

Orthocell Limited
ABN 57 118 897 135

ASX Half-Year Report for 6 months to 31st December 2022

Provided to the ASX under Rule 4.2.A.3

This report is to be read in conjunction with the Annual Report for the year ended 30th June 2022 and any public announcements made during the reporting period, in accordance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

Contents:

Results for announcement to the market

Half-Year Report

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Appendix 4D

Half-year report for the 6 months to 31 December 2022

Orthocell Limited - ABN 57 118 897 135

1. Reporting period

Report for the half year ended 31 December 2022 (previous period half year ended 31 December 2021).

2. Results for announcement to the market

| | 31 Dec 2022 | 31 Dec 2021 | % change |
|---|-------------|--------------|----------|
| Revenues from ordinary activities | 2,149,359 | 844,265 | 155% |
| Loss from ordinary activities after tax attributable to the owners of Orthocell Limited | (4,056,598) | (4,653,676) | (13%) |
| Loss for the half-year attributable to the owners of Orthocell Limited | (4,056,598) | (4, 653,676) | (13%) |

Full details are in the attached Interim Report of Orthocell Limited for the half-year ended 31 Dec 2022.

3. Net tangible assets per security

| | 31 Dec 2022 | 31 Dec 2021 |
|---|-------------|-------------|
| Net tangible assets per ordinary security | \$0.03 | \$0.07 |

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

N/A

Appendix 4D (continued)

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 2022 was subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

The Interim Report of Orthocell Limited for the half-year ended 31 December 2022 is attached.

10. Signed



Paul Anderson
Managing Director

Date: 28 February 2023
Perth

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Regenerating Mobility

Half-Year Report

31 December 2022



CONTENTS

| | |
|---|----|
| Corporate directory | 2 |
| Directors' report | 3 |
| Auditor's independence declaration | 7 |
| Consolidated statement of profit or loss and other comprehensive income | 8 |
| Consolidated statement of financial position | 9 |
| Consolidated statement of changes in equity | 10 |
| Consolidated statement of cash flows | 11 |
| Notes to the consolidated financial statements | 12 |
| Directors' declaration | 18 |
| Independent auditor's review report | 19 |



CORPORATE DIRECTORY

Board of Directors

Dr Stewart Washer

Executive Chairman, appointed 7 April 2014

Mr Paul Anderson

Managing Director, appointed 21 March 2006

Mr Matthew Callahan

Non-Executive Director, appointed 30 May 2006, resigned 23 August 2019,
re-appointed 10 February 2020

Professor Lars Lidgren

Independent Non-Executive Director, appointed 17 December 2007

Mr Qi Xiao Zhou

Non-Executive Director, appointed 8 November 2012

Ms Leslie Wise

Executive Director, appointed 9 June 2020

Company Secretary

Mr Simon Robertson

Registered Office & Principal Place of Business

Building 191, Murdoch University

South Street

Murdoch WA 6150, Australia

Share Register

Automic Registry Services

Level 2, 267 St Georges Terrace

Perth WA 6000, Australia

Auditor

PKF Perth

5th 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 2022.

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
- Professor Lars Lidgren, Independent Non-Executive Director
- Mr Qi Xiao Zhou, Non-Executive Director
- Ms Leslie Wise, 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 collagen medical devices and cell therapies for the repair & regeneration of human, bone, nerve, tendons and cartilage defects.

3. Summary review of operations

CelGro™

Soft tissue reconstruction platform medical device

During the half year Orthocell achieved key milestones in securing a global marketing and distribution partner for Striate+™ in dental bone and tissue repair procedures, appointment of Device Technologies (DVT) as the exclusive distributor of Remplir™ across Australia and New Zealand, clinical development milestones in tendon repair and development objectives of key pipeline products.



Striate+™

more than a barrier membrane

Striate+™ is a market leading resorbable collagen membrane used in guided bone and tissue regeneration procedures. Its uptake is expected to be driven by surgeons' preference for high quality, easy to use devices facilitating better patient outcomes. Clinical studies have shown Striate+™ supported transition from two-stage to single-stage dental procedures, reducing the procedure time and recovery periods by several months. This is of significant interest to patients and clinicians due to potential improvements in efficiency and efficacy of dental procedures.

Striate+™ is manufactured by Orthocell at its quality-controlled facility in WA, using the Company's proprietary SMRT™ manufacturing technology. A facility upgrade to scale up Striate+™ manufacturing capacity to >100,000 units per year has been completed and final validations were achieved during the period on schedule.

BioHorizons Implant Systems Inc. (BioHorizons)

In July 2022, the Company executed a global exclusive licence and distribution agreement with BioHorizons, one of the largest dental implant companies, for its Striate+™ premium dental membrane. In consideration of the license granted, Orthocell received in cash AU \$21,461,686 million net of fees.

US market entry

BioHorizons submitted first orders to the Company in September 2022 and completed a US product launch in November 2022. During the quarter BioHorizons continued its KOL-led market entry strategy, growing product awareness and adoption with high profile dental surgeons. To meet KOL demand, additional orders for Striate+™ were received by the Company and shipped to BioHorizon's distribution centers. Further orders for Striate+™ are expected in Q1 CY2023.

The Company continues to assist BioHorizons' sales and marketing team with online Striate+™ training programs, highlighting the



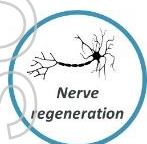
DIRECTORS REPORT

product's ease of use and high-quality patient outcomes, US promotional activities and market entry plans for the EU and Australia. The Company will be promoting Striate+™, in conjunction with

BioHorizons at the upcoming Academy of Osseointegration Annual Meeting on March 16-18 2023 in Phoenix, AZ. The annual meeting will be attended by almost 2,000 dental surgeons and include Striate+™ hands on workshops, scientific presentations and commercial exhibits.

BioHorizons is part of Henry Schein, Inc. (NASDAQ: HSIC) and a leading global provider of dental implants and tissue regeneration products for dentists and dental specialists. The company has a broad product offering, including dental implants, guided surgery, digital restorations and tissue regeneration solutions for the replacement of missing teeth. BioHorizons products are available in 90 markets around the world.

The Company is also discussing potential ways to leverage the Henry Schein group of global dental companies to increase distribution channels and accelerate product adoption in key markets.



Remplir™ Nerve Regeneration

Positive nerve regeneration results in quadriplegic patients

In August 2021, the Company announced the successful pre-clinical and clinical Remplir™ (formerly named CelGro™ nerve repair) study results showing superior nerve regeneration and consistent restoration of upper limb function in people with tetraplegia were presented at the 50th West Australian Branch Australian Orthopaedic Association (AOA) annual scientific meeting. Australian orthopaedic nerve specialist and clinical trial lead, Dr Alex O'Beirne presented the results of two successful Remplir™ nerve repair studies titled: "Development of an epineurial substitute for nerve repair in patients with tetraplegia: proof of concept pre-clinical and clinical studies".

Remplir™ is proving to provide an important step forward in the improvement of nerve repair surgery. Its ease of use, consistent and

predictable high-quality outcomes (which are achieved in a shorter timeframe compared to other methods), will empower surgeons to improve the lives of people navigating these complex injuries.

Inclusion on the Australian Prosthesis List

During the half year, the Company received notification from the Australian Government Department of Health that Remplir™ has been included on the Australian Prostheses List (PL). Inclusion on the PL enables surgeons to receive reimbursement from private insurers for the use of Remplir™ in peripheral nerve repair procedures, reducing costs to the patient.

The Australian addressable market for nerve repair and reconstruction is significant, with 11,780 surgical repairs of peripheral nerves completed in public and private hospitals in the 2019/20 financial year. The Company believes Remplir™ will become the market-leading nerve repair device, with uptake driven by surgeons' preference for high quality, easy to use devices that reduce the need for damaging sutures, and facilitates better patient outcomes.

Australian Distributor appointed

Device Technologies (DVT) were appointed as the exclusive distributor of Remplir™ across Australia and New Zealand in September 2022. The exclusive agreement has an initial term of five years and enables Orthocell to access this strategic market, which is welcoming a growing number of Australian made, high-quality healthcare products.

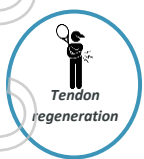
First orders of Remplir™ were shipped to DVT in September 2022 and an additional order was received and shipped to DVT during the period. Orthocell has been actively working with the internal sales and marketing team at DVT preparing for Australian market entry, leading in-person product training sessions and participating in marketing workshops. DVT has focused on the establishment of key accounts with leading plastic, reconstructive and orthopaedic specialists. Representatives from DVT and Orthocell attended the Australian Orthopaedic Association in Christchurch, New Zealand, from 30 October to 3 November 2022, to exhibit and promote Remplir™ for use in peripheral nerve



DIRECTORS REPORT

repair procedures. Further promotional activities are planned for 2023 starting with attendance at the 2023 Australian Hand Surgery Society Annual Scientific Meeting in March.

The Company continues to work closely with US regulatory advisers, to evaluate opportunities for expedited approval of Remplir™ for nerve regeneration and is on track to commence the comparator animal study (510K) in Q1 CY 2023.



CelGro™ Pipeline

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.

The Company has completed its initial pre-clinical Anterior Cruciate Ligament (ACL) reconstruction study, which indicated that a novel CelGro™ collagen 'rope' has potential to be the first off-the-shelf biological device capable of improving ACL reconstruction outcomes.

Orthocell plans to advance development of this technology including a larger animal study followed by first-in-human trials and the development of an appropriate regulatory and reimbursement strategy to the US, AUS and EU markets.

OrthoATI®

Cell therapy to regenerate damaged tendon tissue

OrthoATI™ Tendon Regeneration

OrthoATI™ is a world-leading breakthrough in regenerative medicine – a

novel cell therapy developed to treat chronic degenerative tendon injuries (tendinopathy / tendonitis). OrthoATI™ 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.

During the period, the Company continued to conduct two clinical trials with OrthoATI - the first focused on the rotator cuff and the second on tennis elbow tendon defects. The Company

announced the first statistically significant results from its Phase 2a randomised, multi-centre, controlled rotator cuff tendon clinical study ('RC Study') in December 2021.

Participants in the RC study were either treated with OrthoATI or corticosteroid injection. Following treatment, assessment of pain and shoulder function showed that patients in the OrthoATI group had significantly better results compared to the steroid group at all post-treatment time points. Patients who received steroid injection in the original study were still experiencing pain and loss of function in their affected shoulder at the end of the study. The majority (9 of 11 patients) subsequently requested treatment with OrthoATI. In the 12 months after their OrthoATI treatment, none of the patients required additional medical treatment for their shoulder injury. They also reported almost complete resolution of pain and experienced clinically important improvements in shoulder function. In short, their treatment with OrthoATI mirrored the outcomes experienced by the patients who received OrthoATI in the original trial. These positive outcomes are encouraging and provide additional support to those observed from the original trial.

The second OrthoATI clinical trial, focussed on treatment of tennis elbow, is fully recruited and the last patient received treatment in May 2022. Outcomes from the study will be released following the last patient 12 month follow up and will provide pivotal data for an application to the Therapeutics Goods Administration (TGA) for inclusion on the Australian Register of Therapeutic Goods (ARTG).

During the quarter positive from OrthoATI™ clinical studies were presented at the Australian College of Sport and Exercise Physicians (10-13 November 2022) and Sports Medicine Australia (16-19 November) annual scientific meetings.

The Company has been progressing its US commercialisation plans including investigations into technology scale up, FDA engagement and



DIRECTORS REPORT

commercial preparation activities being to support a Phase 2b randomised controlled study for FDA submission.

Outlook

Orthocell remains focused on working with its marketing and distribution partners (BioHorizons for Striate+™ in dental bone & soft tissue repair and Device Technologies for nerve repair) to establish key accounts and grow product adoption. This includes increasing international product awareness, growing product use in centres of excellence & growing the base of brand ambassadors led by its KOL's, designed to optimise shareholder value. Over the medium term, Orthocell intends to accelerate the most appropriate regulatory programs for the US market introduction of the nerve indications, in parallel to the commercialisation of OrthoATI® & pipeline products.

Corporate

The loss for the consolidated entity after income tax for the half-year amounted to \$4,056,598 (31 December 2021: \$4,653,676).

During the half year Orthocell received \$21,461,686 (US\$14,774,225) net of fees in consideration of the license granted under the global exclusive license and distribution agreement with BioHorizons Implant Systems Inc.

At 31 December 2022 Orthocell held a cash balance of A\$26,818,756. Orthocell's strong cash position enables the Company to drive further development of its Remplir™ nerve product and pipeline of regenerative medicine products, delivering significant shareholder value.

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
28 February 2023
Perth



AUDITOR'S INDEPENDENCE DECLARATION

PKF Perth



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 2022, 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

Simon Fermanis

SIMON FERMANIS
PARTNER

28 FEBRUARY 2023
WEST PERTH,
WESTERN AUSTRALIA

Level 4, 35 Havelock Street, West Perth, WA 6005
PO Box 609, West Perth, WA 6872
T: +61 8 9426 8999 F: +61 8 9426 8900 www.pkfperth.com.au

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

| | Note | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|--|------|--------------------|--------------------|
| Revenue | | | |
| Sales revenue | 3 | 846,859 | 764,094 |
| Cost of goods sold | | <u>(444,771)</u> | <u>(455,936)</u> |
| Gross profit | | 402,088 | 308,158 |
| Other revenue | 3 | 1,302,501 | 80,171 |
| Expenses | | | |
| Research & development & laboratory costs | | (3,577,363) | (3,311,472) |
| Sales & marketing, & business development | | (804,688) | (707,432) |
| Administrative & general | | <u>(1,379,136)</u> | <u>(1,023,101)</u> |
| | 4 | <u>(5,761,187)</u> | <u>(5,042,005)</u> |
| Loss before income tax expenses | | (4,056,598) | (4,653,676) |
| Income tax benefit | | <u>-</u> | <u>-</u> |
| Loss after income tax expenses | | (4,056,598) | (4,653,676) |
| Other comprehensive income for the half-year, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive loss | | <u>(4,056,598)</u> | <u>(4,653,676)</u> |
| Loss per share | | | |
| | | \$ | \$ |
| Basic earnings per share | | (0.021) | (0.024) |
| Diluted earnings per share | | (0.021) | (0.024) |

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 2022

| | Note | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--------------------------------|------|---------------------|---------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 26,818,756 | 11,021,552 |
| Trade and other receivables | | 226,033 | 23,547,006 |
| Inventories | | 741,660 | 613,570 |
| Other | | - | 81,737 |
| Total current assets | | <u>27,786,449</u> | <u>35,263,865</u> |
| Non-current assets | | | |
| Property, plant and equipment | | 1,163,703 | 905,812 |
| Right-of-use assets | | 466,566 | 496,136 |
| Intangibles | | 1,191,039 | 1,229,893 |
| Total non-current assets | | <u>2,821,308</u> | <u>2,631,841</u> |
| Total assets | | <u>30,607,757</u> | <u>37,895,706</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,079,069 | 3,466,907 |
| Lease liabilities | | 133,907 | 120,022 |
| Employment benefits | | 656,253 | 598,131 |
| Contract liabilities | | 2,304,000 | 2,304,000 |
| Other | | 190,482 | 328,579 |
| Total current liabilities | | <u>4,363,711</u> | <u>6,817,639</u> |
| Non-current liabilities | | | |
| Lease liabilities | | 356,980 | 387,542 |
| Employment benefits | | 152,512 | 106,663 |
| Contract liabilities | | 19,527,228 | 20,679,228 |
| Total non-current liabilities | | <u>20,036,720</u> | <u>21,173,433</u> |
| Total Liabilities | | <u>24,400,431</u> | <u>27,991,072</u> |
| Net assets | | <u>6,207,326</u> | <u>9,904,634</u> |
| Equity | | | |
| Issue capital | 6 | 57,855,993 | 57,476,080 |
| Share-based payment reserve | 7 | 5,244,088 | 5,913,911 |
| Accumulated losses | | <u>(56,892,755)</u> | <u>(53,485,357)</u> |
| Total equity | | <u>6,207,326</u> | <u>9,904,634</u> |

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 2022

| | Issued Capital | Share-based payment reserve | Accumulated losses | Total equity |
|--|-------------------|-----------------------------------|-----------------------|--------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 55,776,179 | 6,213,160 | (45,114,982) | 16,874,357 |
| Loss after income tax expense | - | - | (4,653,676) | (4,653,676) |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | - | - | - | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity | - | - | - | - |
| Share equity costs | - | - | - | - |
| Expiry of options | - | - | - | - |
| Exercise of options/warrants | 1,699,901 | (63,961) | - | 1,635,940 |
| Issue of options | - | 330,717 | - | 330,717 |
| Balance at 31 December 2021 | 57,476,080 | 6,479,916 | (49,768,658) | 14,187,338 |
| Balance at 1 July 2022 | 57,476,080 | 5,913,911 | (53,485,357) | 9,904,634 |
| Loss after income tax expense | - | - | (4,056,598) | (4,056,598) |
| Other comprehensive income, net of tax | - | - | - | - |
| Total comprehensive income | - | - | - | - |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Contributions of equity | - | - | - | - |
| Share equity costs | - | - | - | - |
| Expiry of options | - | (649,200) | 649,200 | - |
| Exercise of options/warrants | 379,913 | (379,913) | - | - |
| Issue of options | - | 359,290 | - | 359,290 |
| Balance at 31 December 2022 | 57,855,993 | 5,244,088 | 56,892,755 | 6,207,326 |

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 2022

| | Note | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|---|------|--------------------------|--------------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 962,369 | 733,176 |
| Payments to suppliers & employees (inclusive of GST) | | (6,094,881) | (4,918,467) |
| License fee received | | 21,461,686 | - |
| Interest received | | 122,567 | 77,385 |
| Net cash used in operating activities | | <u>16,451,741</u> | <u>(4,107,906)</u> |
| Cash flows from investing activities | | | |
| Payments for intangible assets | | (52,305) | (17,120) |
| Payments for property, plant & equipment | | (520,338) | (128,787) |
| Net cash used in investing activities | | <u>(572,643)</u> | <u>(145,907)</u> |
| Cash flows from financing activities | | | |
| Share subscription funds received | | - | 1,635,940 |
| Share equity costs | | - | - |
| Lease payments | | (81,894) | (65,175) |
| Net cash from financing activities | | <u>(81,894)</u> | <u>1,570,766</u> |
| Net (decrease)/increase in cash and cash equivalents | | 15,797,204 | (2,683,048) |
| Cash & cash equivalents at the beginning of the financial half-year | | <u>11,021,552</u> | <u>16,328,913</u> |
| Cash & cash equivalents at the end of the financial half-year | | <u><u>26,818,756</u></u> | <u><u>13,645,865</u></u> |

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 2022 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 28 February 2023.

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 2022 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 2022.

Going Concern

The Group has net assets of \$[] as at 31 December 2022 (30 June 2022: \$[]) and incurred a loss of \$ [] (31 December 2021: \$4,653,676) and net operating cash outflow of \$[] (31 December 2021: \$4,173,081) for the period ended 31 December 2022.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2022 that have been applied by Orthocell Limited. The 30 June 2022 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 3. Revenue

| | 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|------------------|-------------------------|-----------------------|
| Sales revenue | | |
| Sale of goods | 846,859 | 764,094 |
| | <u>846,859</u> | <u>764,094</u> |
| Other revenue | | |
| Interest | 122,567 | 77,385 |
| Contract revenue | 1,152,000 | - |
| Other | 27,933 | 2,786 |
| | <u>1,302,500</u> | <u>80,171</u> |
| Total revenue | <u><u>2,149,359</u></u> | <u><u>844,265</u></u> |

Note 4. Expenses

Loss before income tax includes the following specific expenses:

| | | |
|--|------------------|------------------|
| <i>Depreciation and amortisation</i> | | |
| Depreciation – plant & equipment | 184,747 | 105,883 |
| Amortisation – patents & trademarks | 58,826 | 135,702 |
| | <u>243,573</u> | <u>241,585</u> |
| <i>Employment expenses</i> | | |
| Wages | 2,084,347 | 1,800,328 |
| Superannuation | 216,122 | 176,940 |
| Leave entitlements | 103,971 | 9,262 |
| Payroll & other taxes | 142,503 | 109,215 |
| Share-based payments | 10,150 | 8,120 |
| Directors' fees | 176,994 | 175,761 |
| Other employment costs | 1,060 | 57,975 |
| | <u>2,735,147</u> | <u>2,337,601</u> |
| Total employment costs | | |
| Share-based payments to consultants | 349,140 | 322,597 |
| <i>Net foreign exchange gain/(loss)</i> | | |
| Net foreign exchange gain/(loss) | 16,559 | 302 |
| <i>Rental expense relating to operating leases</i> | | |
| Short term lease payments | 1,438 | 12,233 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 5. Trade and other receivables

| | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--------------------------------|-------------------|-------------------|
| Trade receivables | 154,899 | 202,492 |
| Contract assets – license fees | - | 23,225,432 |
| Other receivables | 71,134 | 119,082 |
| | <u>226,033</u> | <u>23,547,006</u> |

Trade and other receivables includes nil relating to contracts with customers (2021: \$23,225,432). On 22 June 2022 the Company entered into a global exclusive patent and trademark license agreement and an exclusive distribution and supply agreement with BioHorizons Implant Systems Inc (BioHorizons) in relation to Orthocell's Striate+, a resorbable collagen membrane, manufactured by Orthocell, used for dental guided bone and tissue regeneration procedures. In consideration for the license granted, BioHorizons paid Orthocell AU \$23,225,432 (US \$16,000,000) which was received in July 2022.

Note 6. Equity – issued capital

| | 31 Dec 2022 Shares | 30 Jun 2022 Shares | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|------------------------------|-----------------------|-----------------------|-------------------|-------------------|
| Ordinary shares – fully paid | 197,203,071 | 197,127,913 | 60,935,724 | 60,555,811 |
| Share equity costs | - | - | (3,079,731) | (3,079,731) |
| | <u>197,203,071</u> | <u>197,127,913</u> | <u>57,855,993</u> | <u>57,476,080</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--|-------------|--------------------|-------------|-------------------|
| Balance | 30 Jun 2021 | <u>190,584,151</u> | | <u>55,776,179</u> |
| Issue of shares on exercise of options | 11 Aug 2021 | 87,915 | \$0.250 | 21,979 |
| Issue of shares on exercise of options | 19 Aug 2021 | 411,052 | \$0.250 | 102,763 |
| Issue of shares on exercise of options | 16 Sep 2021 | 441,177 | \$0.250 | 110,294 |
| Issue of shares on exercise of options | 18 Oct 2021 | 558,823 | \$0.250 | 139,706 |
| Issue of shares on exercise of options | 9 Nov 2021 | 1,970,500 | \$0.250 | 556,586 |
| Issue of shares on exercise of options | 18 Nov 2021 | 288,194 | \$0.250 | 72,048 |
| Issue of shares on exercise of options | 16 Dec 2021 | 888,824 | \$0.250 | 222,206 |
| Issue of shares on exercise of options | 23 Dec 2021 | 1,868,457 | \$0.250 | 467,114 |
| Issue of shares on exercise of options | 30 Dec 2021 | 28,820 | \$0.250 | 7,205 |
| | | <u>6 543 762</u> | | <u>1,699,901</u> |
| Balance | 30 Jun 2022 | <u>197,127,913</u> | | <u>57,476,080</u> |
| Issue of shares on exercise of options | 17 Aug 2022 | 75,158 | \$0.435 | 379,913 |
| | | <u>75,158</u> | | <u>379,913</u> |
| Balance | 31 Dec 2022 | <u>197,203,071</u> | | <u>57,855,993</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Share-based payment reserve

| | 31 Dec 2022 No of Options | 30 Jun 2022 No of Options | 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|---|------------------------------|------------------------------|--------------------|-------------------|
| Share-based payment reserve | 25,635,000 | 26,805,000 | 5,244,088 | 5,913,911 |
| | <u>25,635,000</u> | <u>26,805,000</u> | <u>5,244,088</u> | <u>5,913,911</u> |
| Movements in share-based payment reserve | | | | |
| Details | | Date | No of options | \$ |
| Balance | | 30 Jun 2021 | 29,272,000 | 6,213,160 |
| Issue of options ⁽⁸⁾ | OCCOPT21 | 16 Sep 2021 | 250,000 | 63,913 |
| Issue of options ⁽⁹⁾ | OCCOPT22 | 16 Sep 2021 | 100,000 | 25,290 |
| Issue of options ⁽⁷⁾ | OCCOPT19 | 26 Oct 2021 | 40,000 | 8,120 |
| Issue of options ⁽¹⁰⁾ | OCCOPT23 | 26 Oct 2021 | 755,000 | 195,561 |
| Issue of options ⁽¹¹⁾ | OCCOPT24 | 26 Oct 2021 | 150,000 | 37,833 |
| Value of options exercised ⁽¹⁾ | OCCOPT11 | 9 Nov 2021 | (1,962,000) | (63,961) |
| Issue of options ⁽¹²⁾ | OCCOPT25 | 4 Apr 2022 | 150,000 | 24,675 |
| Issue of options ⁽¹³⁾ | OCCOPT26 | 11 May 2022 | 1,050,000 | 145,530 |
| Expiry of options ⁽²⁾ | OCCOPT12 | 13 Jun 2022 | (1,000,000) | (223,550) |
| Expiry of options ⁽³⁾ | OCCOPT13 | 28 Jun 2022 | (2,000,000) | (512,660) |
| | | | <u>(2,467,000)</u> | <u>(299,249)</u> |
| Balance | | 30 Jun 2022 | 26,805,000 | 5,913,911 |
| Issue of options ⁽¹⁴⁾ | OCCOPT27 | 13 Jul 2022 | 2,200,000 | 349,140 |
| Issue of options ⁽⁷⁾ | OCCOPT19 | 13 Jul 2022 | 50,000 | 10,150 |
| Value of options exercised ⁽⁴⁾ | OCCOPT14 | 17 Aug 2022 | (1,480,000) | (379,912) |
| Expiry of options ⁽⁴⁾ | OCCOPT14 | 7 Aug 2022 | (140,000) | (35,938) |
| Expiry of options ⁽⁵⁾ | OCCOPT15 | 20 Nov 2022 | (1,650,000) | (560,076) |
| Expiry of options ⁽⁶⁾ | OCCOPT16 | 20 Nov 2022 | (150,000) | (53,187) |
| | | | <u>(1,170,000)</u> | <u>(669,823)</u> |
| Balance | | 31 Dec 2022 | <u>25,635,000</u> | <u>5,244,088</u> |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Share-based payment reserve (continued)

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

| | | Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free rate | Fair value at grant date |
|------|----------|------------|-------------|---------------------------|----------------|---------------------|----------------|----------------|--------------------------|
| (1) | OCCOPT11 | 18/12/18 | 31/12/21 | \$0.160 | \$0.250 | 48% | 0% | 1.93% | \$0.0326 |
| (2) | OCCOPT12 | 13/06/19 | 13/06/22 | \$0.425 | \$0.413 | 80% | 0% | 0.99% | \$0.2236 |
| (3) | OCCOPT13 | 28/06/19 | 28/06/22 | \$0.510 | \$0.545 | 80% | 0% | 0.96% | \$0.2563 |
| (4) | OCCOPT14 | 14/08/19 | 14/08/22 | \$0.415 | \$0.413 | 100% | 0% | 0.67% | \$0.2567 |
| (5) | OCCOPT15 | 20/11/19 | 20/11/22 | \$0.565 | 0.617 | 100% | 0% | 0.71% | \$0.3394 |
| (6) | OCCOPT16 | 20/11/19 | 20/11/22 | \$0.565 | 0.537 | 100% | 0% | 0.71% | \$0.3546 |
| (7) | OCCOPT19 | 15/10/20 | 14/10/24 | \$0.405 | \$0.583 | 80% | 0% | 0.42% | \$0.2030 |
| (8) | OCCOPT21 | 02/06/21 | 04/06/24 | \$0.530 | \$0.536 | 75% | 0% | 0.09% | \$0.2557 |
| (9) | OCCOPT22 | 16/09/21 | 16/09/24 | \$0.560 | \$0.570 | 70% | 0% | 0.08% | \$0.2529 |
| (10) | OCCOPT23 | 26/10/21 | 26/10/24 | \$0.540 | \$0.500 | 70% | 0% | 0.67% | \$0.2590 |
| (11) | OCCOPT24 | 26/10/21 | 26/10/25 | \$0.485 | \$0.480 | 70% | 0% | 0.14% | \$0.2522 |
| (12) | OCCOPT25 | 04/04/22 | 04/04/26 | \$0.405 | \$0.606 | 65% | 0% | 2.49% | \$0.1645 |
| (13) | OCCOPT26 | 12/05/22 | 12/05/26 | \$0.340 | \$0.515 | 65% | 0% | 2.95% | \$0.1386 |
| (14) | OCCOPT27 | 06/07/22 | 13/07/25 | \$0.370 | \$0.403 | 65% | 0% | 2.96% | \$0.1587 |

Note 8. Contingent assets

The consolidated entity has no contingent assets for the half-year ended 31 December 2022.

Note 9. Events after the reporting period

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the consolidated entity up to 31 December 2022, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2022 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 10. 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 2022 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
28 February 2023
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 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 2022, 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, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2022, 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 accompanying 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 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

Independence

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

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 Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Level 4, 35 Havelock Street, West Perth, WA 6005
PO Box 609, West Perth, WA 6872
T: +61 8 9426 8999 F: +61 8 9426 8900 www.pkfperth.com.au

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INDEPENDENT AUDITOR'S REVIEW REPORT

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Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2022 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

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.

PKF Perth

PKF PERTH

Simon Fermanis

SIMON FERMANIS
PARTNER

28 FEBRUARY 2023
WEST PERTH,
WESTERN AUSTRALIA

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