advancing tissue repair & regeneration

REGENERATING MOBILITY

2018 ANNUAL REPORT

CONTENTS

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
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 Mack
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 (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 2018.

1. Directors

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

Dr Stewart Washer	Executive Chairman
Mr Paul Anderson	Managing Director and CEO
Mr Matthew Callahan	Non-Executive Director
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.

Executive Chairman

Dr Stewart Washer has 25 years of CEO and Board experience in medical and agrifood biotech companies. Emerald Clinics Ltd, medical cannabis clinics, VP Business Development at AusCann Ltd (ASX:AC8), medical cannabis manufacturing, Director of Zelda Therapeutics Ltd (ASX:ZLD) medical cannabis clinical studies and research, Founding Chairman and current Director of Cynata Therapeutics Ltd (ASX:CYP) stem cell therapies and Chairman of Minomic International Ltd cancer diagnosis and treatment.

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

Current Directorships
Cynata Therapeutics Ltd (ASX: CYP)
Zelda Therapeutics Ltd (ASX:ZLD)

Previous directorships (last 3 years)
iSonea Ltd (ASX:ISN)
Immuron Ltd (ASX: IMC
AusBiotech Ltd

Managing Director

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

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

Previous directorships (last 3 years)
Nil

Non-Executive Directors

Mr Matthew Callahan is a founding director of Orthocell. He is also the founding CEO of iCeutica, and a co-inventor of technologies that comprise the SoluMatrix Fine Particle Technology™ for improving the bioavailability of pharmaceuticals. He has more than 20 years legal, licensing and investment management experience and is a director of Botanix Pharmaceuticals Ltd (ASX:BOT).

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 $120 million in revenue.

Current directorships
Botanix Pharmaceuticals Limited (ASX:BOT)

Previous directorships (last 3 years)
Nil

Professor Lars Lidgren is an Independent Non-Executive director of Orthocell who 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. Professor Lidgren is the inventor, founder and board member of Bone Support, an emerging leader in bone therapeutics.

Current directorships
GWS (Nasdaq First North: GWS)
Rethinking Care (Nasdaq First North: RTC)

Previous directorships (last 3 years)
Nil

Mr Qi Xiao Zhou has 16 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.

Previous directorships (last 3 years)
Nil

Directors' interests

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

	Shares	Options/ Warrants
Dr Stewart Washer	550,411	1,945,842
Mr Paul Anderson	7,032,555	3,413,692
Mr Matthew Callahan	10,277,882	1,850,000
Prof Lars Lidgren	1,008,209	354,767
Mr Qi Xiao Zhou	5,996,241	354,767

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 2018, and the number of meetings attended by each director was:

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

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

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

2. Principal activities

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

3. Review and results of operations

The loss for the consolidated entity after income tax amounted to $5,757,114 (30 June 2017: $4,177,416).

Overview

Orthocell Ltd is a regenerative medicine company dedicated to the development of novel collagen medical devices and cellular therapies for the repair and regeneration of human tendons, bone, nerve and cartilage defects. Development to date has focused on two main products:

- CelGro® a naturally derived collagen medical device for soft tissue repair currently approved for use in Europe (CE Mark) and in clinical trials for use as an augment to the surgical repair of

tendons, bone, peripheral nerves and articular cartilage; and
- Autologous Tenocyte Implantation ("Ortho-ATI®") for chronic, treatment resistant tendon injuries.

Orthocell's CelGro® collagen scaffold represents a paradigm shift in bone and soft tissue reconstruction with distinct competitive advantages over existing tissue repair scaffolds, particularly in the areas of cell compatibility, mechanical properties (strength and ease of use) and facilitation of a high quality of tissue repair making it ideal for use in multiples indications with significant market potential.

Orthocell's Ortho-ATI® is a first in class cell therapy for treatment of chronic tendon injuries. The unique treatment uses each patient's own tendon-derived cells to stimulate tendon regeneration and is delivered via ultrasound guided injection under local anaesthetic. Published data demonstrates that Ortho-ATI® is an effective, minimally invasive technology, facilitating the healing of tendons which are resistant to existing therapies and addressing a significant unmet clinical need.

Summary of key events

The Company has made significant progress in the development and commercialisation of its collagen scaffold platform technology and cell therapies.

<u>CelGro®</u>

During the 2018 financial year, Orthocell achieved key development and marketing approval milestones for CelGro®, including driving market entry into Europe, accelerating development of orthopaedic applications and progressing development of pipeline products.

European market entry

- **EU regulatory approval (CE Mark)** – On 9 November 2017, Orthocell announced receipt of European regulatory approval (CE Mark) for CelGro® to be used for a range of dental bone and soft tissue applications. This marks a significant milestone for the Company as it enables commercial rollout in the significant dental bone and soft tissue regeneration market, validates the CelGro® platform technology, and provides a strong foundation for expansion into target jurisdictions such as the US, Australia and China.
- **First product use and sales** – Orthocell achieved first product use and sales of CelGro® in Europe within 6 months of receiving market authorisation (CE Mark) for dental bone and soft tissue repair.
- **Supplementary marketing clinical data** – On 1 May 2018, the Company announced the completion of a clinical study using CelGro® for treatment of dental bone defects. Results demonstrated that CelGro® guides superior quality bone formation when treating bone defects and results in up to 26% better quality newly formed bone when compared to the market leading comparative product.
- **Appointment of Key Opinion Leaders (KOL's)** – Two leading globally recognised experts were appointed to Orthocell's Medical and Scientific Advisory Board (MSAB) in March 2018. Professor Guiseppe Luongo, a maxillofacial surgeon, and Dr Massimo Simion, an oral surgeon, are both based in Europe and will assist in establishing CelGro® in European and global markets as the highest quality, best in class medical device for oral bone and soft tissue regeneration procedures.
- **Appointment of exclusive distributors** – The Company appointed Bimar Ortho ("Bimar") and Komak Sp ("Komak") as exclusive distributors of CelGro® for dental bone and soft tissue repair in Italy and Poland respectively. Both Bimar and Komak are leading distributors with a proven track record in driving market entry of high quality products. Subsequent to the 2018 financial year, Orthocell appointed Carrera Medical as its exclusive UK distributor of CelGro®. Distributors will work collaboratively with the Company to execute targeted promotion activities, expand product sales and develop the network of product users across the UK, Italy and Poland.

Development of orthopaedic applications

Orthocell progressed development of its orthopaedic applications announcing positive interim clinical study results for tendon and cartilage repair and the appointment of a globally recognised UK based KOL.

- **Positive results for cartilage regeneration** – On 6 September 2017, Orthocell reported positive safety and performance results for the first 3 patients treated in a clinical study using CelGro® for the treatment of full thickness cartilage defects within the hip joint. This milestone demonstrates that CelGro® potential to provide a more effective repair than currently available treatments for osteochondral hip defects.
- **Positive results for tendon regeneration** – On 6 June 2018, the Company announced successful study results demonstrating CelGro® is safe, tolerable and capable of guiding tendon healing in the surgical repair of the rotator cuff tendon within the shoulder. Patients experienced, at 6 and 12 months post-treatment, a reduction in pain, an improvement in function and quality of life with no tendon re-tears reported following surgical repair.
- **Appointment of leading orthopaedic surgeon** – Orthocell appointed Dr Jonathan Bell, a globally recognised UK orthopaedic surgeon, to the MSAB on 25 June 2018. This strategic appointment accelerates Orthocell's orthopaedic development of CelGro® in key markets.
- **Patent protections secured globally** – During the 2018 financial year, Orthocell strengthened its global IP portfolio with multiple additional patents secured for its CelGro® platform technology. CelGro® patents are now granted in Europe, the US, China, Canada, Singapore, Australia and New Zealand.

Development of pipeline products

In January 2018, Orthocell achieved the 50% patient treatment milestone in a human nerve regeneration trial to show how CelGro® can be used to guide and promote nerve regeneration in damaged peripheral nerves of the hand and upper limb. An interim review of the clinical trial data confirmed positive safety and tolerability results using CelGro® for the repair of damaged or severed nerves.

In February 2018, Orthocell announced positive results in a pre-clinical evaluation using CelGro® collagen rope in ACL reconstruction to replace the need for an autologous tendon graft. The study showed that host ligament stem cells from the ACL stump are capable of ingrowth into the biomechanically superior CelGro® rope, representing a key breakthrough in the use of collagen scaffolds.

Ortho-ATI®

The Company accelerated the clinical development of its minimally invasive cell therapy for tendon regeneration, Ortho-ATI®, throughout the 2018 financial year.

In June 2018, the Company announced updated positive results from a study of Ortho-ATI® for tennis elbow in patients who suffered work related injuries. The study results demonstrated that 88% of patients who had failed other existing treatments for tennis elbow were able to return to work after Ortho-ATI® treatment. The results were presented at the TOBI regenerative medicine meeting in Las Vegas, US and the study was performed in collaboration with Professor Ming Hao Zheng (University of Western Australia) and leading orthopaedic surgeons Dr Jeff Hughes and Dr Alex O'Beirne.

Enrolment of patients began for the Company's lead clinical trial of Ortho-ATI®, undertaken in collaboration with DePuy Synthes Products, Inc., part of the Johnson & Johnson Medical Device Companies. The objective of the study is to assess the safety and effectiveness of Ortho-ATI® compared to corticosteroid injection in the treatment of rotator cuff tendinopathy and tear, and to demonstrate the cost effectiveness of Ortho-ATI® as a minimally invasive injectable treatment for resistant tendon injuries of the elbow.

During the year the Company received numerous international patents for its world leading tendon regeneration therapy, Ortho-ATI®. Patents were granted in Canada and Europe, increasing Orthocell's intellectual property (IP) protection of Ortho-ATI® to include Canada, the USA, EU, Australia, New Zealand, China, Singapore and Hong Kong.

Corporate

In October 2017, the Company received a Research and Development (R&D) tax incentive cash refund of $2,252,168 for the financial year 2016/2017. The R&D refund strengthened the Company's balance sheet and increased the operational runway during a very active clinical trial program for its collagen platform technology, CelGro® and cellular therapy for tendon regeneration, Ortho-ATI®.

During December 2017 and January 2018, the Company successfully completed a share placement ("Placement") and a Share Purchase Plan ("SPP"). The total amount raised under the Placement and the SPP of A$2,884,901 and existing cash reserves will be used to accelerate the commercialisation of CelGro®, to progress US regulatory approvals and to advance key studies of Ortho-ATI® and other R&D pipeline products.

Investor Relations

During the year, the Company presented at numerous leading national and international investor and scientific congresses which supported the international interest in the safety and effectiveness of Orthocell's products. Presentations included:

- **Biotech Showcase™, San Francisco, US** – In January 2018, Orthocell provided an update to key industry opinion leaders, potential partners and investors on its key products. The Biotech Showcase™ attracts over 3,000 attendees and over 900 investors from more than 50 countries. In addition to the conference, Orthocell also met with leading healthcare companies and investors over the course of the week.
- **AOA & APKASS, Sydney, Australia** – In May 2018, Clinical Professor Allan Wang, Chief Investigator and President of the Shoulder Elbow Society of Australia, presented the positive interim results from Orthocell's study designed to evaluate the performance of CelGro® collagen medical device for tendon regeneration. The biannual congress featured over 100 international and domestic speakers.
- **TOBI regenerative medicine meeting, Las Vegas, US** – In June 2018, Orthocell presented at the 9th Annual PRP & Regenerative Medicine Symposium of The Orthobiologic Institute (TOBI) an update of positive results from a study of its tendon cell therapy for tennis elbow. Results were presented by Dr Jeff Hughes, treating orthopaedic surgeon, and Professor Ming Hao Zheng, Chief Scientific Officer at Orthocell

During March 2018 the Company made two announcements of initiation of coverage. Randy Hice, Chief Technical Officer and Member of the Life Sciences Advisory Board of Cedrus Investments, released a new research report on Orthocell. Further, widely respected life sciences industry analyst, Stuart Roberts of NDF Research, initiated equity analyst coverage with the release of a new report on Orthocell.

4. Dividends

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

5. Significant changes in the state of affairs

During December 2017 and January 2018 the Company completed a successful share placement ("Placement") and a Share Purchase Plan ("SPP"). The total amount raised under the Placement and the SPP of A$2,884,901 and existing cash reserves will be used to accelerate CelGro® commercialisation and progress US regulatory approvals and key studies, advance the development of Ortho-ATI® and other R&D pipeline products.

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

6. Likely developments and expected results of operations

Having completed its successful capital raise in January 2018, the Company will continue the development and commercialisation of CelGro and Ortho-ATI.

Following the receipt of EU market authorisation (CE Mark) for CelGro®, Orthocell remains focused on executing its strategic market entry plans into Europe for dental bone and soft tissue repair. This incorporates the implementation of product distribution channels, led by its key opinion leaders, designed to optimise shareholder value.

The achievement of CE Mark validates CelGro®'s manufacturing quality and product performance, in addition to being allowed to be sold within the EU, and provides a strong foundation for expansion into other indications (such as tendon and nerve indications) and regulatory approvals outside the EU. Over the medium to long term, Orthocell intends to leverage the CE Mark to accelerate the introduction of the tendon and soft tissue indications and achieve US regulatory approvals, in parallel to ongoing development and commercialisation of Ortho-ATI® and pipeline products.

7. Environmental regulation

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

8. Therapeutic Goods Administration regulation

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

9. Remuneration report (audited)

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

Remuneration Philosophy

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

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

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

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

Remuneration structure

Non-executive director remuneration

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

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

The 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.

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 2018 the Company granted options to Executives as detailed in the tables below.

The remuneration of executives for the years ended 30 June 2017 and 30 June 2018 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

Prof Lars Lidgren
- Independent Non-Executive Director

Mr Qi Xiao Zhou
- Non-Executive Director

Key management personnel remuneration details:

2018	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus[(1)] $	Post-employment benefits: Super-annuation $	Long-term benefits: Long Service Leave $	Share-based payments $	Total $	Performance related %
Non-executive Directors:							
Mr M Callahan	120,000	-	-	-	66,353	186,353	35.6%
Prof L Lidgren	45,000	-	-	-	10,760	55,760	19.3%
Mr QX Zhou	41,100	-	3,900	-	10,760	55,760	19.3%
Executive Directors:							
Mr P Anderson	365,000	91,250	51,657	6,657	82,493	597,057	29.1%
Dr S Washer	150,000	-	-	-	66,353	216,353	30.7%
Total	721,100	91,250	55,557	6,657	236,719	1,111,283	29.5%

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus[(1)] $	Post-employment benefits: Super-annuation $	Long-term benefits: Long Service Leave $	Share-based payments $	Total $	Performance related %
Non-executive Directors:							
Mr M Callahan	120,000	-	-	-	-	120,000	0.0%
Prof L Lidgren	45,000	-	-	-	-	45,000	0.0%
Mr QX Zhou	41,100	-	3,900	-	-	45,000	0.0%
Executive Directors:							
Mr P Anderson	350,000	87,500	40,375	13,832	41,600	533,307	24.2%
Dr S Washer	150,000	-	-	-	-	150,000	0.0%
Total	706,100	87,500	44,275	13,832	41,600	893,307	14.5%

(1) Discretionary bonus as approved by the board.

Share-based compensation

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

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

The options vest 33% on grant, 33% one year from date of grant, and 34% two years from date of grant. During the year ended 30 June 2018 $236,719 of the options were recognised as vested.

During the year ended 30 June 2017 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
13 Oct 2016	$0.624	12 Oct 2019	250,000	$0.1660	$41,600

Additional disclosures relating to key management personnel

Shareholding

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

	Balance 30/06/2017	Additions	Disposals/ Other	Balance 30/06/2018
Ordinary shares:				
Mr Paul Anderson	6,973,750	58,805	-	7,032,555
Mr Matthew Callahan[1]	10,204,559	73,323	-	10,277,882
Professor Lars Lidgren	964,091	44,118	-	1,008,209
Dr Stewart Washer	475,261	75,150	-	550,411
Mr Qi Xiao Zhou	5,996,241	-	-	5,996,241
	24,613,902	251,396	-	24,865,298

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

[1] 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: a) 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 b) 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.

Options / warrants holdings

The number options/warrants 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 year	Options granted	Options exercised	Expired/ forfeited/ other	Balance at the end of the year	Options vested & exercisable
Options / warrants over ordinary shares:						
Mr Paul Anderson	3,013,692	3,150,000	-	(2,750,000)	3,413,692	3,413,692
Dr Stewart Washer	1,745,842	1,850,000	-	(1,650,000)	1,945,842	1,945,842
Mr Matthew Callahan	1,650,000	1,850,000	-	(1,650,000)	1,850,000	1,850,000
Professor Lars Lidgren	204,767	300,000	-	(150,000)	354,767	354,767
Mr Qi Xiao Zhou	204,767	300,000	-	(150,000)	354,767	354,767

(1) During the year 850,000 options were issued to the Company's Chief Financial Officer Nicole Telford, Mr Anderson's spouse. These are included in the above table.

There were no other transactions with key management personnel.

Employment Contracts

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

Mr Paul Anderson

Position:	Managing Director
Salary:	$365,000pa plus superannuation
Short-term incentive:	A bonus of a maximum of 25% of Base Salary may be payable each year subject to achievement of key performance indicators to be agreed by the Board
Notice period:	6 months

Under the employment agreement:

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

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

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

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

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

Consulting arrangements

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

Mr Matthew Callahan / Bocca Consulting Pty Ltd

Consulting fee	$1,500 per day

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

Dr Stewart Washer / Biologica Ventures Pty Ltd

Consulting fee	$150,000 per annum

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

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.

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.

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

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

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

11. Shares under option

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

Grant date	Expiry date	Exercise price	Number of options/warrants
19/11/2015	19/11/2020	$0.580	12,122,237
26/02/2016	26/02/2019	$0.560	1,350,000
13/10/2016	12/10/2019	$0.624	650,000
13/12/2016	13/12/2019	$0.648	490,000
13/12/2016	13/12/2020	$0.550	600,000
10/03/2017	10/03/2020	$0.594	40,000
19/06/2017	19/06/2020	$0.510	200,000
07/05/2018	08/05/2021	$0.340	1,100,000
07/05/2018	08/05/2021	$0.395	11,090,000

12. Shares issued on the exercise of options

There were no shares of the Company issued during the year ended 30 June 2018 and up to the date of this report on the exercise of options granted.

13. Indemnity and insurance of officers

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The Company paid a premium of $20,549 in respect of this policy.

14. Indemnity and insurance of auditor

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

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

15. Proceedings on behalf of the Company

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

16. Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

17. Non-audit services

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

18. 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.

19. Auditor's independence declaration

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

20. Auditor

PKF 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
31 August 2018
Perth

AUDITOR'S INDEPENDENCE DECLARATION

PKF Mack

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 2018, 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

SHANE CROSS
PARTNER

31 AUGUST 2018
WEST PERTH
WESTERN AUSTRALIA

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PKF Mack is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue			
Sales revenue	3	619,179	529,818
Cost of goods sold	4	(469,886)	(438,137)
Gross profit		149,293	91,681
Other revenue	3	283,503	546,770
Expenses			
Research & development		(4,634,646)	(3,914,268)
Administrative & general		(2,021,651)	(1,784,946)
Sales & marketing		(1,785,781)	(1,064,651)
	4	(8,442,078)	(6,763,865)
Loss before income tax expense		(8,009,282)	(6,125,414)
Income tax benefit	5	2,252,168	1,947,998
Loss after income tax expenses		(5,757,114)	(4,177,416)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss		(5,757,114)	(4,177,416)
Loss per share		$	$
Basic earnings per share	29	(0.055)	(0.043)
Diluted earnings per share	29	(0.055)	(0.043)

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 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	6	2,910,233	5,046,257
Trade and other receivables	7	170,024	116,848
Inventories	8	53,816	88,397
Other	9	94,897	33,887
Total current assets		3,228,970	5,285,389
Non-current assets			
Property, plant and equipment	10	341,059	357,813
Intangibles	11	1,659,835	1,515,694
Total non-current assets		2,000,894	1,873,507
Total assets		5,229,864	7,158,896
Liabilities			
Current liabilities			
Trade and other payables	12	1,216,323	1,074,700
Employment benefits	13	467,898	428,074
Other	14	748,293	376,791
Total current liabilities		2,432,514	1,879,565
Non-current liabilities			
Other	15	425,148	566,844
Total non-current liabilities		425,148	566,844
Total liabilities		2,857,662	2,446,409
Net assets		2,372,202	4,712,487
Equity			
Issue capital	16	25,984,676	23,102,888
Reserves	17	1,025,612	1,288,976
Accumulated losses	18	(24,638,086)	(19,679,377)
Total equity		2,372,202	4,712,487

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Issued Capital $	Share-based payment reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2016	19,359,578	1,026,980	(15,501,961)	4,884,597
Loss after income tax expense	-	-	(4,177,416)	(4,177,416)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	(4,177,416)	(4,177,416)
Transactions with owners in their capacity as owners:				
Contributions of equity	4,000,000	-	-	4,000,000
Share equity costs	(256,690)	-	-	(256,690)
Issue of options	-	261,996	-	261,996
Balance at 30 June 2017	23,102,888	1,288,976	(19,679,377)	4,712,487
Balance at 1 July 2017	23,102,888	1,288,976	(19,679,377)	4,712,487
Loss after income tax expense	-	-	(5,757,114)	(5,757,114)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	(5,757,114)	(5,757,114)
Transactions with owners in their capacity as owners:				
Contributions of equity	2,957,500	-	-	2,957,500
Share equity costs	(75,712)	-	-	(75,712)
Expiry of options	-	(798,405)	798,405	-
Issue of options	-	535,041	-	535,041
Balance at 30 June 2018	25,984,676	1,025,612	(24,638,086)	2,372,202

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		561,853	986,095
Payments to suppliers & employees (inclusive of GST)		(7,587,697)	(6,527,317)
Receipts from license fees and royalties		-	2,097
Grants received		110,955	-
R&D tax concession received		2,252,168	1,947,998
Interest received		18,469	35,747
Net cash used in operating activities	28	(4,644,252)	(3,555,380)
Cash flows from investing activities			
Payments for intangible assets		(286,377)	(255,538)
Payments for property, plant & equipment		(87,183)	(107,947)
Net cash used in investing activities		(373,560)	(363,485)
Cash flows from financing activities			
Share subscription funds received		2,957,500	4,000,000
Share equity costs		(75,712)	(216,690)
Net cash from financing activities		2,881,788	3,783,310
Net increase in cash and cash equivalents		(2,136,024)	135,555
Cash and cash equivalents at the beginning of the financial year		5,046,257	5,181,812
Cash and cash equivalents at the end of the financial year		2,910,233	5,046,257

Note: the above consolidated 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.

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 30 August 2018. The directors have the power to amend and reissue the financial statements.

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

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

Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

Going Concern

The Group has net assets of $2,372,202 (2017: $4,712,487) as at 30 June 2018 and incurred a loss of $5,757,114 (2017: $4,177,416) and net operating cash outflow of $4,644,252 (2017: $3,555,380) for the period ended 30 June 2018.

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. In the event that the Group does not achieve the above actions, there exists a material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business.

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 2018. 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.

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. The research and development tax incentives are recognised as income tax benefits in the consolidated statements of profit or loss and other comprehensive income.

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

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

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Current and non-current classification

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

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

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

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

Cash and cash equivalents

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

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.

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.

Property, plant and equipment

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

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

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

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

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

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

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2018. The consolidated entity has not assessed of the impact of these new or amended Accounting Standards and Interpretations, except as noted.

AASB No.	Title	Application date *	Issue date
AASB 9	Financial Instruments	1 Jan 2018	Dec 2014
AASB 2010-7	Amendments arising from Accounting Standards arising from AASB 9 (Dec 2010)	1 Jan 2018	Sep 2012
AASB 2014-1	Amendments to Australian Accounting Standards, Part E - Financial Instruments	Part E - 1 Jan 2018	Jun 2014
AASB 2014-5	Amendments to Australian Accounting Standard Arising From AASB 15	1 Jan 2018	Dec 2014
AASB 2014-7	Amendments to Australian Accounting Standard Arising From AASB 9 (Dec 2014)	1 Jan 2018	Dec 2014
AASB 2014-10	Amendments to Australian Accounting Standard – Sale of Contribution of Assets Between Investors and its Associates or Joint Venture	1 Jan 2018	Dec 2014
AASB 2015-8	Amendments to Australian Accounting Standards – Effective Date of AASB 15	1 Jan 2018	Oct 2015
AASB 2015-10	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.	1 Jan 2018	Dec 2015
AASB 2016-5	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions [AASB 2]	1 Jan 2018	Jul 2016
AASB 2016-6	Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts [AASB 4]	1 Jan 2018	Oct 2016
AASB 2016-8	Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities	1 Jan 2019	Dec 2016
AASB 2017-1	Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments	1 Jan 2018	Feb 2017
AASB 2017-3	Amendments to Australian Accounting Standards – Clarifications to AASB 4	1 Jan 2018	Jul 2017
AASB 2017-4	Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments	1 Jan 2019	Jul 2017
AASB 2017-5	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 Jan 2018	Dec 2017
AASB 2017-6	Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 Jan 2019	Oct 2017
AASB 2017-7	Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 Jan 2019	Dec 2017
AASB 2018-1	Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 Jan 2019	Feb 2018
AASB 2018-2	Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 Jan 2019	Mar 2018
AASB 15	Revenues from Contracts with Customers **	1 Jan 2018	Oct 2015
AASB 16	Leases	1 Jan 2019	Feb 2016
AASB 17	Insurance Contracts	1 Jan 2021	Jul 2017
AASB 1058	Income of Not-for-Profit Entities [Appendix D]	1 Jan 2019	Dec 2016
AASB 1059	Service Concession Arrangements: Grantors	1 Jan 2019	Jul 2017
AASB Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 Jan 2018	Feb 2017
AASB Interpretation 23	Uncertainty over Income Tax Treatments	1 Jan 2019	Jun 2017
Not yet issued by the AASB	Conceptual Framework for Financial Reporting#	1 Jan 2020	Mar 2018

* Annual reporting periods beginning after
** AASB 15 has been assessed and is not expected to have a significant impact on the company.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees 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. Other qualitative measures are also considered in the assessment of impairment.

Employee benefits provision

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

Note 3. Revenue

	2018 $	2017 $
Sales revenue		
Sale of goods	619,179	529,818
	619,179	529,818
Other revenue		
Interest	18,469	35,747
Export market development grant	110,955	-
License fee & royalties	141,696	143,793
Currency gain	4,118	3,321
Other	8,265	363,909
	283,503	546,770
Total revenue	982,682	1,076,588

Note 4. Expenses

Loss before income tax includes the following specific expenses:

Cost of sales	469,886	438,137
Cost of sales		
Depreciation and amortisation		
Depreciation – plant & equipment	75,364	70,458
Amortisation – patents & trademarks	117,952	77,294
Total Depreciation and amortisation	193,316	147,752
Rental expense relating to operating leases		
Minimum lease payments	115,139	115,976
Employment expenses		
Salaries & wages	2,741,670	2,502,317
Employment benefits	39,824	89,881
Superannuation expense	258,417	248,143
Consultants' fees	570,328	502,500
Directors' fees	281,100	281,100
Payroll & other taxes	156,826	146,524
Other employment costs	2,286	22,595
Share-based payments expense	291,955	144,856
Total employment expenses	4,342,406	3,937,916
Write off assets		
Inventories	45,953	51,932

Note 5. Income tax expense

	2018 $	2017 $
Income tax expense/(benefit)		
Current tax	(2,252,168)	(1,947,998)
Deferred tax – origination and reversal of temporary differences	-	-
Aggregate income tax expense	(2,252,168)	(1,947,998)
Numerical reconciliation of income tax expense & tax at the statutory rate		
Loss before income tax expense from continuing operations	(8,009,282)	(6,125,414)
Tax at the statutory tax rate of 27.5% (2017: 27.5%)	(2,202,552)	(1,684,489)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	25,627	15,581
Research and development expenditure	571,020	365,270
Research and development rebate received	-	(535,700)
Share-based payments	147,136	39,835
Income tax benefit not brought to account	1,458,769	1,799,503
	-	-
Research and development tax benefit received	(2,252,168)	(1,947,998)
The following deferred tax balances have not been recognised:		
Deferred tax assets not recognised at 27.5% (2017: 27.5%)		
Provisions and accruals	146,072	131,164
Capital raising costs	138,182	209,081
Carried forward revenue losses	2,736,486	2,773,781
	3,020,740	3,114,026
Deferred tax liabilities not recognised at 27.5% (2017: 27.5%)		
Prepayments	26,097	-
	26,097	-

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

	2018 $	2017 $
Cash at bank	2,910,233	5,046,257
	2,910,233	5,046,257

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:

Balance as above		
Cash and cash equivalents	2,910,233	5,046,257
Balance as per statement of cash flows	2,910,233	5,046,257

Note 7. Trade and other receivables

Trade receivables	110,990	35,711
Other receivables:		
Sundry debtors	2,742	-
GST refund due	56,292	81,137
	59,034	81,137
	170,024	116,848

Impairment of receivables
There has been no impairment of receivables in the year ended 30 June 2018 (30 June 2017: $0).

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to nil as at 30 June 2018 (30 June 2017: $10,940)

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

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

0 to 3 months overdue	-	10,940
3 to 6 months overdue	-	-
	-	10,940

Note 8. Inventories

Consumables – at cost	-	6,752
Work in progress – at cost	53,816	81,645
	53,816	88,397

Note 9. Other

	2018 $	2017 $
Prepayments	94,897	33,887
	94,897	33,887

Note 10. Property, plant and equipment

	2018 $	2017 $
Leasehold improvements – at cost	272,502	272,502
Less: Accumulated depreciation	(77,258)	(70,456)
	195,244	202,056
Plant and equipment – at cost	556,028	523,896
Less: Accumulated depreciation	(420,788)	(383,664)
	135,240	140,232
Furniture and fittings – at cost	43,269	41,464
Less: Accumulated depreciation	(32,694)	(25,939)
	10,575	15,525
	341,059	357,813

Reconciliations

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

	Leasehold improvements $	Plant and equipment $	Furniture and fittings $	Total $
Balance at 30 June 2016	208,869	65,365	14,938	289,172
Additions	-	135,394	3,705	139,099
Disposals	-	-	-	-
Depreciation	(6,813)	(60,527)	(3,118)	(70,458)
Balance at 30 June 2017	202,056	140,232	15,525	357,813
Additions	-	56,805	1,805	58,610
Disposals	-	-	-	-
Depreciation	(6,812)	(61,797)	(6,755)	(75,364)
Balance at 30 June 2018	195,244	135,240	10,575	341,059

Note 11. Intangibles

	2018 $	2017 $
Patents and trademarks – at cost	1,948,131	1,686,038
Less: Accumulated amortisation	(288,296)	(170,344)
	1,659,835	1,515,694

Note 11. Intangibles (continued)

Reconciliations

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

	$
Balance at 30 June 2016	1,264,030
Additions	328,958
Amortisation expense	(77,294)
Balance at 30 June 2017	1,515,694
Additions	262,093
Amortisation expense	(117,952)
Balance at 30 June 2018	1,659,835

Note 12. Trade and other payables

	2018 $	2017 $
Trade payables	1,020,281	891,021
Other payables	196,042	183,679
	1,216,323	1,074,700

Note 13. Employee benefits

Annual leave entitlements	273,605	254,174
Long service leave entitlements	194,293	173,900
	467,898	428,074

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

	2018 $	2017 $
Accrued expenses	606,593	235,091
Revenue received in advance	141,700	141,700
	748,293	376,791

Note 15. Other non-current liabilities

Revenue received in advance	425,148	566,844
	425,148	566,844

Note 16. Equity – issued capital

	2018 Shares	2017 Shares	2018 $	2017 $
Ordinary shares – fully paid	110,177,779	101,479,437	27,621,502	24,664,002
	110,177,779	101,479,437	27,621,502	24,664,002
Share equity costs – ordinary shares	-	-	(1,636,826)	(1,561,114)
	110,177,779	101,479,437	25,984,676	23,102,888

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 Jul 2016	91,479,437		19,359,578
Issue of shares	13 Dec 2016	10,000,000	$0.40	4,000,000
Share issue costs		-		(256,690)
Balance	30 Jun 2017	101,479,437		23,102,888
Issue of shares	20 Dec 2017	4,198,238	$0.34	1,427,401
Share issue costs		-		(75,712)
Issue of shares	12 Jan 2018	4,286,578	$0.34	1,457,500
Issue of shares	9 May 2018	213,526	$0.34	72,599
Balance	30 Jun 2018	110,177,779		25,984,676

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

Note 16. Equity – issued capital (continued)

shares have no par value and the Company does not have a limited amount of authorised capital. The Company does not have any externally imposed capital requirements. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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

In order to maintain or adjust the capital structure, the consolidated entity may adjust the 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. Share-based payment reserve

	2018 Options	2017 Options	2018 $	2017 $
Share-based payment reserve	15,520,000	12,762,500	1,025,612	1,288,976
	15,520,000	12,762,500	1,025,612	1,288,976

Movements in share-based payment reserve

Details	**Date**	**No of options**	**Total $**
Balance at 30 June 2016		10,782,500	1,026,980
Issue of options(1)	13 Oct 2016	650,000	108,160
Issue of options(2)	12 Dec 2016	490,000	80,164
Issue of options(3)	13 Dec 2016	600,000	40,000
Issue of options(4)	10 Mar 2017	40,000	5,612
Issue of options(5)	19 Jun 2017	200,000	28,060
		1,980,000	261,996
Balance at 30 June 2017		12,762,500	1,288,976
Expiry of options	3 Aug 2017	(5,912,500)	(532,092)
Expiry of options	24 Nov 2017	(3,520,000)	(266,313)
Issue of options(6)	7 May 2018	1,100,000	137,280
Issue of options(7)	7 May 2018	11,090,000	397,761
		2,757,500	(263,364)
Balance at 30 June 2018		15,520,000	1,025,612

Note 17. Share-based payment reserve (continued)

Total value of share-based payments for the year is $535,041 (2017: 261,996). Of this $291,955 (2017: $221,996) is classified as share-based payments to employees in Note 4 under employment expenses and the remaining $243,086 is classified in the consultants' fees in Note 4 under employment expenses (2017: $40,000 classified as share equity costs in the balance sheet). The share based payments reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration, as well as consultants as consideration for services in certain circumstances.

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

	(1)	(2)	(3)	(5)	(6)	(7)
Grant date	13/10/16	12/12/16	10/03/17	19/06/17	07/05/18	07/05/18
Expiry date	12/10/19	12/12/19	10/03/20	19/06/20	08/05/21	08/05/21
Share price at grant date	$0.435	$0.440	$0.420	$0.350	$0.345	$0.345
Exercise price	$0.624	$0.648	$0.594	$0.510	$0.340	$0.395
Expected volatility	72%	71%	63%	73%	50%	50%
Dividend yield	0%	0%	0%	0%	0%	0%
Risk-free rate	1.72%	1.95%	2.11%	1.80%	2.17%	2.15%
Fair value at grant date	$0.166	$0.164	$0.140	$0.137	$0.1248	$0.1076

(4) On 13 December 2016 600,000 options were granted as part payment for the provision of services in relation to a capital raising. The fair value of the service amounts to $240,000 as determined by market expectations. Of this fair value $200,000 was settled in cash and therefore the options are deemed to have a fair value of $40,000. The options have an exercise price of $0.55 and an expiry date of 13 December 2020.

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

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

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

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2018							
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)	-
19/11/2015	19/11/2020	$0.58	12,122,237	-	-	-	12,122,237
26/02/2016	26/02/2019	$0.56	1,350,000	-	-	-	1,350,000
13/10/2016	12/10/2019	$0.62	650,000	-	-	-	650,000
12/12/2016	12/12/2019	$0.64	490,000	-	-	-	490,000
13/12/2016	13/12/2019	$0.55	600,000	-	-	-	600,000
10/03/2017	10/03/2020	$0.59	40,000	-	-	-	40,000
19/06/2017	19/06/2020	$0.41	200,000	-	-	-	200,000
07/05/2018	08/05/2021	$0.34	-	1,100,000	-	-	1,100,000
07/05/2018	08/05/2021	$0.40	-	11,090,000	-	-	11,090,000
			24,884,737	12,190,000	-	(9,432,500)	27,642,237
Weighted average exercise price			$0.570	$0.390	-	$0.545	$0.050

Note 17. Share-based payment reserve (continued)

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2017							
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
19/11/2015	19/11/2020	$0.58	12,122,237	-	-	-	12,122,237
26/02/2016	26/02/2019	$0.56	1,350,000	-	-	-	1,350,000
13/10/2016	12/10/2019	$0.62	-	650,000	-	-	650,000
12/12/2016	12/12/2019	$0.64	-	490,000	-	-	490,000
13/12/2016	13/12/2019	$0.55	-	600,000	-	-	600,000
10/03/2017	10/03/2020	$0.59	-	40,000	-	-	40,000
19/06/2017	19/06/2020	$0.41	-	200,000	-	-	200,000
			22,904,737	1,980,000	-	-	24,884,737
Weighted average exercise price			$0.564	$0.582	-	-	$0.570

At 30 June 2018 the remaining weighted average contractual life of the options is 1,000 days (2017: 745 days).

Note 18. Equity – accumulated losses

	2018 $	2017 $
Accumulated losses at the beginning of the financial year	19,679,377	15,501,961
Expired options	(798,405)	-
Loss after income tax expense for the year	5,757,114	4,177,416
Accumulated losses at the end of the financial year	24,638,086	19,679,377

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.

Note 19. Financial instruments (continued)

(b) Interest rate risk

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

	2018 $	2017 $
Cash[(1)]	2,910,233	5,046,257

[(1)] The weighted average interest rate of cash is 0.53% (2017: 0.69%)

(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 2017:							
Trade & other payables	1,126,112	-	-	-	-	-	1,126,112
As at 30 June 2018:							
Trade & other payables	1,626,814	-	-	-	-	-	1,626,874

(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 2017 and 2018. None of the Company's financial liabilities are interest bearing.

Note 19. Financial instruments (continued)

Financial assets	Carrying amount $	Interest rate risk -1% Net profit $	Equity $	Interest rate risk 1% Net profit $	Equity $
30 June 2017					
Cash	5,046,257	(50,462)	(50,462)	50,462	50,462
30 June 2018					
Cash	2,910,233	(29,102)	(29,102)	29,102	29,102

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:

	2018 $	**2017 $**
Short-term employee benefits	812,350	793,600
Post-employment benefits	55,557	44,275
Long-term benefits	6,657	13,832
Share-based payments	236,719	41,600
	1,111,283	893,307

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:

	2018 $	**2017 $**
Audit services – PKF Mack	32,915	32,400
Audit or review of the consolidated financial statements		
Other services – PKF Mack		
Preparation of the tax return	3,800	3,300
Other matters	450	-
	4,250	3,300
	37,165	35,700

Note 22. Contingent liabilities

The consolidated entity has no contingent liabilities for the years ended 30 June 2018 or 30 June 2017.

Note 23. Contingent assets

The consolidated entity has no contingent assets for the year ended 30 June 2018 or 30 June 2017.

Note 24. Commitments

	2018 $	2017 $
Patent annuity commitments		
To maintain patent rights the following commitments will need to be met by the Company:		
Within one year	58,350	42,716
One to five years	297,425	175,439
More than five years	623,450	346,505
	979,225	564,660
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	105,969	115,157
One to five years	215,706	333,068
More than five years	-	-
	321,675	448,225
Total commitments	1,300,900	1,012,885

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 laboratory rental lease under an operating 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 interest in subsidiaries

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

Name of entity	Country of incorporation	2018 %	2017 %
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

Subsequent to 30 June 2018 two subsidiaries were incorporated:

Name of entity	Country of incorporation	Date of Incorporation
Orthocell UK Ltd	United Kingdom	20 July 2018
Orthocell (HK) Limited	Hong Kong	7 August 2018

Both subsidiaries are wholly-owned by Orthocell.

No other matter or circumstance has arisen since 30 June 2018 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

	2018 $	2017 $
Loss after income tax expense for the year	(5,757,114)	(4,177,416)
Adjustments for:		
Depreciation and amortisation	193,316	147,752
Share-based payments expensed	535,041	221,996
Inventory write-off	45,953	51,932
Change in operating assets and liabilities:		
(Increase)/decrease in debtors	(78,020)	94,220
(Increase)/decrease in prepayments	(61,011)	24,975
(Increase)/decrease in inventories	(11,372)	(6,167)
Increase/(decrease) in creditors	219,325	207,264
Increase/(decrease) in accruals	371,502	(68,121)
Increase/(decrease) in employee entitlements	39,824	89,881
Increase/(decrease) in unearned income	(141,696)	(141,696)
	(4,644,252)	(3,555,380)

Note 29. Loss per share

	2018 $	2017 $
Loss after income tax expense for the year	(5,757,114)	(4,177,416)
	Shares	**Shares**
Weighted average number of shares used in calculating basic and diluted loss per share	105,726,821	96,958,889

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

At the date of this report the company has 110,177,779 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.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached consolidated financial statements and notes thereto and the remuneration report contained in the directors' report comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the consolidated financial statements;
- the attached consolidated financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2018 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
31 August 2018
Perth

PKF MACK
Accounting, Financial and Business Advisory

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORTHOCELL LIMITED

Report on the Financial Report

Opinion

We have audited the accompanying financial report of Orthocell Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

Basis for Opinion

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of $5,757,114 (2017: loss $4,177,416) during the year ended 30 June 2018. This condition, along with other matters as set out in note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's and consolidated entity's ability to continue as a going concern and therefore, the company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the company and the consolidated entity does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and/or the consolidated entity not continue as going concerns.

PKF Mack
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Independence

We are independent of the consolidated entity in accordance with 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 (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

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

1. Carrying Value of Intangible Assets

Why significant	How our audit addressed the key audit matter
As at 30 June 2018 the carrying value of intangible assets was $1,659,835 (2017: $1,515,694), as disclosed in Note 11. This balance represents 32% (2017: 21%) of total assets and significant judgement is involved in assessing the appropriateness of the carrying value. The consolidated entity's accounting policy in respect of intangible assets is outlined in Note 1. Significant judgement is required in relation to: • The basis of the quantitative and qualitative factors within the impairment testing model; and • The assumptions and inputs used within the impairment testing model.	Our work included, but was not limited to, the following procedures: • Vouching a sample of additions during the year to relevant supporting documentation; • Assessing the accuracy of the amortisation calculations and other calculations within the patent and trademark schedules; • Assessing the reasonableness of quantitative and qualitative factors within the impairment testing model; • Assessing the inputs and calculations within the quantitative area of the impairment testing model; • Assessing the results of and conclusion reached in relation to the impairment testing model; and • Assessing the appropriateness of the related disclosures in Note 1 and 11.

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2. Value of Share Based Payments

Why significant	How our audit addressed the key audit matter

For the year ended 30 June 2018 the value of share based payments issued and recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income totalled \$535,041 (2017: \$261,996), as disclosed in Note 17.
 	
The consolidated entity's accounting judgement and estimates in respect of share based payments is outlined in Note 17. Significant judgement is required in relation to:
 	
• The valuation method used in the model; and
 	
• The assumptions and inputs used within the model.
	Our work included, but was not limited to, the following procedures:
	
	• reviewed the independent expert's valuations of options issued, including:
	  ○ ensuring the independence of the independent expert;
	  ○ assessing the credentials of the independent expert;
	  ○ assessing the appropriateness of the valuation method used; and
	  ○ assessing the reasonableness of the assumptions and inputs used within the valuation model.
	
	• we assessed the reasonableness of the assumptions used in the valuation of the share based payments expense as well as testing the accuracy of the calculations themselves;
	
	• reviewed Board meeting minutes and ASX announcements as well as enquired of relevant personnel to ensure all share based payments had been recognised;
	
	• assessed the allocation and recognition to ensure reasonable; and
	
	• assessed the appropriateness of the related disclosures in Note 17.

Other Information

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

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

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

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

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

Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

PKF MACK

Accounting, Financial and Business Advisory

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

Opinion

In our opinion, the Remuneration Report of Orthocell Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

PKF Mack

PKF MACK

SHANE CROSS
PARTNER

31 AUGUST 2018
WEST PERTH
WESTERN AUSTRALIA

CORPORATE GOVERNANCE STATEMENT

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 12 October 2018.

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 2018, the Company does not have any female Board members (2017: nil). The Company has 1 female (33%) in senior management positions, (2017: 1, 33%). Of the balance of the Company's employees 74% are female (2017: 76%). 56% (2017: 56%) 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.

Performance reviews were undertaken during the reporting period.

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.

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

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

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

Government relations - Experience in dealing with relevant Government authorities and regulators.

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 2018 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.

Mr Matthew Callahan is a founder and director of 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 not fully 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.

No new directors were appointed during the year.

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 2017 and the full year ended 30 June 2018 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 has not fully complied 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 operations and technologies, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

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.

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 7.1: 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 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 behaviour 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 fully 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.

ASX ADDITIONAL INFORMATION

Information in this section is as at 11 October 2018.

Substantial shareholders

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

Shareholder	Shares
SRV Custodians Pty Ltd	9,530,382
Ming Hao Zheng	7,104,238
Mr Paul Frederick Anderson & Ms Nicole Jane Telford	6,403,335
Mr Qixiao Zhou	5,996,241

Voting rights

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

Distribution of ordinary shares

Ranges	Shareholders	Holdings
1 – 1,000	224	149,336
1,001 – 5,000	1,515	4,235,272
5,001 – 10,000	618	5,016,057
10,001 – 100,000	970	29,856,189
100,001 and over	105	70,920,925
Totals	**3,432**	**110,177,779**
Unmarketable parcels	649	

On-market buy back

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

Restricted securities

Nil

Securities Exchange

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

Ordinary shares

20 largest shareholders	Shares held	%
SRV Custodians Pty Ltd	9,530,382	8.65
Ming Hao Zheng	7,104,238	6.45
Mr Paul Frederick Anderson & Ms Nicole Jane Telford	6,403,335	5.81
Mr Qixiao Zhou	5,996,241	5.44
Mr Jia Xun Xu	5,168,276	4.69
JP Morgan Nominees Australia Limited	3,969,139	3.60
National Nominees Limited	2,489,950	2.26
Dr John Clifford Philpott	1,550,000	1.41
Veritas Securities Limited	1,389,809	1.26
Dr John Clifford Philpott & Mrs Rebecca Anne Philpott	1,250,000	1.13
Enerview Pty Ltd	1,000,000	0.91
BT Portfolio Services Limited	1,000,000	0.91
Citicorp Nominees Pty Limited	941,481	0.85
Murdoch Ventures Pty Ltd	923,841	0.84
Diamonex Ltd	768,091	0.70
Argento Pty Ltd	695,758	0.63
SRV Nominees Pty Ltd	649,177	0.59
The University of Western Australia	646,687	0.59
Mr Paul Frederick Anderson & Ms Nicole Jane Telford	629,204	0.57
Mr Gerard John Hardisty & Mrs Gabrielle Elizabeth Hardisty	596,401	0.54
Total	**52,702,010**	**47.83**
Balance of register	57,475,769	52.17
Grand total	**110,177,779**	**100.00**

ASX ADDITIONAL INFORMATION

Unquoted options and warrants

Options issued under the options plans total 15,520,000 and warrants issued total 12,122,237.

Voting rights

Options and warrants
No voting rights.

Ordinary shares
Refer to Note 16.

Distribution of unlisted options and warrants

Exercise price: Expiry date:	Options $0.56 26/02/19	Options $0.62 12/10/19	Options $0.64 12/12/19	Options $0.55 13/12/19	Options $0.59 10/03/20	Options $0.41 19/06/20	Warrants $0.58 19/11/20	Options $0.34 08/05/21	Options $0.34 08/05/21
Holding ranges:	Options held (Holders)	Options held (Holders)	Options held (Holders)	Options held (Holders)	Options held (Holders)	Options held (Holders)	Warrants held (Holders)	Options held (Holders)	Options held (Holders)
1 – 5,000	nil	nil	nil	nil	nil	nil	nil	nil	nil
5,001 – 10,000	20,000 (2)	nil	nil	nil	nil	nil	nil	nil	nil
10,001 – 100,000	160,000 (6)	nil	190,000 (2)	nil	40,000 (1)	nil	273,834 (6)	100,000 (1)	490,000 (11)
100.001 & over	1,170,000 (6)	650,000 (3)	130,000 (2)	600,000 (1)	nil	200,000 (1)	11,848,403 (8)	1,000,000 (3)	10,600,000 (9)
Totals	**1,350,000 (14)**	**650,000 (3)**	**490,000 (4)**	**600,000 (1)**	**40,000 (1)**	**200,000 (1)**	**12,122,237 (14)**	**1,100,000 (4)**	**11,090,000 (20)**

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

Holders of great than 20% of unlisted warrants: Nil