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advancing tissue repair & regeneration

REGENERATING MOBILITY

2015 ANNUAL REPORT

Orthocell Limited
Contents
30 June 2015

Orthocell Limited
Corporate directory
30 June 2015

Directors	Dr Stewart Washer	Executive Chairman
	Mr Paul Anderson	Managing Director
	Mr Matthew Callahan	Non-Executive Director
	Professor Lars Lidgren	Independent Non-Executive Director
	Mr Qi Xiao Zhou	Non-Executive Director
Company Secretary	Mr Simon Robertson	
Registered office	Building 191 Murdoch University South Street Murdoch WA 6150	
Share register	Automic Registry Services Suite 1a, Level 1 7 Ventnor Avenue West Perth WA 6005	
Auditor	PKF Mack 4th Floor 35 Havelock Street West Perth WA 6005	
Solicitors	Gilbert + Tobin 1202 Hay Street West Perth WA 6005	
Bankers	Westpac Banking Corporation	
Securities exchange listing	Australian Securities Exchange (ASX code: OCC)	
Website	www.orthocell.com.au	

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 2015.

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	appointed 7 April 2014
Mr Paul Anderson	Managing Director	appointed 21 March 2006
Mr Matthew Callahan	Non-Executive Director	appointed 30 May 2006
Professor Lars Lidgren	Independent Non-Executive Director	appointed 17 December 2007
Mr Qi Xiao Zhou	Non-Executive Director	appointed 2 November 2012

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of the development and commercialisation of cell therapies and related technologies.

Review and results of operations
The loss for the consolidated entity after income tax amounted to $3,742,715 (30 June 2014: $2,182,185).

On 18 July 2014 the Company closed its $8 million oversubscribed initial public offering after receiving strong support from domestic and international institutions, funds and Australian retail investors. The Company shares commenced trading on ASX on 12 August 2014.

During the year Orthocell's positive 3-5 year clinical trial data from a study of its tendon cell treatment for tennis elbow were presented at the 15th European Federation of National Associations of Orthopaedics and Traumatology (EFORT) held in London and the International Cartilage Repair Society Annual Scientific Meeting held in Chicago.

In May 2015, Orthocell announced it had presented as invited speakers a paper entitled Cells, Scaffolds and Bioreactors for the Regeneration of Human Tendons at the World Stem Cells and Regenerative Medicine Congress, a leading international regenerative medicine conference in London. Orthocell's current and future approaches to the regeneration of tendon tissue were presented with particular focus on the recent breakthrough by the Company in demonstrating its new technology to grow human tendons outside of the body.

Regional conferences included the Australian Orthopaedic Association's Annual Scientific Meeting, Sports Medicine Australia's 'Be Active' Annual Scientific Conference and the Hong Kong Orthopaedic Association Annual Scientific Meeting.

In April 2015 the Company announced its long-term study into its Ortho-ATI™ treatment for chronic tennis elbow was published in the prestigious American Journal of Sports Medicine (AJSM).

Orthocell's long-term study shows the effectiveness of Ortho-ATI™ as a disease modifying treatment providing sustained pain relief and significant functional improvements for tennis elbow sufferers.

Orthocell continues to grow with the announcement of first human tendons grown in laboratory and its exciting cell factory concept. Orthocell's success in growing human tendons in a laboratory for the first time was believed to be a world first breakthrough involving the growing human tendons in the laboratory. Orthocell collaborated with researchers at University of Western Australia, Curtin University, Griffith University and University of Auckland with the research being sponsored by Orthocell through a Federal ARC Linkage Grant.

Further to this, Orthocell also published and announced the pipeline development of its cell factory concept for the concentration of tissue specific growth factors for the repair and regeneration of articular cartilage. This was published in the journal 'Tissue Engineering and Regenerative Medicine'.

In February 2015 Orthocell announced it has expanded its presence into Asia with the first patients treated with its world-leading tendon repair therapy in Hong Kong. The two patients underwent the Ortho-ATI™ therapy by respected Hong Kong Orthopaedic Surgeon Dr Jason Brockwell from leading sports orthopaedic group Asia Medical Specialists.

Asia is a key growth region for Orthocell and its innovative regenerative medicine therapies. The global regenerative medicine market has been forecast to reach $US67.6 billion in 2020, from $US16.4 billion in 2014, with the Asia-Pacific region expected to be the fastest growing region.

In December 2014 Orthocell announced its new partnership with BONESUPPORT, an emerging leader of injectable bone substitutes, to develop a suite of unique bone substitute products for the bone repair market. These products will utilise the unique eluting bone remodelling capabilities of CERAMENT™ and the important collagen properties of Celgro™ to create a novel bone repair product that will not only support the damaged bone, but induce the superior growth of new bone matrix.

During the year the Company was granted both Chinese and US patents for its Celgro™ technology covering the manufacture of biological materials to repair damaged soft tissue. The patents provide important protection to the Celgro™ product range as Orthocell prepares for registrations and commercialisation in global markets.

On 9 March 2015 Orthocell announced that the company had been granted ethical approval for a clinical study using Celgro™ collagen membrane for the treatment of bone defects around dental implants. With more than 3 million dental implant procedures carried out in US every year and that number growing by 500,000 a year this represents a significant potential market opportunity for Celgro™.

The pilot study is an important step in the development of Celgro™ and further demonstrates that Celgro™ is a very valuable product in the large and growing regenerative medicine market.

In March 2015 Orthocell conducted an investor roadshow in Melbourne and Sydney. The accompanying company presentation was released to the market outlining the positive steps forward that the company has made since its IPO in August of last year.

In May 2015 Orthocell received an R&D tax incentive cash refund of $1,157,821 for the financial year 2013/14. The R&D Tax Incentive is an Australian Government program supporting Australian companies undertaking research and development in Australia. Orthocell anticipates that it will also be eligible to receive an R&D tax rebate for its R&D programs being undertaken for the 2014/15 financial year.

During the year the Company completed the transfer of its Ortho-ACI™ technology to Chinese partner GrandHope Biotech Co Ltd, triggering the final tranche payment of a license fee, and generated royalties from the first sales of the Ortho-ACI™ in China.

Following the acquisition of Biomet Australia Pty Ltd (Biomet) by Zimmer Ltd (Zimmer), the Company and Biomet mutually agreed to the termination of a distributorship agreement between the parties under which the Company distributed Biomet products. As part of the termination of the agreement, Orthocell will receive a total of $268,652. The Company does not consider the termination of the agreement will impact materially on the company's operations or results.

Over the year the Company continued to progress the development of its lead products for tendon and cartilage regeneration and pipeline opportunities. Activities included pre-clinical and clinical studies and marketing activities to support the sale of its approved cell therapies as well as development and commercialisation of related collagen based medical device technologies.

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.

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

Likely developments and expected results of operations
Having completed its successful IPO, raising $8m, the Company will continue the development and commercialisation of cell therapies and related technologies. The Company expects to complete and publish clinical trials currently being conducted and progress regulatory approvals.

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

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.

Information on directors

Name:	Dr Stewart Washer
Title:	Executive Chairman
Experience and expertise:	Dr Washer has 20 years of CEO and Board experience in medical technology, biotech and agrifood companies. He is currently the Chairman of Cynata Therapeutics Ltd (ASX:CYP), a company developing stem cell therapies and Chairman of Minomic International Ltd who have an accurate non-invasive test for prostate cancer. Dr Washer was previously the CEO of Calzada Ltd (ASX:CZD), the founding CEO of Phylogica Ltd (ASX:PYC) and before this, he was CEO of Celentis and managed the commercialisation of intellectual property from AgResearch in New Zealand with 650 Scientists and $130 million revenues. He was also a founder of a NZ$120m New Zealand based life science fund and Venture Partner with the Swiss based Inventages Nestlé Fund.
Directorships (last 3 years):	Dr Washer is currently a director of Cynata Therapeutics Ltd (ASX: CYP). In the past 3 years Dr Washer has been a director of the following listed entities: iSonea Ltd (ASX:ISN, from 2012 to 2014), Immuron Ltd (ASX: IMC, from 2012 to 2013) and AusBiotech Ltd. He was also a Senator with Murdoch University.
Interest in shares:	369,267
Interests in options:	1,650,000

Name:	Mr Paul Anderson
Title:	Managing Director
Experience and expertise:	Mr Anderson has over 16 years' experience in the medical device and cellular therapeutic fields with expertise in bridging the gap between research and clinical practice in the development of emerging medical technologies. Mr Anderson has a proven track record in his previous board position as Managing Director with Verigen Australia Pty Ltd a human cell therapies company. Mr Anderson has extensive experience in the establishment of GMP manufacturing facilities for cell therapies, sales of orthopaedic and other medical devices and therapies and associated regulatory filings.
Directorships (last 3 years):	Nil
Interest in shares:	6,963,608
Interests in options:	2,750,000

Name:	Mr Matthew Callahan
Title:	Non-Executive Director
Experience and expertise:	Mr Callahan is a founding director of Orthocell. He is also the founding CEO of iCeutica and a co-inventor of some of the technologies that comprise the SoluMatrix Fine Particle Technology™ for improving the bioavailability of pharmaceuticals. iCeutica and its partner Iroka Pharmaceuticals have successfully secured the approval of two drugs by US FDA and has 6 separate clinical programs underway using the technology. He has more than 20 years legal, licensing and investment management experience and was also the founding CEO of Dimerix Bioscience Pty Ltd and is a director of Glycan Bioscience LLC. Mr Callahan has worked as investment director for two venture capital firms investing in life sciences and other sectors. He was General Manager and General Counsel with an ASX listed patent licensing company where he was responsible for licensing programs that have generated over $100 million in revenue.
Directorships (last 3 years):	Nil
Interest in shares:	10,179,559
Interests in options:	1,650,000

Name:	Professor Lars Lidgren
Title:	Independent Non-Executive Director
Experience and expertise:	Professor Lidgren has authored and co-authored over 250 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, acquired by Biomet. Professor Lidgren is the inventor, founder and board member of Bone Support, an emerging leader in bone therapeutics. In 2014 a successful oversubscribed IPO was undertaken in a privately held health/security/mobile communication company, GWS (Nasdaq: OMX, expected listing date 15 October 2014), where Professor Lidgren is chairman and majority shareholder.
Directorships (last 3 years):	Nil
Interest in shares:	923,523
Interests in options:	150,000

Name:	Mr Qi Xiao Zhou
Title:	Non-Executive Director
Experience and expertise:	Mr Zhou has 15 years' experience within China as a senior business manager and executive. Mr Zhou is the founding CEO of Shenzhen Lightning Digital Technology Co Ltd, a company focused on the manufacture and distribution of electronic semiconductor since 2001. Mr Zhou has experience within the public markets in Hong Kong, China and Taiwan and brings to the Board a wealth of business management and development experience. In particular Mr Zhou has broad connections and experience in the licensing of technologies into the Asian region.
Directorships (last 3 years):	Nil
Interest in shares:	5,955,673
Interests in options:	150,000

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 publically 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 2015, and the number of meetings attended by each director was:

	Full Board		Remuneration Committee	
	Attended	Held(1)	Attended	Held(1)
Dr Stewart Washer	4	5	1	1
Mr Paul Anderson	5	5	1	1
Mr Matthew Callahan	5	5	1	1
Professor Lars Lidgren	5	5	-	-
Mr Qi Xiao Zhou	2	5	-	-

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

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 amount 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.

During the financial year ended 30 June 2015 the Company granted options to Non-Executive Directors as detailed in the tables on page 10 of this report.

The remuneration of non-executive directors for the years ended 30 June 2014 and 30 June 2015 are detailed in the tables on page 9 of this report.

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 2015 the Company did not grant any options to Executives.

The remuneration of executives for the years ended 30 June 2014 and 30 June 2015 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
Mr Matthew Callahan	Non-Executive Director
Professor Lars Lidgren	Independent Non-Executive Director
Mr Qi Xiao Zhou	Non-Executive Director
Professor Fiona Wood	Non-Executive Director

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments		
	Cash salary and fees	Bonus[1]	Super-annuation	Long service leave		Total	Performance related
	$	$	$	$	$	$	%
Year ended 30/06/2015							
Non-Executive Directors:							
Mr M Callahan	113,331	-	-	-	142,756	256,087	55.75%
Prof L Lidgren	40,000	-	-	-	11,349	51,349	22.10%
Mr QX Zhou[4]	36,530	-	3,470	-	11,349	51,349	22.10%
Executive Directors:							
Mr P Anderson	280,000	30,000	29,462	17,152	169,236	525,850	37.89%
Dr S Washer[3]	120,000	-	-	-	142,756	262,756	54.33%
Total	589,861	30,000	32,932	17,152	477,446	1,147,391	44.23%
Year ended 30/06/2014							
Non-Executive Directors:							
Mr M Callahan	37,500	-	-	-	-	37,500	-
Prof L Lidgren	-	-	-	-	-	-	-
Mr QX Zhou[4]	-	-	-	-	-	-	-
Prof F Wood[2]	31,800	-	-	-	-	31,800	-
Executive Directors:							
Mr P Anderson	235,887	50,000	26,445	12,026	-	324,358	15.42%
Dr S Washer[3]	60,000	-	-	-	-	60,000	-
Total	365,187	50,000	26,445	12,026	-	453,658	11.02%

(1) Discretionary bonus as approved by the board.
(2) Resigned on 8 April 2014
(3) Appointed on 7 April 2014
(4) Appointed on 2 November 2012.

Share-based compensation

During the year ended 30 June 2015 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
3 Aug 2014	$0.50	3 Aug 2017	4,250,000	$0.09	$382,476
24 Nov 2014	$0.62	23 Nov 2017	2,100,000	$0.08	$158,880

There were no share-based compensation payments to key management personnel during the previous year ended 30 June 2014.

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 01/07/14	Conversion[(1)]	Division[(1)]	Additions	Disposals/ Other	Balance 30/06/15
Ordinary shares						
Mr Paul Anderson	426,248	4,477	6,532,883	-	-	6,963,608
Mr Matthew Callahan[(2)]	92,593	521,587	9,315,379	250,000	-	10,179,559
Prof Lars Lidgren	45,000	-	682,523	196,000	-	923,523
Dr Stewart Washer	-	9,542	144,725	215,000	-	369,267
Mr Qi Xiao Zhou	319,677	33,240	5,352,756	250,000	-	5,955,673
	883,518	568,846	22,028,266	911,000	-	24,391,630
Series A pref shares[(1)]						
Dr Stewart Washer	9,542	(9,542)	-	-	-	-
Mr Matthew Callahan[(2)]	465,154	(465,154)	-	-	-	-
	474,696	(474,696)	-	-	-	-
Series A2 pref shares[(1)]						
Mr Paul Anderson	4,477	(4,477)	-	-	-	-
Mr Matthew Callahan[(2)]	56,433	(56,433)	-	-	-	-
Mr Qi Xiao Zhou	33,240	(33,240)	-	-	-	-
	94,150	(94,150)	-	-	-	-

There were no shares issued as part of directors' remuneration during the financial year.

(1) On 1 August 2014 all Series A and Series A2 Preference Shares were converted to Ordinary Shares. All Ordinary shares were then split on the basis of 16.16718 per share.

(2) Mr Callahan is a founder and director of Stone Ridge Ventures Pty Ltd which is the manager of the SRV Tech Trust, a venture capital fund. Mr Callahan's interest in shares is held indirectly through:

- SRV Custodians Pty Ltd as trustee for the SRV Tech Trust which is the venture capital fund (574,026 shares) in respect of which AustralianSuper Investments Pty Ltd, as trustee of the AustralianSuper Private Equity Trust is the sole unit holder; and
- SRV Nominees Pty Ltd as trustee for the SRV Trust which is the carry trust for the SRV Tech Trust (40,154 shares).

Mr Callahan is considered to have a relevant interest in these shares due to his position as a director or shareholder of the respective trustee companies and holds a beneficial interest in the SRV Trust.

Option holding
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 at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares:					
Mr Paul Anderson	-	2,750,000	-	-	2,750,000
Dr Stewart Washer	-	1,650,000	-	-	1,650,000
Mr Matthew Callahan	-	1,650,000	-	-	1,650,000
Professor Lars Lidgren	-	150,000	-	-	150,000
Mr Qi Xiao Zhou	-	150,000	-	-	150,000

Other transactions with key management personnel and their related parties
There were no 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.

Name	Position	Salary	Short term incentive	Notice period
Mr Paul Anderson	Managing Director	$326,000 per annum plus superannuation	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. Mr Anderson was also granted 1,250,000 options on 4 August 2014, and 750,000 options on 24 November 2014.	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 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:

Contractor / Key Employee	Consulting fee	Consulting services
Bocca Consulting Pty Ltd / Mr Matthew Callahan	$1,500 per day	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.
Biologica Ventures Pty Ltd / Dr Stewart Washer	$150,000 per annum	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.

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 acknowledges 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.

The Company also granted Mr Callahan and Dr Washer 1,250,000 options each on 4 August 2014 and 400,000 options each on 24 November 2014.

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 directors 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.

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).

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

Grant date	Expiry date	Exercise price	Number of options
3 August 2014	3 August 2017	$0.50	5,912,500
24 November 2014	24 November 2014	$0.62	3,520,000

Shares issued on the exercise of options
There were no shares of the Company issued during the year ended 30 June 2015 and up to the date of this report on the exercise of options granted:

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 paid a premium of $17,841 in respect of this policy.

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.

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.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2015 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.

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 21 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 21 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.

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

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.

Auditor
PKF Mack 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
18 September 2015
Perth

Accounting, Financial and Business Advisory

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 2015, 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 Mack

PKF MACK

SIMON FERMANIS
PARTNER

18 SEPTEMBER 2015
WEST PERTH
WESTERN AUSTRALIA

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	Note	Consolidated 2015 $	2014 $
Revenue			
Sales revenue	3	790,430	691,405
Cost of goods sold	4	(652,856)	(597,151)
Gross profit		137,574	94,254
Other revenue	3	899,878	593,008
Expenses			
Administrative & general expenses		(894,737)	(498,372)
Sales & marketing expenses		(575,127)	(200,646)
Orthopaedic distributor costs		(395,540)	(371,314)
Employment expenses		(3,339,507)	(1,643,418)
Laboratory / research & development costs		(733,077)	(686,123)
Other expenses		-	-
	4	(5,937,988)	(3,399,873)
Loss before income tax expense		(4,900,536)	(2,712,611)
Income tax benefit	5	1,157,821	530,426
Loss after income tax expense		(3,742,715)	(2,182,185)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss		(3,742,715)	(2,182,185)

		Cents	Cents
Loss per share			
Basic earnings per share	29	(0.05)	(0.61)
Diluted earnings per share	29	(0.05)	(0.61)

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

Orthocell Limited
Consolidated statement of financial position
As at 30 June 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Assets			
Current assets			
Cash and cash equivalents	6	4,774,108	3,467,352
Trade and other receivables	7	178,377	126,716
Inventories	8	150,665	151,871
Other	9	82,052	305,335
Total current assets		5,185,202	4,051,274
Non-current assets			
Property, plant and equipment	10	306,129	286,893
Intangibles	11	1,044,802	799,714
Total non-current assets		1,350,931	1,086,607
Total assets		6,536,133	5,137,881
Liabilities			
Current liabilities			
Trade and other payables	12	755,863	3,855,443
Employee benefits	13	310,395	232,010
Other	14	235,849	218,540
Total current liabilities		1,302,107	4,305,993
Non-current liabilities			
Other	15	850,236	755,700
Total non-current liabilities		850,236	755,700
Total liabilities		2,152,343	5,061,693
Net assets		4,383,790	76,188
Equity			
Issued capital	16	15,302,482	8,050,570
Reserves	17	798,405	-
Accumulated losses	18	(11,717,097)	(7,974,382)
Total equity		4,383,790	76,188

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

	Issued capital $	**Option reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2013	5,921,133	85,148	(5,792,197)	214,084
Loss after income tax expense for the year	-	-	(2,182,185)	(2,182,185)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,182,185)	(2,182,185)
Transactions with owners in their capacity as owners:				
Contributions of equity	2,098,714	-	-	2,098,714
Share equity costs	(120,151)	-	-	(120,151)
Exercised options share value	65,726	-	-	65,726
Exercised options reserves transfer	85,148	(85,148)	-	-
Balance at 30 June 2014	8,050,570	-	(7,974,382)	76,188

	Issued capital $	**Option reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2014	8,050,570	-	(7,974,382)	76,188
Loss after income tax expense for the year	-	-	(3,742,715)	(3,742,715)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,742,715)	(3,742,715)
Transactions with owners in their capacity as owners:				
Contributions of equity	8,000,000	-	-	8,000,000
Share equity costs	(748,088)	-	-	(748,088)
Issue of options	-	798,405	-	798,405
Balance at 30 June 2015	15,302,482	798,405	(11,717,097)	4,383,790

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

Orthocell Limited
Consolidated statement of cash flows
For the year ended 30 June 2015

	Note	Consolidated 2015 $	2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,266,115	1,099,848
Payments to suppliers and employees (inclusive of GST)		(5,647,332)	(3,477,304)
Receipt from license fee		270,356	-
Grants received		62,058	78,894
R&D tax concession received		1,157,821	530,426
Interest received		123,369	15,110
Net cash used in operating activities	28	(2,767,613)	(1,753,026)
Cash flows from investing activities			
Payments for property, plant and equipment		(56,111)	(4,872)
Payments for intangible assets		(263,235)	(268,381)
Net cash used in investing activities		(319,346)	(273,253)
Cash flows from financing activities			
Proceeds from issue of shares		-	2,164,440
Share equity costs		-	(120,151)
Proceeds from IPO		5,014,900	2,985,100
Share equity costs – IPO		(621,185)	(126,902)
Net cash from/(used in) financing activities		4,393,715	4,902,487
Net increase /(decrease) in cash and cash equivalents		1,306,756	2,876,208
Cash and cash equivalents at the beginning of the financial year	6	3,467,352	591,144
Cash and cash equivalents at the end of the financial year	6	4,774,108	3,467,352

The above statement of cash flows should be read in conjunction with the accompanying notes

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:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

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 subsidiary. 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. The financial statements were authorised for issue in accordance with a resolution of directors on 17 September 2015. The directors have the power to amend and reissue the financial statements.

Note 1. Significant accounting policies (continued)

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 26.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities and results of Orthocell Limited ('Company' or 'parent entity') and its subsidiary Ausbiomedical Pty Ltd as at 30 June 2015. Orthocell Limited and its subsidiary 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.

Note 1. Significant accounting policies (continued)

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
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

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.

Note 1. Significant accounting policies (continued)

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 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 provision for impairment. 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Inventory relates to work in progress which 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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Note 1. Significant accounting policies (continued)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are 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 ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets, principally equity securities, which are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor, a breach of contract such as default or delinquency in payments, the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do, it becomes probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market for the financial asset, or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

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 years
Plant and equipment	Diminishing value	3-7 years
Computer software	Straight line	2-3 years
Furniture and fittings	Diminishing value	10-15 years

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.

Note 1. Significant accounting policies (continued)

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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 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 and technical feasibility, the consolidated entity is able to use or sell the asset, the consolidated entity has sufficient resources, and intent to complete the development and 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 20 years. 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 20 years from the date of application. 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 24.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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.

Note 1. Significant accounting policies (continued)

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 2015. The consolidated entity has not assessed of the impact of these new or amended Accounting Standards and Interpretations.

AASB No.	Title	Application date of standard *	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2010
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part C - Financial Instruments	Part C - 1 January 2015	December 2013
AASB 2014-1	Amendments to Australian Accounting Standards Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts, Part E - Financial Instruments	Part D - 1 January 2016, Part E - 1 January 2018	June 2014
AASB 2014-3	Amendments to Australian Accounting Standard – Accounting for Acquisition of Interest in Joint Operations [AASB 1 & AASB 11]	1 January 2016	August 2014
AASB 2014-4	Amendments to Australian Accounting Standard - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	1 January 2016	August 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 January 2017	December 2014
AASB 2014-6	Amendments to Australian Accounting Standard – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]	1 January 2016	December 2014
AASB 2014-7	Amendments to Australian Accounting Standard arising from AASB 9	1 January 2018	December 2014
AASB 2014-8	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2015	December 2014
AASB 2014-9	Amendments to Australian Accounting Standard - Equity Method in Separate Financial Statements	1 January 2016	December 2014
AASB 2014-10	Amendments to Australian Accounting Standard - Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 January 2016	December 2014
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	1 January 2016	January 2015
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	1 January 2016	January 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality	I July 2015	January 2015
AASB 2015-4	Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent **	1 July 2015	January 2015
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	1 July 2015	January 2015
AASB 2015-6	Amendments to Australian Accounting Standards – Extending Related Party Disclosures to NFP Public Sector Entities	1 July 2016	March 2015
AASB 14	Regulatory Deferral Account	1 January 2016	June 2014
AASB 15	Revenues from Contracts with Customers	1 January 2017	December 2014
AASB 1056	Superannuation Entities	1 July 2016	June 2014

* 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, management believes 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 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 impairment of receivables
The provision for impairment 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 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.

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.

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.

Note 3. Revenue

	Consolidated 2015 $	2014 $
Sales revenue		
Sale of goods	790,430	691,405
	790,430	691,405
Other revenue		
Interest	123,369	15,110
Commissions	569,571	381,321
Export market development grant	62,058	78,894
License fee	141,696	107,950
Other	3,184	9,733
	899,878	593,008
Total revenue	1,690,308	1,284,413

Note 4. Expenses

Loss before income tax includes the following specific expenses:

	2015 $	2014 $
Cost of sales		
Cost of sales	652,856	597,151
Depreciation and amortisation		
Depreciation - plant and equipment	34,445	29,132
Amortisation - patents and trademarks	24,910	8,698
Total depreciation and amortisation	59,355	37,830
Net foreign exchange loss		
Net foreign exchange loss	1,097	3,929
Rental expense relating to operating leases		
Minimum lease payments	114,351	89,532
Employment expenses		
Salaries and wages	1,904,735	1,445,771
Employee benefits	78,385	73,141
Superannuation expense	177,658	127,366
Consultants' fees	465,500	315,326
Directors' fees	236,530	129,300
Payroll & other taxes	86,954	49,160
Other employment costs	44,342	5,035
Share-based payments expense	798,405	-
Allocated to cost centres	(453,002)	(501,681)
Total employment expenses	3,339,507	1,643,418
Loss on disposal of assets		
Plant and equipment	-	-
Write off of assets		
Inventories	43,303	51,198

Note 5. Income tax expense

	Consolidated	
	2015	**2014**
	$	**$**
Income tax expense		
Current tax benefit relating to ordinary activities	1,157,821	530,426
Deferred tax – origination and reversal of temporary differences	-	-
Adjustment recognised for prior periods	-	-
Aggregate income tax expense	1,157,821	530,426
Income tax expense is attributable to:		
Profit from continuing operations	-	-
Profit from discontinued operations	-	-
	-	-
Aggregate income tax expense at statutory rate of 30%	-	-
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	-	-
Increase/(decrease) in deferred tax liabilities	-	-
Deferred tax – origination and reversal of temporary differences		
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(3,742,715)	(2,182,185)
Tax at the statutory tax rate of 30%	(1,122,815)	(654,655)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	13,025	4,541
Research and development expenditure	184,714	129,027
Research and development rebate received	(347,347)	(159,128)
Share-based payments	(18,617)	-
Sundry items	239,595	(70)
Income tax benefit not brought to account	1,051,445	680,145
Adjustment recognised for prior periods	-	-
Research and development tax benefit received	1,157,821	530,426
Income tax benefit	1,157,821	530,426
The following deferred tax balances have not been recognised:		
Deferred tax assets at 30%:		
Provisions and accruals	107,026	82,652
Unrealised FX loss	329	-
Capital raising costs	229,773	44,867
Carried forward revenue losses	1,498,615	1,043,918
	1,835,743	1,171,436

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.

Note 6. Cash and cash equivalents

	Consolidated 2015 $	Consolidated 2014 $
Cash at bank	4,774,108	482,303
Cash at bank held in trust	-	2,985,049
	4,774,108	3,467,352

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 cash flows as follows:

	2015 $	2014 $
Balance as above		
Cash and cash equivalents	4,774,108	3,467,352
Balance as per statement of cash flows	4,774,108	3,467,352

Note 7. Trade and other receivables

	2015 $	2014 $
Trade receivables	144,249	54,797
Other receivables:		
Sundry debtors	774	200
GST refund due	33,354	71,719
	34,128	71,919
	178,377	126,716

Impairment of receivables

There has been no impairment of receivables in the year ended 30 June 2015 (30 June 2014: $0).

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $56,622 as at 30 June 2015 (30 June 2014: $12,200)

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:

	2015 $	2014 $
0 to 3 months overdue	36,074	12,200
3 to 6 months overdue	20,548	-
	56,622	12,200

Note 8. Inventories

	2015 $	2014 $
Consumables – at cost	4,990	-
Work in progress – at cost	145,675	151,871
	150,665	151,871

Note 9. Other

	Consolidated 2015 $	2014 $
Accrued revenue	77,590	58,562
Capitalised IPO costs	-	244,228
Prepayments	4,302	2,545
Other	160	-
	82,052	305,335

Note 10. Property, plant and equipment

	2015	2014
Leasehold improvements – at cost	272,502	272,502
Less: Accumulated depreciation	(56,820)	(50,008)
	215,682	222,494
Plant and equipment – at cost	375,838	325,283
Less: Accumulated depreciation	(299,461)	(274,050)
	76,377	51,233
Furniture and fittings – at cost	34,312	31,184
Less: Accumulated depreciation	(20,242)	(18,018)
	14,070	13,166
	306,129	286,893

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

Consolidated	Leasehold improvements $	Plant and equipment $	Furniture and fittings $	Total $
Balance at 30 June 2013	229,306	60,317	13,192	302,815
Additions	-	11,140	2,070	13,210
Disposals	-	-	-	-
Depreciation expense	(6,812)	(20,224)	(2,096)	(29,132)
Balance at 30 June 2014	222,494	51,233	13,166	286,893
Additions	-	51,372	3,126	54,498
Disposals	-	(817)	-	(817)
Depreciation expense	(6,812)	(25,411)	(2,222)	(34,445)
Balance at 30 June 2015	215,682	76,377	14,070	306,129

Note 11. Intangibles

	Consolidated 2015 $	Consolidated 2014 $
Patents and trademarks – at cost	1,085,633	815,635
Less: Accumulated amortisation	(40,831)	(15,921)
	1,044,802	799,714

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

	Patents and trademarks $	Total $
Balance at 30 June 2013	537,706	537,706
Additions	270,706	270,706
Amortisation expense	(8,698)	(8,698)
Balance at 30 June 2014	799,714	799,714
Additions	269,998	269,998
Amortisation expense	(24,910)	(24,910)
Balance at 30 June 2015	1,044,802	1,044,802

Note 12. Trade and other payables

	2015	2014
Trade payables	628,941	710,770
Share applications – held on trust	-	2,985,100
Other payables	126,922	159,573
	755,863	3,855,443

Note 13. Employee benefits

	2015	2014
Annual leave entitlements	196,307	162,310
Long service leave entitlements	114,088	69,700
	310,395	232,010

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 also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since 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 14. Other current liabilities

	Consolidated 2015 $	2014 $
Accrued expenses	94,149	110,590
Revenue received in advance	141,700	107,950
	235,849	218,540

Note 15. Other non-current liabilities

Revenue received in advance	850,236	755,700
	850,236	755,700

Note 16. Equity – issued capital

	Consolidated 2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares – fully paid	82,500,000	2,166,026	16,237,140	3,313,427
Preference shares series A – fully paid	-	1,361,230	-	3,423,714
Preference shares series A2 – fully paid	-	338,600	-	1,500,000
	82,500,000	3,865,856	16,237,140	8,237,141
Share equity costs – preference shares series A2	-	-	-	(66,420)
Share equity costs – preference shares series A	-	-	-	(120,151)
Share equity costs – ordinary shares	-	-	(934,658)	-
	82,500,000	3,865,856	15,302,482	8,050,570

Movements in ordinary share capital:

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	2,138,526		3,162,553
Issue of shares on the exercise of options	23 May 2014	27,500	$2.39	65,726
Transfer from share options reserve on the exercise of options		-		85,148
Balance	30 June 2014	2,166,026		3,313,427
Conversion of preference shares to ordinary shares	1 August 2014	1,699,830		4,923,713
Division of shares	1 August 2014	58,634,144		-
Issue of shares at IPO	4 August 2014	20,000,000	$0.40	8,000,000
IPO share issue costs		-		(934,658)
Balance	30 June 2015	82,500,000		15,302,482

Note 16. Equity – issued capital (continued)

Movements in redeemable preference series A share capital:

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	960,714		1,325,000
Issue of shares	9 February 2014	51,710	$5.24	270,968
Issue of shares	18 March 2014	347,806	$5.24	1,822,506
Issue of shares	23 May 2014	1,000	$5.24	5,240
Balance	30 June 2014	1,361,230		3,423,714
Conversion of preference shares to ordinary shares	1 August 2014	(1,361,230)		(3,423,714)
Balance	30 June 2015	-		-

Movements in redeemable preference series A2 share capital:

Details	Date	No of shares	Issue price	$
Balance	1 July 2013	338,600		1,500,000
Balance	30 June 2014	338,600		1,500,000
Conversion of preference shares to ordinary shares	1 August 2014	(338,600)		(1,500,000)
Balance	30 June 2015	-		-

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.

Redeemable preference series A and A2 shares
The rights, privileges and conditions attached to the Series A and Series A2 Preference Shares (Preference Shares) on issue at 30 June 2014 are the same as the ordinary shares in the Company except as set out below:

(a) The Preference Shares shall rank for dividends pari passu with the ordinary shares in the company on an as converted basis.

(b) A holder of Preference Shares is entitled at any time to convert part or the whole of their Preference Shares into Ordinary Shares.

(c) The Preference Shares will automatically convert into fully paid Ordinary Shares on the closing of a qualifying public offering being upon the closing of a firmly underwritten or completed public offering of Ordinary Shares in the Company at a price per share of at least three times the original price of the Series A Preference Share issued pursuant to the Series A Subscription Agreement of $1, and a total new raising of at least A$5,000,000 (before deduction of underwriters commissions and expenses).

Note 16. Equity – issued capital (continued)

(d) If immediately prior to a conversion, the conversion ratio is not 1:1, the converting Preference Shares will be subdivided into a greater number of Preference Shares reflected by the conversion ratio so that conversion into Ordinary Shares is always on a 1:1 basis. Fractions of a share will be rounded up for the purposes of conversion.

(e) The Preference Shares will confer on their holders the right to receive notices of and to attend and vote at general meetings.

(f) Subject to Chapter 2H, Part 2.H2 of the Corporations Act 2001 (Cth) a holder of Preference Shares may redeem its Preference Shares at their issue price if an Event of Default contained in the Shareholders Agreement occurs.

(g) In the event of any liquidation or winding up of the Company holders of Preference Shares shall be entitled to receive in preference to the holders of other Shares an amount equal to the issue price of the Preference Shares together with any declared, accrued and unpaid dividends, following which the holders of Ordinary Shares and Preference Shares, on an as converted basis, will participate pro rata in any remaining proceeds available for distribution.

(h) In the event of a sale of Shares that includes a sale of Preference Shares or In the event of a sale of all or substantially all of the assets of the Company, holders of Preference Shares shall be entitled to receive in preference to the holders of other Shares an amount equal to the issue price of the Preference Shares together with any declared, accrued and unpaid dividends, following which the holders of Ordinary Shares and Preference Shares, on an as converted basis, will participate pro rata in any remaining proceeds available for distribution.

Following shareholder approval received on 2 May 2014 and ASX providing conditional approval for Official Quotation on 1 August 2014, all redeemable preference series A and A2 shares were converted into ordinary shares on 4 August 2014.

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 amount 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 in order to maximise synergies.

Note 17. Option reserve

	Consolidated		Consolidated	
	2015 Options	2014 Options	2015 $	2014 $
Share option reserve	9,432,500	-	798,405	-
	9,432,500	-	798,405	-

Note 17. Option reserve (continued)

Movement in option reserve
Movement in option reserve during the current and previous financial year are set out below:

	Date	No of options	Total $
Balance	30 June 2013	27,500	85,148
Options exercised	23 May 2014	(27,500)	(85,148)
Balance at 30 June 2014		-	-
Options issued(1)	3 August 2014	5,912,500	532,092
Options issued(2)	24 November 2014	3,520,000	266,313
Balance at 30 June 2015		9,432,500	798,405

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.

For the options granted during the current half year, the valuation model inputs used to determine the fair value at the grant date are as follows:

	(1)	(2)
Grant date	3 Aug 2014	24 Nov 2014
Expiry date	3 Aug 2017	24 Nov 2017
Share price at grant date	$0.40	$0.427
Exercise price	$0.50	$0.62
Expected volatility	40%	40%
Dividend yield	0%	0%
Risk-free rate	3.08%	3.08%
Fair value at grant date	$0.09	$0.08

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

Grant date	Expiry date	Exercise Price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2015							
03/08/2014	03/08/2017	$0.50	-	5,912,500	-	-	5,912,500
24/11/2014	24/11/2017	$0.62	-	3,520,000	-	-	3,520,000
			-	9,432,500	-	-	9,432,500
2014							
15/08/2010	15/08/2015	$2.39	27,500	-	27,500	-	-

Note 18. Equity – accumulated losses

	Consolidated 2015 $	Consolidated 2014 $
Accumulated losses at the beginning of the financial year	7,974,382	5,792,197
Loss after income tax expense for the year	3,742,715	2,182,185
Accumulated losses at the end of the financial year	11,717,097	7,974,382

Note 19. 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 and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and 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 and 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 and 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)]	4,774,108	3,467,352

[(1)] The weighted average interest rate of cash is 2.06% (2014: 2.40%)

None of the consolidated entity's financial liabilities are interest bearing.

(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.

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 2015:							
Trade and other payables	850,012	-	-	-	-	-	850,012
As at 30 June 2014:							
Trade and other payables	980,933	-	-	-	-	-	980,933

Note 19. Financial instruments (continued)

(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 2015 and 2014. None of the Company's financial liabilities are interest bearing.

	Carrying amount	Interest rate risk -1%		Interest rate risk 1%	
		Net profit	Equity	Net profit	Equity
30 June 2015	$	$	$	$	$
Financial assets					
Cash	4,774,108	(47,741)	(47,741)	47,741	47,741
30 June 2014					
Financial assets					
Cash	3,467,352	(34,673)	(34,673)	34,673	34,673

Note 20. 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:

	Consolidated	
	2015	**2014**
	$	**$**
Short-term employee benefits	619,861	415,187
Post-employment benefits	32,932	26,445
Long-term benefits	17,152	12,026
Share-based payments	477,446	-
	1,147,391	453,658

Note 21. Remuneration of auditor

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

Audit services – PKF Mack		
Audit or review of the consolidated financial statements	31,250	33,000
Other services – PKF Mack		
Preparation of the tax return	2,000	2,000
Preparation of Investigating accountants report	-	11,500
Other matters	8,250	9,500
	10,250	23,000
	41,500	56,000

Note 22. Contingent liabilities

The consolidated entity has no contingent liabilities for the years ended 30 June 2015 or 30 June 2014.

Note 23. Contingent assets

Following the acquisition of Biomet Australia Pty Ltd by Zimmer Pty Ltd on 30 June 2015 Orthocell signed a Deed of Termination Release and Transition (Termination Agreement) with Biomet Australia Pty Ltd and Zimmer Pty Ltd, thus terminating Orthocell's Distributor Agreement with Biomet Pty Ltd.

Under the terms of the Termination Agreement Orthocell are entitled to termination payments totalling $268,652 over the 12 months ending 30 June 2016 provided the terms of the Termination Agreement are followed. Of this amount $76,758 was received and included as revenue in the profit and loss in June 2015. The likelihood of receiving the remaining termination payments totalling $191,894 is highly probable. No asset has been recognised within these financial statements.

Note 24. Commitments

	Consolidated	
	2015	**2014**
	$	**$**
Patent annuity commitments		
To maintain patent rights the following commitments will need to be met by the Company:		
Within one year	25,382	26,971
One to five years	168,154	119,033
More than five years	434,862	320,466
	628,398	466,470
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	32,899	73,575
One to five years	33,496	15,697
More than five years	-	-
	66,395	89,272
Total commitments	694,793	555,742

Operating lease commitments includes contracted amounts for various equipment under non-cancellable operating leases expiring within one to ten years and the current office and lab rental lease.

Note 25. Related party transactions

Parent entity:	Orthocell Limited is the parent entity
Subsidiaries:	Interests in subsidiaries are set out in note 26.
Key management personnel:	Disclosures relating to key management personnel are set out in note 20 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 26. Parent entity and interests 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	2015 %	2014 %
Ausbiomedical Pty Ltd	Australia	100	100

Ausbiomedical Pty Ltd has no assets or liabilities and does not trade in its own right.

As the Company's only subsidiary, Ausbiomedical Pty Ltd, does not trade or have any assets and liabilities, the consolidated entity and parent entity disclosures are the same.

Note 27. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2015 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 28. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated 2015 $	Consolidated 2014 $
Loss after income tax expense for the year	(3,742,715)	(2,182,185)
Adjustments for:		
Depreciation and amortisation	59,355	37,830
Share-based payments	798,405	-
Inventory write-off	43,303	51,198
Loss on disposal of fixed assets		-
Change in operating assets and liabilities:		
(Increase)/decrease in debtors	(75,473)	(35,508)
(Increase)/decrease in prepayments	(1,917)	(2,545)
(Increase)/decrease in inventories	(42,098)	(18,045)
(Increase)/decrease in accrued revenue	(19,028)	(1,486)
Increase/(decrease) in creditors	22,326	439,114
Increase/(decrease) in accruals	(16,442)	(6,590)
Increase/(decrease) in employee entitlements	78,385	73,141
Increase/(decrease) in unearned income	128,286	(107,950)
Net cash from operating activities	(2,767,613)	(1,753,026)

Note 29. Loss per share

	Consolidated 2015 $	2014 $
Loss per share		
Loss after income tax	(3,742,715)	(2,182,185)
	Number	**Number**
Weighted average number of shares used in calculating basic and diluted loss per share	75,657,100	3,561,056

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.

Following the conversion of preference shares to ordinary shares and division of shares on 1 August 2014 and the issue of shares on 4 August 2014 pursuant to the prospectus dated 28 May 2014 the Company at the date of this report has 82,500,000 ordinary shares on issue.

Note 30. 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.

Orthocell Limited
Directors' declaration
For the year ended 30 June 2015

In the directors' opinion:

- the attached consolidated financial statements and notes thereto 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 2015 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

18 September 2015

Perth

PKF MACK

Accounting, Financial and Business Advisory

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ORTHOCELL LIMITED

Report on the Financial Report

We have audited the accompanying consolidated financial report of Orthocell Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, 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. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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PKF MACK
Accounting, Financial and Business Advisory

Opinion

In our opinion:

(a) the financial report of Orthocell Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 12 of the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Orthocell Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

PKF Mack

PKF MACK

SIMON FERMANIS
PARTNER

18 SEPTEMBER 2015
WEST PERTH
WESTERN AUSTRALIA

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 October 2015.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: a listed entity should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

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.

The Company has complied with this recommendation.

ASX Recommendation 1.2: a listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

The Company did not elect any new Directors during the year.

Information in relation to Directors seeking reappointment is set out in the Directors report and Notice of Annual General Meeting.

The Company has complied with this recommendation.

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.

The Company has complied with this recommendation.

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.

The Company has complied with this recommendation.

ASX Recommendation 1.5: a listed entity should:

- **have a diversity policy which includes the requirement for the board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;**
- **disclose the policy or a summary of it;**
- **disclose the measurable objectives and progress towards achieving them; and**
- **disclose the respective proportions of men and women on the board and at each level of management and the company as a whole.**

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 2015, the Company does not have any female Board members (2014: nil). The Company has 1 female (50%) in senior management positions. (2014: 1, 50%). Of the balance of the Company's employees 67% are female (2014:54%). 50% (2014: 40%) of the Company's employees in total, including Directors, are female.

The Company partly complies with this recommendation.

ASX Recommendation 1.6: a listed entity should disclose the process for evaluating the performance of the board, its committees and individual directors and whether a performance evaluation was carried out during the reporting period in accordance with that process.

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.

A performance review was undertaken during the reporting period.

The Company has complied with this recommendation.

ASX Recommendation 1.7: a listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

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.

The performance of executive Directors, including the Managing Director, will be reviewed by the Remuneration Committee. The Remuneration Committee will conduct a performance evaluation of the Executive Directors annually to review performance against KPIs set for the previous year, and to establish KPIs for the forthcoming year.

The Company has complied with this recommendation.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.1: The board of a listed entity should establish a nomination committee:

- **with at least three members the majority of which are independent directors**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

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.

The Company has not complied with this recommendation.

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.

The Board has established a skills matrix. On a collective basis the Board has the following skills:

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.
R**isk 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.

The Company has complied with this recommendation.

ASX Recommendation 2.3: a listed entity should disclose the names of the directors considered by the board to be independent directors and provide details in relation to the length of service of each Director.

During the year ended 30 June 2015 the only independent Director of the Company was Professor Lars Lidgren.

Dr Stewart Washer and Mr Paul Anderson are Executive Directors and are not considered to be independent Directors as they are employed in an executive capacity.

Mr Qi Xiao Zhou is a substantial shareholder and as such is not considered to be an independent Director.

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

The Company has complied with this recommendation.

ASX Recommendation 2.4: the majority of the board of a listed entity should be independent directors.

The Board does not have a majority of directors who are independent.

The Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. These skills include members with significant experience as directors of public companies, relevant experience in the management and growth of businesses together with extensive experience in the industry in which Orthocell operates.

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

The Company has not complied with this recommendation.

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 Paul Anderson.

The Company has partly complied with this recommendation.

ASX Recommendation 2.6: a listed entity should have a program for inducting new directors and provide appropriate professional development opportunities.

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.

The Company has complied with this recommendation.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1: a listed entity should establish a code of conduct and disclose the code or a summary of the 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.

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.

The Company has complied with this recommendation.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should establish an audit committee:
- **with at least three members, all of whom are non-executive directors and a majority of which are independent directors**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

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.

The Company has not complied with this recommendation.

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 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 2014 and the full year ended 30 June 2015. 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.

The Company partly complies with this recommendation.

ASX Recommendation 4.3: a listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

The Company has complied with this recommendation.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: a listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

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 made.

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

The Company has complied with this recommendation.

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 projects, 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.

The Company has complied with this recommendation.

ASX Recommendation 6.2: a listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company's Managing Director 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.

The Company has complied with this recommendation.

ASX Recommendation 6.3: a listed entity should disclose the policies and processes it has in place to facilitate and encourage 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.

The Company has complied with this recommendation.

ASX Recommendation 6.4: 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 email addresses provided on the website for the CEO and the Company Secretary.

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.

The Company has complied with this recommendation.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 4.1: The Board of a listed entity should have a committee to oversee risk:

- **with at least three members, all of whom are non-executive directors and a majority of which are independent directors**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

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.

The Company has not complied with this recommendation.

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.

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 during the reporting period.

The Company has complied with this recommendation.

ASX Recommendation 7.3: a listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of 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 the risk management and control framework.

The Company has complied with this recommendation.

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

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle.

There will be a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be effected by these economic risks.

The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate

The Board currently considers that the Company does not have any material exposure to environmental risk.

The Board currently considers that the Company does not have any material exposure to social sustainability risk. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behavior expected from employees when dealing with stakeholders.

The Company has complied with this recommendation.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The board of a listed entity should establish a remuneration committee:

- **with at least three members the majority of which are independent directors**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

The Board has established a Remuneration Committee and adopted a charter that sets out the Remuneration Committee's role and responsibilities, composition and membership requirements. Currently, Mr. Matthew Callahan (chair), Dr Stewart Washer and Dr 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 number of meetings of the committee and attendance at those meetings is set out in the Directors Report.

The Company has not complied with this recommendation.

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 (including superannuation payments) 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 for 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. 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.

The Company has complied with this recommendation.

ASX Recommendation 8.3: a listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

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.

The Company has complied with this recommendation.

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 26 October 2015.

1. 20 largest shareholders

The names of the twenty largest holders of each class of listed securities are listed below:

Twenty largest shareholders	Number held	% of issued shares
SRV Custodians Pty Ltd	9,530,382	11.55
Ming Hao Zheng & Ying Fan	6,775,131	8.21
Paul Anderson & Nicole Telford	6,403,335	7.76
J P Morgan Nominees Australia Limited	6,111,090	7.41
Qi Xiao Zhou	5,955,673	7.22
Jia Xun Xu	5,168,276	6.26
Veritas Securities Limited	2,425,077	2.94
National Nominees Limited	2,309,595	2.80
Citicorp Nominees Pty Limited	1,331,500	1.61
Murdoch Ventures Pty Ltd	923,841	1.12
HSBC Custody Nominees (Australia) Limited	802,703	0.97
Diamonex Ltd	727,523	0.88
SRV Nominees Pty Ltd	649,177	0.79
The University of Western Australia	646,687	0.78
ABN Amro Clearing Sydney Nominees Pty Ltd	636,896	0.77
Sandhurst Trustees Ltd	481,379	0.58
Dr Gregory Clayton Janes	461,912	0.56
Raymond Crowe Pty Ltd	461,912	0.56
Gerard Hardisty & Gabrielle Hardisty	461,912	0.56
Meredith Scott	461,912	0.56

2. Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholder	Number of shares
SRV Custodians Pty Ltd	9,530,382
Ming Hao Zheng & Ying Fan	6,775,131
Paul Anderson & Nicole Telford	6,403,335
J P Morgan Nominees Australia Limited	6,111,090
Qi Xiao Zhou	5,955,673
Jia Xun Xu	5,168,276

3. 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.

Options:
No voting rights

4. Distribution of equity securities

Range	Shareholders	Holdings	Percentage
1 – 1000	309	245,204	0.30
1001 – 5000	1,374	3,889,407	4.71
5001 - 10,000	503	4,062,915	4.92
10,001 - 100,000	544	14,221,556	17.24
100,001 and above	61	60,080,918	72.83
Total	2,783	82,500,000	100.00

Number of holders with less than marketable parcels: 19.

5. Unquoted securities

Options issued under the options plans total 9,432,500.

Issue date	Entitlement	Exercise price	Expiry date	Number
3 Aug 2014	One ordinary share upon exercise of each option	$0.50	3 Aug 2017	5,912,500
24 Nov 2014	One ordinary share upon exercise of each option	$0.62	23 Nov 2017	3,520,000
				9,432,500

All options are held by directors or by employees granted following shareholder approval or under the Orthocell Limited Employee Option Acquisition Plan.

6. Restricted securities

Security	Escrow expiry	Number
Ordinary shares	12 Aug 2016	27,185,515
Options exercisable at $0.50 expiring 3/08/2017	12 Aug 2016	4,250,000

7. On-market buy back

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

8. Listing Rule 4.10.19 confirmation

The Company has used the cash and assets readily convertible to cash that it had at the time of admission to ASX (12 August 2014) in a way consistent with the business objectives set out in the prospectus.