Appendix 4D

Half-yearly report for the 6 months to 31 December 2019

Orthocell Limited - ABN 57 118 897 135

1. Reporting period

Report for the half year ended 31 December 2019.
Previous period is the half year ended 31 December 2018

2. Results for announcement to the market

	31 Dec 2019	31 Dec 2018	% change
Sales revenues from ordinary activities	368,095	506,875	(27.4%)
Other revenues from ordinary activities	38,131	76,389	(50.1%)
Loss from ordinary activities after tax attributable to the owners of Orthocell Limited	(2,087,211)	(1,406,151)	48.4%
Loss for the half-year attributable to the owners of Orthocell Limited	(2,087,211)	(1,406,151)	48.4%

3. Net tangible assets per security

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary security	$0.122	$0.008

4. Dividends

No dividends were paid during the current or previous half years and no dividends have been declared subsequent to the half year end and up to the date of this report. There are no dividend or distribution reinvestment plans in operation.

5. Foreign entities

N/A

6. Gain or loss of control over entities

In August 2019 Orthocell divested its ownership in subsidiary Orthocell (HK) Limited.

7. Associates and joint ventures

N/A

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The Interim Report of Orthocell Limited for the half-year ended 31 December 2019 was subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Signed

Paul Anderson
Managing Director

Date: 25 February 2020
Perth

ortho·cell
advancing tissue repair & regeneration

Orthocell Limited

ABN 57 118 897 135

Half-Year Report
31st December 2019

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CORPORATE DIRECTORY

Board of Directors

Dr Stewart Washer
Executive Chairman, appointed 7 April 2014
Mr Paul Anderson
Managing Director, appointed 21 March 2006
Mr Matthew Callahan
Non-Executive Director, appointed 30 May 2006, resigned 23 August 2019, re-appointed 11 February 2020
Professor Lars Lidgren
Independent Non-Executive Director, appointed 17 December 2007
Mr Qi Xiao Zhou
Non-Executive Director, appointed 2 November 2012

Company Secretary

Mr Simon Robertson

Registered Office & Principal Place of Business

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

Share Register

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

Auditor

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

Solicitors

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

Bankers

Westpac Banking Corporation

Securities Exchange Listing

Australian Securities Exchange, ASX code: OCC

Website

www.orthocell.com.au

DIRECTORS REPORT

The directors present their report, together with the consolidated financial statements, on the consolidated entity ('consolidated entity') consisting of Orthocell Limited ('Company' or 'parent entity') and the entity it controlled at the end of, or during, the half-year ended 31 December 2019.

1. Directors

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

- Dr Stewart Washer, Executive Chairman
- Mr Paul Anderson, Managing Director & CEO
- Mr Matthew Callahan, Non-Executive Director (resigned 23 August 2019, re-appointed 11 February 2020)
- Professor Lars Lidgren, Independent Non-Executive Director
- Mr Qi Xiao Zhou, Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

2. Principal activities

During the half year the principal continuing activities of the consolidated entity consisted of the development & commercialisation of cell therapies for the repair & regeneration of human tendons, bone, nerve and cartilage defects.

3. Summary review of operations

CelGro®

*Soft tissue **reconstruction** **platform** medical device*

During the half year Orthocell achieved key milestones in executing its partnering strategy for CelGro® as a dental bone repair product, clinical development milestones in nerve and tendon repair and development objectives of key pipeline products.

CelGro®: Dental Bone Regeneration - Path to Partnering

Increasing international product awareness

In June 2019, Orthocell announced all patients had successfully completed the CelGro® single-stage dental implant study ("Marketing Study") showing all patients successfully generated enough new bone to stabilise their implants and complete treatment in approximately four months – **almost half the time of the usual two-stage (eight months) dental implant treatment.** The results of this Marketing Study were presented in September 2019 at the 28th Annual European Association for Osseointegration (EAO) scientific meeting in Lisbon and the Annual meeting of the European Centers of Dental Implantology in Dessau. Both meetings were attended by the biggest names in implant dentistry attracting thousands of people from industry and further positioning CelGro® as the best-in-class collagen membrane for dental bone and soft tissue repair.

Clinician advocacy program and product use in centres of excellence

During the half year, the Company engaged ten industry leading clinicians (KOL's) based in the EU and the US to assist in rolling out the clinician advocacy program, to expand the network of referring clinicians and assist discussions with strategic partners. Clinicians were supplied with CelGro® for use in their clinics and scheduled industry workshops, conference attendance and podium presentations for 2020 calendar year.

Expanding target market regulatory approvals

During the half year, Orthocell continued to progress the regulatory studies required for US marketing authorisation (510k clearance) and remains on track to submit an application to the FDA in the near term. The Company has submitted its application to the TGA and currently remains on track to receive Australian marketing authorisation (ARTG) enabling the supply of CelGro® in dental guided bone and tissue regeneration in CY 2020.

Engaging Partners

The Company continues to progress discussions with potential global partners. With EU approval achieved and brand ambassadors actively representing the product, Orthocell is well placed to execute on its commercial partnering strategy in the near term.

CelGro® Nerve Regeneration

Positive CelGro® nerve regeneration results in quadriplegic patients

During the half year, Orthocell announced interim clinical results for the use of CelGro® for enhancing repair of peripheral nerves of the first twelve (of twenty) study participants, 12 months after treatment, involving twenty-five nerve transfers. Participants had nerve injuries of varying severity, from peripheral nerve injury (3 patients), to more complex injuries of the brachial plexus and spinal cord (9 patients in total), resulting in impaired use of the affected limbs and in the more severe cases, quadriplegia. Results at 12 months after treatment with CelGro® included:

- **96% of nerve repairs restored voluntary movement** to previously paralysed muscles;
- **All quadriplegic patients increased movement and power of affected muscles** following CelGro® nerve regeneration treatment;
- **86% of patients** who required prescription medication (including opioid-based medications) for chronic nerve pain were able to **significantly reduce or cease their use**; and
- Nerve repair with CelGro® resulted in **predictable and consistent restoration of muscle function**.

Results showed that nerve repair using CelGro® resulted in improvements in muscle power at 12 months that were comparable to what would normally be expected at 24 months with other methods. The Company believes the consistent and predictable outcomes of nerve repair with CelGro®, achieved in a shorter time, will empower surgeons to improve the lives of patients with these complex injuries.

US Nerve Repair Study Design Meets FDA Requirements

Following the successful CelGro® nerve repair study results and growing demand from industry leading clinicians and potential partners for superior nerve repair medical devices, the Company commenced pre-submission activities with the FDA to confirm the requirements for US market approval. Feedback received during the half year from the FDA confirmed the proposed CelGro® nerve regeneration animal study protocol was suitable to support an evaluation of substantial equivalence to an approved nerve repair device, meeting the requirements of the US 510(k) predicate product regulatory pathway. The Company has now accelerated ethics applications to commence the study in Q1 CY2020.

Orthocell has a clear commercialisation strategy for the CelGro® nerve regeneration indication and is leveraging the recent clinical results and European approval of CelGro® to accelerate regulatory submission in the US, EU and Australia.

CelGro® Tendon & Ligament repair

CelGro® tendon regeneration trial successful final results

During the half year, Orthocell announced final results from patients who completed the CelGro® tendon regeneration clinical trial. A review of patients who completed the trial confirmed all patients achieved a successful tendon repair with no revision surgeries reported.

Patients in the trial had previously suffered full thickness tears of the rotator cuff tendon in the shoulder following work-related, motor vehicle or sporting incidents. Patients experienced chronic pain and difficulty performing basic activities of daily living (i.e. sleeping, bathing and dressing) playing sport and/or working. Previously announced interim clinical results demonstrated that CelGro® was safe, tolerable and capable of guiding tendon healing in the surgical repair of the rotator cuff tendon in the shoulder. Patients reported a return to full range of movement with no pain.

A clinical follow-up of trial participants at two years after surgery found all patients achieved a successful tendon repair. No patients required further surgery for a re-tear of the rotator cuff tendon – an important finding since revision surgeries for re-tears is reported to occur in up to 57% of cases. A short video explaining how CelGro® strengthens tendon repair can be found here. CelGro® - Next generation tendon repair. CelGro®- Next generation tendon repair

The Company is leveraging this clinical data to complete regulatory submissions for approval of the tendon repair product in the EU, AUS and the US.

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

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

The company is in the process of completing the pre-clinical study using CelGro® collagen rope for Anterior Cruciate Ligament (ACL) reconstruction & will provide a full report of study results by 1Q CY2020.

Ortho-ATI®

Cell therapy to regenerate damaged tendon tissue

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

The company continues to recruit suitable patients to the randomised controlled clinical trial of Ortho-ATI® versus corticosteroid injection. The objective of this study is to assess the safety and effectiveness of Ortho-ATI® compared to corticosteroid injection in the treatment of rotator cuff tendinopathy and tear. The trial is being undertaken in collaboration with DePuy Synthes Products, Inc., part of the Johnson & Johnson Medical Device Companies. The Company is focussed on completing this trial and providing study outcomes to its collaboration partner.

Outlook

Orthocell remains focused on executing its partnering strategy for CelGro® in dental bone & soft tissue repair. This includes increasing international product awareness, growing product use in centres of excellence & growing base of brand ambassadors led by its KOLs, designed to optimise shareholder value. Over the medium to long term, Orthocell intends to leverage the CE Mark to achieve AUS & US regulatory approvals & accelerate the introduction of the nerve & tendon indications, in parallel to the commercialisation of Ortho-ATI® & pipeline products.

Corporate

In January 2020 Orthocell received A$2,904,546 Research & Development (R&D) tax incentive cash refund.

During the half year Orthocell successfully completed a share placement ("Placement") & a Share Purchase Plan ("SPP"). The total amount raised under the Placement & SPP was $14,423,000.

The loss for the consolidated entity after income tax for the half-year amounted to $2,087,211 (31 December 2018: $1,406,151).

4. 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.

5. Directors' resolution

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Mr Paul Anderson
Managing Director
25 February 2020
Perth

AUDITOR'S INDEPENDENCE DECLARATION

PKF Perth

PKF
Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ORTHOCELL LIMITED

In relation to our review of the financial report of Orthocell Limited for the half year ended 31 December 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

25 FEBRUARY 2020
WEST PERTH
WESTERN AUSTRALIA

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Revenue			
Sales revenue	3	368,095	506,875
Cost of goods sold		(258,846)	(342,145)
Gross profit		109,249	164,730
Other revenue	3	38,131	76,389
Expenses			
Research & development		(2,867,085)	(2,472,891)
Sales & marketing, & business development		(911,840)	(823,679)
Administrative & general		(1,360,212)	(878,860)
	4	(5,139,137)	(4,175,430)
Loss before income tax expenses		(4,991,757)	(3,934,311)
Income tax benefit		2,904,546	2,528,160
Loss after income tax expenses		(2,087,211)	(1,406,151)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss		(2,087,211)	(1,406,151)

Loss per share	$	$
Basic earnings per share	(0.013)	(0.013)
Diluted earnings per share	(0.013)	(0.013)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	31 Dec 2019 $	30 Jun 2019 $
Assets			
Current assets			
Cash and cash equivalents		20,801,732	11,236,299
Trade and other receivables		3,138,735	196,169
Inventories		53,612	54,631
Other		1,761	40,958
Total current assets		23,995,840	11,528,057
Non-current assets			
Property, plant and equipment		258,435	287,191
Intangibles		1,728,959	1,782,442
Total non-current assets		1,987,394	2,069,633
Total assets		25,983,234	13,597,690
Liabilities			
Current liabilities			
Trade and other payables		998,158	1,784,085
Employment benefits		455,981	442,387
Other		306,129	646,756
Total current liabilities		1,760,268	2,873,228
Non-current liabilities			
Employment benefits		26,187	-
Total non-current liabilities		26,187	-
Total Liabilities		1,786,455	2,873,228
Net assets		24,196,779	10,724,462
Equity			
Issue capital	5	53,588,773	39,026,963
Share-based payment reserve	6	2,724,673	1,955,279
Accumulated losses		(32,116,667)	(30,257,780)
Total equity		24, 196, 779	10,724,462

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Issued Capital	Share-based payment reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2018	25,984,676	1,025,612	(24,638,086)	2,372,202
Loss after income tax expense	-	-	(1,406,151)	(1,406,151)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	1,800,641	-	-	1,800,641
Share equity costs	(135,545)	-	-	(135,545)
Issue of options	-	62,400	-	62,400
Issue of options	(117,360)	117,360	-	-
Balance at 31 December 2018	27,532,413	1,205,372	(26,044,237)	2,693,548
Balance at 1 July 2019	39,026,963	1,955,279	(30,257,780)	10,724,462
Loss after income tax expense	-	-	(2,087,211)	(2,087,211)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	14,511,750	-	-	14,511,750
Share equity costs	(660,000)	-	-	(660,000)
Expiry of options		(228,324)	228,324	-
Exercise of options/warrants	710,060	(41,663)	-	668,397
Issue of options	-	1,039,381	-	1,039,381
Balance at 31 December 2019	53,588,773	2,724,673	(32,116,667)	24,196,779

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	Note	31 Dec 2019 $	31 Dec 2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		349,293	454,277
R&D tax concession received		-	2,528,160
Payments to suppliers & employees (inclusive of GST)		(4,672,001)	(3,919,299)
Interest received		35,606	5,318
Interest paid		(9,764)	-
Net cash used in operating activities		(4,296,866)	(931,544)
Cash flows from investing activities			
Payments for intangible assets		(277,502)	(137,829)
Payments for property, plant & equipment		(1,596)	(10,439)
Payments for other investments		(300,000)	-
Net cash used in investing activities		(579,098)	(148,268)
Cash flows from financing activities			
Share subscription funds received		15,091,397	1,800,641
Share equity costs		(650,000)	(135,545)
Net cash from financing activities		14,441,397	1,665,096
Net (decrease)/increase in cash and cash equivalents		9,565,433	585,247
Cash & cash equivalents at the beginning of the financial half-year		11,236,299	2,910,233
Cash & cash equivalents at the end of the financial half-year		20,801,732	3,495,480

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Orthocell Limited (the "Company" or "Orthocell") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The consolidated financial statements of the Group as at and for the half-year to 31 December 2019 comprise the Company and its subsidiaries.

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.

The consolidated interim financial statements were authorised by the directors on 24 February 2020.

Basis of preparation

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 30 June 2019 and any public announcements made by Orthocell Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial half-year and corresponding interim reporting period.

Critical accounting estimates and significant judgements

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the period ended 30 June 2019.

Going Concern

The Group has net assets of $24,196,779 as at 31 December 2019 (30 June 2019: $10,724,462) and incurred a loss of $2,087,211 (2018: $1,406,151) and net operating cash outflow of $4,296,866 (2018: $931,544) for the period ended 31 December 2019.

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

The financial report has been prepared on a going concern basis. In arriving at this position the directors have had regard to the fact that the

Company has, or in the directors' opinion will have access to, sufficient cash to fund administrative and other committed expenditure for a period of not less than 12 months from the date of this report.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, including AASB 9, AASB 15 and AASB 16. The consolidated entity has assessed these new standards, which will have no material impact to the financial report.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2019 that have been applied by Orthocell Limited. The 30 June 2019 annual report disclosed that Orthocell Limited anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date.

Note 2. 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.

Note 3. Revenue

	31 Dec 2019 $	31 Dec 2018 $
Sales revenue		
Sale of goods	368,095	506,875
	368,095	506,875
Other revenue		
Interest	35,606	5,318
License fee & royalties	-	70,848
Other	2,525	223
	38,131	76,389
Total revenue	406,226	583,264

Note 4. Expenses

Loss before income tax includes the following specific expenses:

Depreciation and amortisation		
Depreciation – plant & equipment	30,352	33,111
Amortisation – patents & trademarks	92,750	75,737
Total depreciation and amortisation	123,102	108,848
Employment expenses		
Wages	1,432,558	1,336,181
Superannuation	132,567	127,265
Leave entitlements	39,781	(19,832)
Payroll & other taxes	89,566	62,411
Share-based payments	918,306	-
Directors' fees	125,263	140,550
Other employment costs	-	7,227
Total employment costs	2,738,041	1,653,801
Net foreign exchange loss		
Net foreign exchange loss	9,763	6,917
Rental expense relating to operating leases		
Minimum lease payments	35,270	33,976

Note 5. Equity – issued capital

	31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $	30 Jun 2019 $
Ordinary shares – fully paid	184,354,764	153,366,810	56,668,504	41,446,694
Share equity costs	-	-	(3,069,731)	(2,419,731)
	184,354,764	153,366,810	53,588,773	39,026,963

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 Jul 2018	110,177,779		27,621,502
Issue of shares	18 Dec 2018	10,592,009	$0.170	1,800,642
Balance	31 Dec 2018	120,769,788		29,422,144
Issue of shares	5 Apr 2019	75,000	0.135	10,125
Issue of shares on exercise of options	15 May 2019	1,219,898	0.250	304,974
Issue of shares on exercise of options	17 May 2019	1,086,640	0.250	271,660
Issue of shares on exercise of options	21 May 2019	835,901	0.250	208,975
Issue of shares	21 May 2019	214,607	0.146	31,250
Issue of shares	21 May 2019	241,543	0.145	35,000
Issue of shares	21 May 2019	391,110	0.132	51,667
Issue of shares	21 May 2019	413,328	0.125	51,667
Issue of shares on exercise of options	31 May 2019	650,972	0.250	162,743
Issue of shares	5 Jun 2019	26,500,000	0.400	10,600,000
Issue of shares on exercise of options	5 Jun 2019	467,290	0.250	116,823
Issue of shares	5 Jun 2019	100,733	0.513	51,666
Issue of shares on exercise of options	28 Jun 2019	300,000	0.250	75,000
Issue of shares	28 Jun 2019	100,000	0.530	53,000
		32,597,022		12,024,550
Balance	30 Jun 2019	153,366,810		41,446,694
Issue of shares	11 Jul 2019	108,771	0.475	51,666
Issue of shares on exercise of options	11 Jul 2019	50,000	0.250	12,500
Issue of shares on exercise of options	25 Jul 2019	738,000	0.250	208,559
Issue of shares	14 Aug 2019	42,357	0.482	20,417
Issue of shares	10 Sep 2019	40,159	0.415	16,667
Issue of shares on exercise of options	9 Oct 2019	350,000	0.250	98,910
Issue of shares on exercise of options	29 Oct 2019	190,000	0.250	53,694
Issue of shares	11 Dec 2019	26,000,000	0.500	13,000,000
Issue of shares on exercise of options	17 Dec 2019	75,000	0.250	18,750
Issue of shares on exercise of warrants	17 Dec 2019	547,667	0.580	317,647
Issue of shares	30 Dec 2019	2,846,000	0.500	1,423,000
		30,987,954		15,221,810
Balance	31 Dec 2019	184,354,764		56,668,504

Note 6. Share-based payment reserve

	31 Dec 2019 No of Options	30 Jun 2019 No of Options	31 Dec 2019 $	30 Jun 2019 $
Share-based payment reserve	21,622,000	21,180,000	2,724,673	1,955,279
	21,622,000	21,180,000	2,724,673	1,955,279

Movements in share-based payment reserve

Details	Date	No of options	$
Balance	1 Jul 2018	15,520,000	1,025,612
Issue of options[1]	3 Oct 2018	500,000	62,400
Issue of options[2]	18 Dec 2018	3,600,000	117,360
Expiry of options	26 Feb 2019	(1,350,000)	(228,575)
Value of options vested[1]	7 May 2019	-	395,251
Value of options expired/forfeited[1]	17 May 2019	(90,000)	(3,945)
Issue of options[3]	13 Jun 2019	1,000,000	74,517
Issue of options[4]	28 Jun 2019	2,000,000	512,660
		5,660,000	929,667
Balance	30 Jun 2019	21,180,000	1,955,279
Exercised options[2]	25 Jul 2019	(738,000)	(24,059)
Issue of options[5]	14 Aug 2019	1,660,000	426,118
Exercised options[2]	9 Oct 2019	(350,000)	(11,410)
Expiry of options	12 Oct 2019	(650,000)	(108,160)
Exercised options[2]	29 Oct 2019	(190,000)	(6,194)
Issue of options[6]	20 Nov 2019	1,650,000	560,076
Issue of options[7]	20 Nov 2019	150,000	53,187
Expiry of options	13 Dec 2019	(490,000)	(80,164)
Expiry of options	13 Dec 2019	(600,000)	(40,000)
		442,000	769,394
Balance	31 Dec 2019	21,622,000	2,724,673

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

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Grant date	07/05/18	18/12/18	13/06/19	28/06/19	14/08/19	20/11/19	20/11/19
Expiry date	08/05/21	31/12/21	13/06/22	28/06/22	14/08/22	20/11/22	20/11/22
Share price at grant	$0.345	$0.160	$0.425	$0.510	$0.415	$0.565	$0.565
Exercise price	$0.340	$0.250	$0.413	$0.545	$0.413	$0.617	$0.537
Expected volatility	50%	48%	80%	80%	100%	100%	100%
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Risk-free rate	2.17%	1.93%	0.99%	0.96%	0.67%	0.71%	0.71%
Fair value at grant	$0.1248	$0.0326	$0.2236	$0.2563	$0.2567	$0.3394	$0.3546

Note 7. Contingent assets

The consolidated entity has no contingent assets for the half-year ended 31 December 2019.

Note 8. Events after the reporting period

No other matter or circumstance has arisen since 31 December 2019 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 9. Commitments and contingences

There has been no change in contingent liabilities or commitments since the last annual reporting date.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Paul Anderson
Director
25 February 2020
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ORTHOCELL LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Orthocell Limited (the company) and controlled entities (consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2019, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orthocell Limited is not in accordance with the Corporations Act 2001 including:-

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019, and of its financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Orthocell Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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PKF PERTH

SHANE CROSS
PARTNER

25 FEBRUARY 2020
WEST PERTH
WESTERN AUSTRALIA