	10 Jun 2021	-	215,481
Value of options vested [4]	OCCOPT12	12 Jun 2021	-	74,517
Value of options exercised [6]	OCCOPT14	29 Jun 2021	(40,000)	(10,268)
Value of options exercised [12]	OCCOPT20	29 Jun 2021	(200,000)	(55,841)
			5,890,000	2,837,628
Balance at 30 June 2021			29,272,000	6,213,160

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Note 18. Share-based payment reserve (continued)

Total value of share-based payments for the year that has been recognised through the reserve is $4,298,753 (2020: $1,723,912). Of this $2,488,187 (2020: $1,285,300) is classified as share-based payments to employees and directors in Note 4 under employment expenses and the remaining $1,810,566 (2020: $226,882) is classified in consultants' fees. The share-based payments reserve is used to record the value of share-based payments provided to employees, including Key Management Personnel, as part of their remuneration, as well as consultants as consideration for services in certain circumstances.

For the options granted the valuation model inputs used to determine the fair value at the grant date are as follows:

		Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate	Fair value at grant date
(1)	OCCOPT9	07/05/18	08/05/21	$0.345	$0.340	50%	0%	2.17%	$0.1248
(2)	OCCOPT10	07/05/18	08/05/21	$0.345	$0.395	50%	0%	2.15%	$0.1076
(3)	OCCOPT11	18/12/18	31/12/21	$0.160	$0.250	48%	0%	1.93%	$0.0326
(4)	OCCOPT12	13/06/19	13/06/22	$0.425	$0.413	80%	0%	0.99%	$0.2236
(5)	OCCOPT13	28/06/19	28/06/22	$0.510	$0.545	80%	0%	0.96%	$0.2563
(6)	OCCOPT14	14/08/19	14/08/22	$0.415	$0.413	100%	0%	0.67%	$0.2567
(7)	OCCOPT15	20/11/19	20/11/22	$0.565	$0.617	100%	0%	0.71%	$0.3394
(8)	OCCOPT16	20/11/19	20/11/22	$0.565	$0.537	100%	0%	0.71%	$0.3546
(9)	OCCOPT17	10/06/20	11/06/25	$0.355	$0.410	80%	0%	0.41%	$0.2150
(10)	OCCOPT18	08/10/20	08/10/23	$0.410	$0.400	75%	0%	0.14%	$0.2015
(11)	OCCOPT19	15/10/20	14/10/24	$0.405	$0.583	80%	0%	0.42%	$0.2030
(12)	OCCOPT20	05/02/21	05/02/24	$0.555	$0.517	75%	0%	0.10%	$0.2792
(13)	OCCOPT21	02/06/21	04/06/24	$0530	$0.536	75%	0%	0.09%	$0.2557

(2) The options granted to directors and employees on 7 May 2018 are subject to vesting periods as follows:

Description	Vesting date	Number of options	Fair value
Vesting at grant date	7 May 2018	3,696,667	397,761
Vesting one year from grant date	7 May 2019	3,696,666	397,760
Vesting two years from grant date	7 May 2020	3,696,667	397,760
		11,090,000	11,193,281

(4) The options granted to employees on 12 June 2019 are subject to vesting periods as follows:

Description	Vesting date	Number of options	Fair value
Vesting at grant date	12 Jun 2019	333,333	74,517
Vesting one year from grant date	12 Jun 2020	333,333	74,516
Vesting two years from grant date	12 Jun 2021	333,334	74,517
		1,000,000	223,550

(9) The options granted to a director on 10 June 2020 are subject to vesting periods as follows:

Description	Vesting date	Number of options	Fair value
Vesting at grant date	10 Jun 2020	1,000,000	215,481
Vesting one year from grant date	10 Jun 2021	1,000,000	215,481
		2,000,000	430,962

At 30 June 2021 all options are fully vested.

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Note 18. Share-based payment reserve (continued)

Set out below are summaries of options granted by the Company:

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2021							
19/11/2015	19/11/2020	$0.580	11,574,570	-	-	(11,574,570)	-
07/05/2018	08/05/2021	$0.345	1,600,000	-	(1,100,000)	(500,000)	-
07/05/2018	08/05/2021	$0.400	11,000,000	-	(10,940,000)	(60,000)	-
18/10/2018	31/12/2021	$0.250	7,884,350	-	(1,340,588)	-	6,543,762
13/06/2019	13/06/2022	$0.413	1,000,000	-	-	-	1,000,000
28/06/2019	28/06/2022	$0.545	2,000,000	-	-	-	2,000,000
14/08/2019	14/08/2022	$0.413	1,660,000	-	(40,000)	-	1,620,000
20/11/2019	20/11/2022	$0.617	1,650,000	-	-	-	1,650,000
20/11/2019	20/11/2022	$0.537	150,000	-	-	-	150,000
11/06/2020	11/06/2025	$0.410	2,000,000	-	-	-	2,000,000
08/10/2020	08/10/2023	$0.400	-	200,000	-	-	200,000
15/10/2020	14/10/2024	$0.583	-	16,640,000	-	-	16,640,000
06/02/2021	05/02/2024	$0.517	-	650,000	(200,000)	-	450,000
05/06/2021	04/06/2024	$0536	-	1,600,000	-	-	1,600,000
			40,518,920	19,090,000	(13,620,588)	(12,134,570)	33,853,762
Weighted average exercise price			$0.436	$0.512	$0.376	$0.569	$0.490

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2020							
19/11/2015	19/11/2020	$0.580	12,122,237	-	(547,667)	-	11,574,570
13/10/2016	12/10/2019	$0.620	650,000	-	-	(650,000)	-
12/12/2016	12/12/2019	$0.640	490,000	-	-	(490,000)	-
13/12/2016	13/12/2019	$0.550	600,000	-	-	(600,000)	-
10/03/2017	10/03/2020	$0.590	40,000	-	-	(40,000)	-
19/06/2017	19/06/2020	$0.410	200,000	-	-	(200,000)	-
07/05/2018	08/05/2021	$0.345	1,600,000	-	-	-	1,600,000
07/05/2018	08/05/2021	$0.400	11,000,000	-	-	-	11,000,000
18/10/2018	31/12/2021	$0.250	9,631,308	-	(1,746,958)	-	7,884,350
13/06/2019	13/06/2022	$0.413	1,000,000	-	-	-	1,000,000
28/06/2019	28/06/2022	$0.545	2,000,000	-	-	-	2,000,000
14/08/2019	14/08/2022	$0.413	-	1,660,000	-	-	1,660,000
20/11/2019	20/11/2022	$0.617	-	1,650,000	-	-	1,650,000
20/11/2019	20/11/2022	$0.537	-	150,000	-	-	150,000
11/06/2020	11/06/2025	$0.410	-	2,000,000	-	-	2,000,000
			39,333,545	5,460,000	(2,294,625)	(1,980,000)	40,518,920
Weighted average exercise price			$0.432	$0.477	$0.329	$0.595	$0.436

At 30 June 2021 the remaining weighted average contractual life of the options is 859 days (2020: 719 days).

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Note 19. Equity – accumulated losses

	2021 $	2020 $
Accumulated losses at the beginning of the financial year	36,146,813	30,257,780
Expired/forfeited options	(68,856)	(261,996)
Loss after income tax expense for the year	9,037,025	6,151,029
Accumulated losses at the end of the financial year	45,114,982	36,146,813

Note 20. Financial instruments

(a) Financial risk management

The Company's principal financial instruments comprise cash. The main purpose of these financial instruments is to fund expenditure on the Company's operations. The Company has various other financial assets & liabilities such as trade receivables & trade payables, which arise directly from its operations. It is, & has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. Details of the significant accounting policies & methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset & financial liability are disclosed in Note 1.

(b) Interest rate risk

At reporting date the Company had the following financial assets exposed to interest rate risk:

Cash[1]	16,328,913	20,441,616

(1) The weighted average interest rate of cash is 0.03% (2020: 0.11%)

(c) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The consolidated entity's maximum exposure to credit risk in relation to each class of financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position. The consolidated entity has in place policies that aim to ensure that counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to one financial institution is limited as far as is considered commercially appropriate. Since the consolidated entity trades only with recognised third parties, there is no requirement for collateral.

(d) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

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Note 20. Financial instruments (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Less than 6 months	6 – 12 months	1 – 2 years	2 – 5 years	Over 5 years	Total contractual cash flows	Total carrying amount
	$	$	$	$	$	$	$
As at 30 June 2021:							
Trade & other payables	973,956	-	-	-	-	-	973,956
Lease liabilities	55,772	58,383	120,023	387,545	-	-	621,723
	1,029,728	58,383	120,023	387,545	-	-	1,595,679
As at 30 June 2020:							
Trade & other payables	865,148	-	-	-	-	-	865,148
Lease liabilities	54,888	54,888	109,776	329,326	-	-	500,888
	920,036	54,888	109,776	329,326	-	-	1,366,036

(e) Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1.

(f) Sensitivity analysis

The following tables summarise the sensitivity of the consolidated entity's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post-tax profit/(loss) and equity would have been affected as shown. The analysis has been performed on the same basis for 2021 and 2020. None of the Company's financial liabilities are interest bearing.

		Interest rate risk -1%		Interest rate risk 0.1%	
Financial assets	Carrying amount	Net profit	Equity	Net profit	Equity
	$	$	$	$	$
30 June 2020					
Cash	20,441,616	(204,416)	(204,416)	204,416	204,416
30 June 2021					
Cash	16,328,913	(163,329)	(163,329)	163,329	163,329

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Note 21. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2021 $	2020 $
Short-term employee benefits	891,184	722,865
Post-employment benefits	48,435	45,320
Long-term benefits	8,945	14,429
Share-based payments	2,022,181	625,760
	2,970,745	1,408,284

Note 22. Remuneration of auditor

During the financial year the following fees were paid or payable for services provided by PKF Perth, the auditor of the Company, its network firms and unrelated firms:

Audit services – PKF Perth	41,770	39,275
Audit or review of the consolidated financial statements		
Other services – PKF Perth		
Preparation of the tax return	4,450	3,450
Other matters	600	-
	5,050	3,450
	46,820	42,725

Note 23. Contingent liabilities

The consolidated entity has no contingent liabilities for the years ended 30 June 2020 or 30 June 2021.

Note 24. Contingent assets

The consolidated entity has no contingent assets for the year ended 30 June 2020 or 30 June 2021.

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Note 25. Commitments

	2021 $	2020 $
Patent annuity commitments		
To maintain patent rights the following commitments will need to be met by the Company:		
Within one year	82,100	66,885
One to five years	426,275	391,785
More than five years	535,855	652,445
	1,044,230	1,111,115
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,553	2,553
One to five years	638	3,192
More than five years	-	-
	3,191	5,745
Total commitments	1,047,421	1,116,860

Operating lease commitments includes contracted amounts for various equipment under non-cancellable operating leases expiring within one to ten years.

Note 26. Related party transactions

Parent entity:	Orthocell Limited is the parent entity
Subsidiaries:	Interests in subsidiaries are set out in note 27.
Key management personnel:	Disclosures relating to key management personnel are set out in note 21 and the remuneration report in the Directors' Report.
Loans to/from related parties:	There were no loans to or from related parties at the current and previous reporting dates
Terms and conditions:	All transactions were made on normal commercial terms and conditions and at market rates.

Note 27. Parent entity and interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following wholly owned subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	2021 %	2020 %
Ausbiomedical Pty Ltd	Australia	100	100
Orthocell UK Ltd	United Kingdom	100	100
Orthocell (US) LLC[1]	United States of America	100	-

(1) Orthocell (US) LLC was incorporated on 13 April 2021.

As the subsidiaries do not trade or have any assets and liabilities, the consolidated entity and parent entity disclosures are the same.

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Note 28. Events after the reporting period

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 29. Reconciliation of loss after income tax to net cash from operating activities

	2021 $	2020 $
Loss after income tax expense for the year	(9,037,025)	(6,151,029)
Adjustments for:		
Depreciation and amortisation	435,653	260,513
Share-based payments expensed	4,298,753	1,760,996
Inventory write-off	24,081	15,554
Intangibles write-off	81,117	-
Change in operating assets and liabilities:		
(Increase)/decrease in debtors	(10,930)	(113,347)
(Increase)/decrease in prepayments	52,480	(22,129)
(Increase)/decrease in inventories	(445,413)	(8,476)
(Increase)/decrease in right-of-use assets	(221,013)	(500,887)
Increase/(decrease) in creditors	108,808	(750,615)
Increase/(decrease) in accruals	(38,810)	(312,089)
Increase/(decrease) in lease liabilities	120,835	500,887
Increase/(decrease) in employee entitlements	(1,866)	63,751
	(4,633,330)	(5,256,871)

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Note 30. Loss per share

	2021 $	2020 $
Loss after income tax expense for the year	(9,037,025)	(6,151,029)
	Shares	**Shares**
Weighted average number of shares used in calculating basic and diluted loss per share	186,852,670	171,003,375

Options are considered to be potential ordinary shares and have only been included in the determination of diluted loss per share to the extent to which they are dilutive.

At the date of this report the company has 190,672,066 ordinary shares on issue.

Note 31. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segments and assess their performance.

The financial information presented in the statement of profit or loss and other comprehensive income and statement of financial position is the same as that presented to the chief operating decision makers.

The consolidated entity predominately operates in the regenerative medicine industry in Australia.

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DIRECTORS' DECLARATION

In the directors' opinion:

- The attached consolidated financial statements and notes thereto and the remuneration report contained in the directors' report comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- The attached consolidated financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the consolidated financial statements.
- The attached consolidated financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Paul Anderson
Director
27 August 2021
Perth

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INDEPENDENT AUDITOR'S REPORT

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PKF Perth

PKF
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Business Solutions

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORTHOCELL LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Orthocell Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the financial report of Orthocell Limited is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context.

1. Value of Equity Based Payments

Why significant	How our audit addressed the key audit matter

For the year ended 30 June 2021 the value of equity based payments expensed and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income totalled $4,298,753 (2020: $1,723,912), as disclosed in Note 18.
 	
The consolidated entity's accounting judgement and estimates in respect of equity based payments is outlined in Note 18. This is considered to be a key audit matter due to the significant judgement required in relation to:
 	
• The valuation method used in the model; and
• The assumptions and inputs used within the model.
	Our work included, but was not limited to, the following procedures:
	
	• reviewing the independent expert's valuations of options issued, including:
	  ○ ensuring the independence of the independent expert;
	  ○ assessing the credentials of the independent expert;
	  ○ assessing the appropriateness of the valuation method used; and
	  ○ assessing the reasonableness of the assumptions and inputs used within the valuation model.
	• reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all equity based payments had been recognised;
	• assessed the allocation and recognition to ensure reasonable; and
	• assessed the appropriateness of the related disclosures in Note 18.

Other Information

Other information is financial and non-financial information in the Annual Report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the Annual Report.

The Other Information we obtained prior to the date of this Auditor's Report was the Corporate Directory and the Director's report. Additional Other Information, being the Corporate Governance Statement and ASX Additional Information, is expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

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Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

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We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

Opinion

In our opinion, the Remuneration Report of Orthocell Limited for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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SHANE CROSS
PARTNER

27 AUGUST 2021
WEST PERTH
WESTERN AUSTRALIA

CORPORATE GOVERNANCE STATEMENT

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General

The Board of Directors of Orthocell Limited (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

Further information about the Company's corporate governance practices is set out on the Company's website at www.orthocell.com.au.

This Statement was approved by the Board of Directors and is current as at 26 August 2021.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: A listed entity should have and disclose a Board Charter setting out:

(a) the respective roles and responsibilities of its board and management; and

(b) those matters expressly reserved to the board and those delegated to management

The Board has adopted a formal charter that details the respective board and management functions and responsibilities. A copy of this board charter is available in the corporate governance section of the Company's website at www.orthocell.com.au.

ASX Recommendation 1.2: A listed entity should:

(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and

(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company carries out appropriate checks prior to the appointment of new Directors. Information in relation to Directors seeking reappointment is set out in the Directors Report and Notice of Annual General Meeting.

ASX Recommendation 1.3: A listed entity should have a written agreement with each Director and Senior Executive setting out the terms of their appointment

The Company has in place written agreements with each Director and Senior Executive.

ASX Recommendation 1.4: The Company Secretary of a listed company should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chair.

ASX Recommendation 1.5: A listed entity should:

(a) have and disclose a diversity policy;

(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and

(c) disclose in relation to each reporting period:

(1) the measurable objectives set for that period to achieve gender diversity;

(2) the entity's progress towards achieving those objectives; and

(3) either:

(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or

(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.3.

The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at www.orthocell.com.au.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider

setting measurable objectives as the Company increases in size and complexity.

As at 30 June 2021, the Company has 1 (17%) female Board members (2020: 1, 17%). The Company has 3 female (43%) in senior management positions, (2020: 1, 33%). Of the balance of the Company's employees 50% are female (2020: 68%). 42% (2020: 55%) of the Company's employees in total, including Directors, are female.

ASX Recommendation 1.6: A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Chair has the overall responsibility for evaluating the Board, any committees established and, when appropriate, individual Directors on an annual basis.

The method and scope of the performance evaluation will be set by the Chair and which may include a Board self-assessment checklist to be completed by each Director. The Chairperson may also use an independent adviser to assist in the review if deemed appropriate.

The performance of executive Directors, including the Managing Director, is conducted as part of the Board evaluation procedure. Additionally, the Remuneration Committee conducts an evaluation of the Managing Director's performance against specific KPIs set for the previous year, and to establish KPIs for the forthcoming year.

A performance review of the Board was undertaken during the reporting period. The Remuneration Committees evaluation was conducted post year end.

ASX Recommendation 1.7: A listed entity should:

(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and

(c) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Managing Director reviews the performance of the senior executives. The Managing Director conducts a performance evaluation of the senior executives by meeting individually with each senior executive on a yearly basis to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI's) set for the senior executive set by the Managing Director or the Board.

Performance reviews of executives for the reporting period were undertaken post year end.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.1: The Board of a listed entity should

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Given the present size and complexity of the Company the Board has not constituted a Nomination Committee with the full Board carrying out the role of a Nomination Committee.

ASX Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

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The Board has established a skills matrix. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including, but not limited to:

Strategic expertise - ability to identify and critically assess strategic opportunities and threats and develop strategies.

Specific Industry knowledge - Experience in regenerative medicine or other biotech or related sector.

International experience – members of the Board have an understanding the complexities of operating in foreign jurisdictions, including a basic knowledge of the general corporate, fiscal and labour laws and regulations.

Accounting and finance - members of the Board have experience in accounting and finance or the ability to read and comprehend the company's accounts, financial material presented to the board, financial reporting requirements and an understanding of corporate finance.

Risk management - Identify and monitor risks to which the Company is or has the potential to be exposed to.

Experience with financial markets - Experience in working in or raising funds from the equity or capital markets.

Investor relations - Experience in identifying and establishing relationships with Shareholders, potential investors, institutions and equity analysts.

Government relations - Experience in dealing with relevant Government authorities and regulators including in respect to product regulatory pathways and re-imbursement.

ASX Recommendation 2.3: A listed entity should disclose:

(a) **the names of the directors considered by the board to be independent directors;**

(b) **if a director has an interest, position or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and**

(c) **the length of service of each director.**

During the year ended 30 June 2021 Mr Matthew Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou were considered to be independent Directors of the Company.

Dr Stewart Washer, Mr Paul Anderson and Ms Leslie Wise are executive Directors and are not considered to be independent directors as they are employed in an executive capacity.

The appointment date of Directors is set out in the Directors Report forming part of the Annual Financial Statements.

ASX Recommendation 2.4: The majority of the Board of a listed entity should be independent Directors.

While the Board does not have a majority of independent directors at this time it considered that its compositions is appropriate for the Company's current size, operations as state of development.

The Board will review its composition as the Company's circumstances change.

ASX Recommendation 2.5: The Chair of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The executive Chair of the Board is Dr Stewart Washer. The Board considers that given its stage of development it is beneficial that Dr Washer is an executive. The Board will consider the appointment of an independent chair as the Company increases in size and complexity.

The Managing Director is Mr Paul Anderson.

ASX Recommendation 2.6: A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

The Board is responsible for providing new directors with an induction to the Company and for the program for providing adequate professional development opportunities for Directors and management.

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PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1: A listed entity should articulate and disclose its values.

The Board has approved a statement of values and charges the Directors with the responsibility of inculcating those values across the Company.

A copy of the Company's statement of values is available in the corporate governance section of the Company's website at www.orthocell.com.au.

ASX Recommendation 3.2: A listed entity should:

(a) have and disclose a code of conduct for its directors, senior executives and employees; and

(b) ensure that the board or a committee of the board is informed of any material breaches of that code.

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Conduct contains a procedure tor reporting material breaches of the code.

A copy of the Company's Code of Conduct is available in the corporate governance section of the Company's website at www.orthocell.com.au.

ASX Recommendation 3.3: A listed entity should:

(a) have and disclose a whistleblower policy; and

(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.

The Board has adopted a Whistleblower Protection Policy to ensure concerns regarding unacceptable conduct including breaches of the Company's Code of Conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The purpose of this policy is to promote responsible whistle blowing about issues where the interests of others, including the public, or of the organisation itself are at risk.

The policy contains a procedure tor reporting material breaches of the policy.

A copy of the Company's Whistleblower Protection Policy is available on the Company's website at www.orthocell.com.au.

ASX Recommendation 3.4: A listed entity should:

(a) have and disclose an anti-bribery and corruption policy; and

(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.

The Board has adopted an Anti-Bribery and Anti-Corruption Policy for the purpose of setting out the responsibilities in observing and upholding the Company's position on bribery and corruption provide information and guidance to those working for the Company on how to recognise and deal with bribery and corruption issues.

The policy contains a procedure tor reporting material breaches of the policy.

A copy of the Company's Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.orthocell.com.au.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should:

(a) have an audit committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the

members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Given the present size and complexity of the Company the Board has not constituted an Audit Committee with the full Board carrying out the role of an Audit Committee.

The qualifications of the members of the Board are set out in the Directors report forming part of the Annual Financial Statements.

ASX Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO (or equivalent) a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2020 and the full year ended 30 June 2021 from the Managing Director and the Chief Financial Officer. Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.

ASX Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor

Periodic corporate reports that are not audited or reviewed by the auditor, are circulated to members of the Board at the discretion of the Managing Director prior to release for comment. Board members may provide the Managing Director (or in his absence, the Company Secretary) with verbal or written contribution into each announcement circulated, prior to its release.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.

The Company has established a Continuous Disclosure Policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Chairman, Managing Director and Company Secretary act as the Company's disclosure officers who are responsible for implementing and administering this policy. The disclosure officers are responsible for all communication with ASX and for making decisions on what should be disclosed publicly under this policy.

In accordance with the Company's Continuous Disclosure Policy, all information provided to ASX for release to the market is posted to its website at www.orthocell.com.au after ASX confirms an announcement has been released.

A copy of the Continuous Disclosure Policy is available in the corporate governance section of the Company's website at www.orthocell.com.au.

ASX Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. When the confirmation of a release is received from the ASX the Company Secretary promptly forwards a copy to the Board.

ASX Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market

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Announcements Platform ahead of the presentation.

The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. The Company Secretary releases any new and substantive presentation to the ASX Market Announcements Platform ahead of the presentation, a copy of which is available on the Company's website at www.orthocell.com.au when released.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

ASX Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company's website at www.orthocell.com.au contains information about the Company's operations and technologies, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

ASX Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company's Managing Director, Chief Operating Officer and Chairman are the Company's main contact for investors and potential investors and make themselves available to discuss the Company's activities when requested together with other Directors as required. In addition to announcements made in accordance with its continuous disclosure obligations the Company, from time to time, prepares and releases general investor updates about the Company.

Contact with the Company can be made via email addresses provided on the website.

ASX Recommendation 6.3: A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at www.orthocell.com.au.

ASX Recommendation 6.4: A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company will conduct a poll at meetings of security holders to decide each resolution.

ASX Recommendation 6.5: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's electronic mailing list.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 7.1: The Board of a listed entity should

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director, who is not the chair of the board,

and disclose:

(3) the charter of the committee;

(4) the relevant qualifications and experience of the members of the committee; and

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(5) **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) **if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

Given the present size and complexity of the Company the Board has not constituted a Risk Committee with the full Board responsible for risk management.

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should:

(a) **review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and review the entity's risk management framework at least annually to satisfy itself that it continues to be sound, and that the entity is operating with due regard to the risk appetite set by the board; and**

(b) **disclose, in relation to each reporting period, whether such a review has taken place. The Board conducted such a review during the reporting period.**

The Board is responsible for the oversight of the Company's Risk Management and Control Framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director being responsible to the Board for the risk management and control framework.

The Board conducted a review of the Risk Management and Control Framework during the reporting period.

ASX Recommendation 7.3: A listed entity should disclose:

(a) **if it has an internal audit function, how the function is structured and what role it performs; or**

(b) **if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes**

Given the Company's current size and level of operations it does not have an internal audit function.

The Board is responsible for the oversight of the Company's Risk Management and Control Framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director being responsible to the Board for risk management.

ASX Recommendation 7.4: A listed entity should disclose whether it has any material exposure to environmental and social risks and if it does, how it manages or intends to manage those risks.

The Company identifies and manages material exposure to environmental and social risks in a manner consistent with its Risk Management Framework and Policy.

Environmental: While the Board currently considers that the Company does not have any material exposure to environmental risk it is committed to carrying out its activities in a way that provides a safe and healthy workplace, protects the environment and conserves energy and natural resources.

Social: The Board recognises that a failure to manage community and stakeholder expectations may lead to disruption to the Company's operations. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The Board of a listed entity should

(a) **have a remuneration committee which:**

(1) **has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**

(2) **is chaired by an independent director,**

and disclose:

(3) **the charter of the committee;**

(4) **the members of the committee; and**

(5) **as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) **if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

The Board has established a Remuneration Committee and adopted a charter that sets out the Remuneration Committee's role and responsibilities. Currently, Mr. Matthew Callahan (chair), Dr Stewart Washer and Professor Lars Lidgren serve on the Remuneration Committee.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.orthocell.com.au.

Details of the committee's meetings are detailed in the Directors Report forming part of the Annual Financial Statements.

ASX Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives.

The Company remunerates non-executive Directors at a fixed fee for time, commitment and responsibilities. In addition, non-executive Directors may be paid fees under consulting arrangements. Remuneration for non-executive Directors is not linked to individual performance. From time to time the Company may, subject to shareholder approval, grant options to non-executive Directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

There are no termination or retirement benefits for non-executive Directors (other than superannuation).

Executive remuneration consists of a base salary and performance incentives.

Short term performance incentives may be paid in cash and may be subject to the successful completion of performance hurdles agreed by the Board following recommendations from the Remuneration Committee.

Long term performance incentives may include options or other equity-based products granted at the discretion of the Board subject to obtaining the relevant shareholder approvals, if required. The grant of equity-based products is designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company and may be subject to the successful completion of performance hurdles.

ASX Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

(a) **have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**

(b) **disclose that policy or a summary of it.**

A participant in an equity-based remuneration plan operated by the Company must not enter into a transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the equity-based remuneration plan.

ASX Recommendation 8.2: A listed entity with a director who does not speak the which board or security holders are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at the meetings and understands and can discharge their obligations in relation to those documents.

If a Director does not speak the language in which corporate documents are written or Board or shareholder meetings are held, the Company will ensures that documents are provided to a translator nominated by the Director to be translated into the Director's native language. The Director may nominate a translator to be present at all Board and shareholder meetings attended by the Director.

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ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective 26 August 2021.

Substantial shareholders

There are no substantial shareholders at the date of this report.

Voting rights

Ordinary shares
On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Distribution of ordinary shares

Ranges	Shareholders	Holdings
1 – 1,000	438	307,950
1,001 – 5,000	2,176	6,083,812
5,001 – 10,000	1,011	8,329,654
10,001 – 100,000	1,990	67,704,160
100,001 and over	293	108,657,542
Totals	**5,908**	**191,083,118**
Unmarketable parcels	439	308,952

On-market buy back

There is currently no on-market buy-back program for any of Orthocell Limited's listed securities.

Restricted securities

Nil

Securities Exchange

The Company was listed on the Australian Securities Exchange on 12 August 2014.

Ordinary shares

20 largest shareholders	Shares held	%
Ming Hao Zheng & Fan Ying	7,564,860	3.96
Mr Paul Frederick Anderson & Ms Nicole Jane Telford	6,403,335	3.35
Mr Qixiao Zhou	5,996,241	3.14
Mr Jia Xun Xu	5,168,276	2.70
National Nominees Limited	3,009,595	1.58
Citicorp Nominees Pty Limited	2,193,213	1.15
Dr John Clifford Philpott	1,560,216	0.82
Dr John Clifford Philpott & Mrs Rebecca Anne Philpott	1,381,700	0.72
Mr Patrick John McHale	1,180,000	0.62
Mr Vance Clark Moore	1,155,000	0.60
BNP Paribas Nominees Pty Ltd	1,148,323	0.60
Bond Street Custodians Limited	1,100,000	0.58
Mr Scott Anthony Walden	1,080,000	0.57
Aris Nominees Pty Ltd	1,042,816	0.55
HSBC Custody Nominees (Australia) Limited	1,007,144	0.53
Gwalla Pty Ltd	1,000,000	0.52
Stewart Washer & Patrizia Washer	994,783	0.52
Mr Paul John Van Dyk	957,000	0.50
Murdoch Ventures Pty Ltd	923,841	0.48
Algora AB	870,716	0.46
Total	45,737,059	**23.94**
Balance of register	145,346,059	76.06
Grand total	191,083,118	**100.00**

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ASX ADDITIONAL INFORMATION

Unquoted options

Options issued under the options plans total 33,354,795.

Voting rights

Options - No voting rights.

Distribution of unlisted options

Security Exercise price: Expiry date:	OCCOPT11 $0.25 31/12/21	OCCOPT12 $0.413 13/06/22	OCCOPT13 $0.545 28/06/22	OCCOPT14 $0.413 14/08/22	OCCOPT15 $0.617 20/11/22	OCCOPT16 $0.537 20/11/22	OCCOPT17 $0.41 11/06/25	OCCOPT18 $0.40 8/10/23	OCCOPT19 $0.583 12/08/21	OCCOPT20 $0.517 5/02/24	OCCOPT21 $0.536 4/06/24
Holding ranges:	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*	*Options held (Holders)*
1 – 5,000	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
5,001 – 10,000	8,500 (1)	nil	nil	nil	nil	nil	nil	nil	nil	nil	nil
10,001 – 100,000	1,073,865 (17)	nil	900,000 (9)	600,000 (11)	nil	nil	nil	nil	820,000 (19)	300,000 (3)	100,000 (1)
100.001 & over	4,962,430 (11)	1,000,000 (1)	1,100,000 (3)	1,020,000 (5)	1,650,000 (4)	150,000 (1)	2,000,000 (1)	200,000 (1)	15,820,000 (12)	150,000 (1)	1,500,000 (4)
Totals	**6,044,795 (29)**	**1,000,000 (1)**	**2,000,000 (12)**	**1,620,000 (16)**	**1,650,000 (4)**	**150,000 (1)**	**2,000,000 (1)**	**200,000 (1)**	**16,640,000 (100)**	**450,000 (4)**	**1,600,000 (5)**

All unlisted options were issued pursuant to the Company's employee option acquisition plan or to directors pursuant to shareholder approval.

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