Quarterly Cash Flow Report – December 31 2014

Perth, Australia; 30 January 2015: Commercial stage regenerative medicine company Orthocell Limited's Quarterly Cash Flow Report for the quarter ended December 31 2014 is attached.

During the quarter the Company continued to execute its strategy in the development and launch of a suite of cellular products and biological medical device products in the musculoskeletal soft tissue regenerative medicine space in what is one of the fastest growing market segments in medicine.

Activities in the three months to December 31 included:

- Forming a partnership with world-leading bone substitute company BONESUPPORT to develop new therapies using Orthocell's Celgro™ collagen scaffold device;
- Announcing the company had grown human tendons in a laboratory setting outside the body;
- Attending key Australian health conferences and presenting positive long term results of Orthocell's Ortho-ATI™ therapy to repair damaged tendons;
- Orthocell's first Annual General Meeting as a listed company.

"Orthocell has had an exciting quarter with breakthroughs in the lab, growing recognition among medical professionals of our tendon therapy, and our new partnership with Sweden's BONESUPPORT," Orthocell Managing Director Paul Anderson said.

"We're especially excited by our partnership with BONESUPPORT which has further validated our Celgro™ collagen scaffold as a platform technology for regenerative medicine applications and will now be used by BONESUPPORT to create new therapies for major markets like the United States."

Mr Anderson said Orthocell remained focused on expanding sales and marketing in Australia, as well as opportunities to help people suffering soft tissue injuries around the world.

"I look forward to sharing with investors our progress in the future," he said.

For more information, please contact:

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About Orthocell Limited

Orthocell is a commercial-stage, regenerative medicine company focused on developing products for a variety of tendon, cartilage and soft tissue injuries. Orthocell's portfolio of products include TGA-approved stem cell therapies Autologous Tenocyte Implantation (Ortho-ATI™) and Autologous Chondrocyte Implantation (Ortho-ACI™), which aim to regenerate damaged tendon and cartilage tissue. The Company's other major product is Celgro™, a collagen medical device which facilitates tissue repair and healing in a variety of orthopaedic, reconstructive and surgical applications and is being readied for first regulatory approvals.

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

ORTHOCELL LIMITED

ABN	Quarter ended ("current quarter")
57 118 897 135	31 DECEMBER 2014

Consolidated statement of cash flows

		Current quarter $A	Year to date (6 months) $A
Cash flows related to operating activities			
1.1	Receipts from customers – inclusive of GST	275,553	550,000
1.2	Payments for suppliers and employees – inclusive of GST	(1,601,874)	(2,911,582)
1.3	Receipts from license agreement	-	270,418
1.4	Interest received	36,599	78,371
	Net operating cash flows	(1,289,722)	(2,012,793)
Cash flows related to investing activities			
1.5	Payment for acquisition of:		
	(a) intellectual property	(56,162)	(99,237)
	(b) property, plant & equipment	(13,114)	(25,231)
	Net investing cash flows	(69,276)	(124,468)
1.6	**Total operating and investing cash flows**	(1,358,998)	(2,137,261)
	Cash flows related to financing activities		
1.7	Proceeds from issues of shares	-	5,014,900
1.8	Payments for share equity costs	-	(621,185)
	Net financing cash flows	-	4,393,715
	Net increase (decrease) in cash held	(1,358,998)	2,256,454
1.9	Cash at beginning of quarter/year to date	7,082,804	3,467,352
1.10	**Cash at end of quarter**	5,723,806	5,723,806

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A
1.11	Aggregate amount of payments to parties included in item 1.2	199,835
1.12	Aggregate amount of loans to the parties included in item 1.2	-

1.13 Explanation necessary for an understanding of the transactions

Executive remuneration and non-executive director fees and consulting fees	199,835

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Not applicable

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Not applicable

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available $A	Amount used $A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A	Previous quarter $A
4.1	Cash on hand and at bank	5,723,806	7,082,804
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (Term deposit)	-	-
	Total: cash at end of quarter (item 1.23)	5,723,806	7,082,804

+ See chapter 19 for defined terms.

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	Not applicable	Not applicable
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 30 January 2015

Print name: Simon Robertson
Company Secretary

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.

   - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
   - 9.2 - itemised disclosure relating to acquisitions
   - 9.4 - itemised disclosure relating to disposals
   - 12.1(a) - policy for classification of cash items
   - 12.3 - disclosure of restrictions on use of cash
   - 13.1 - comparative information

3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

SUMMARY OF KEY ACTIVITIES DURING THE QUARTER

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

Presentation of Ortho-ATI clinical trial results at key Australian health conferences

Orthocell announced in October 2014 the outcomes of trials of its world-leading tendon regeneration therapy are to be presented at two key Australian health conferences. Orthocell's clinical trial results for its Ortho-ATI™ treatment for degenerate tendon injuries of the elbow and hip were presented at the Australian Orthopaedic Association's annual scientific meeting in Melbourne and Sports Medicine Australia's 'Be Active' conference in Canberra. An Ortho-ATI workshop was also conducted at the Hong Kong Orthopaedic Association annual scientific meeting with attendances oversubscribed.

First Human Tendons Grown in Laboratory

In November 2014 Orthocell announced its success in growing human tendons in a laboratory for the first time. This was believed to be a world first breakthrough involving the growing human tendons in the laboratory. Orthocell collaborated with researchers at University of Western Australia, Curtin University, Griffith University and University of Auckland with the research being sponsored by Orthocell through a Federal ARC Linkage Grant.

Bonesupport Agreement

In December 2014 Orthocell announced its new partnership with BONESUPPORT, an emerging leader of injectable bone substitutes, to develop a suite of unique bone substitute products for the bone repair market. These products will utilise the unique eluting bone remodelling capabilities of CERAMENT™ and the important collagen properties of Celgro™.

BONESUPPORT, is an emerging leader in the development of injectable bone substitutes, The global bone graft and substitutes market was estimated at $US2.1 billion in 2013 and is projected to grow to $2.7 billion by 2020. BONESUPPORT's platform technology CERAMENT™ is an injectable synthetic bone substitute used for orthopaedic trauma, bone infection and instrumentation augmentation and is currently marketed in the US and Europe.

CERAMENT™ mimics human bone and provides short-term support for the fracture or bone void with rapid pain relief and stabilisation, while providing longer term support which enhances new bone growth. CERAMENT's biologic properties deliver a consistent, pre-packed and ready to use formulation with unique drug eluting capabilities that make it an ideal platform to combine with substances like collagen.

One of the key goals of bone repair is to induce new growth of bone matrix. Enhanced bone induction matrix formation, in turn relies on the incorporation of complex growth factor and collagen interactions, which are not provided by existing synthetic bone repair products. Orthocell and BONESUPPORT believe Orthocell's Celgro collagen scaffold technology is a highly prospective solution to this problem and that CERAMENT™, with its unique eluting capabilities is the ideal platform to facilitate delivery. The new synthetic bone product provides the opportunity to accelerate natural bone regrowth.

The companies have agreed to work together to incorporate Celgro™ into CERAMENT™ to create a novel bone repair product that will not only support the damaged bone, but induce the superior growth of new bone matrix.

Chinese Patent for Celgro Technology Granted

In January 2015 the company announced it has been granted a Chinese patent covering the manufacture of biological materials to repair damaged soft tissue.

The patent, described as “Chinese patent # CN 102159256 B Entitled: A Collagen Scaffold for Cell Growth and a method producing the Same (PCT/AU2008/000583)”, relates to the manufacture of Orthocell’s CelgroTM product.

Orthocell’s novel methodology for producing a bio-scaffold device overcomes or alleviates some of the major problems associated with other currently available bio-scaffolds which can include:

- poor surface chemistry which provides suboptimal attachment of cells;
- acidic by-products which degrade the local pH such that cell micro-environments are disrupted;
- immune reactions due to presence of residual foreign cells from the host and;
- lack of suitable pore size and structure and lack of sufficient mechanical properties required to withstand the harsh environments in which bio-scaffolds are regularly used.

The company’s Celgro™ technology is a next-generation collagen-based scaffold to support tissue growth and repair. Its unique characteristics include:

- cell free matrix that is devoid of contaminants and reactive DNA;
- tissue friendly structure that facilitates tissue in-growth and repair;
- mechanical strength and pliability for tissue support during healing;
- Australian-sourced raw materials able to be reproduced in large commercial quantities thus eliminating disease transmission concerns.

Orthocell’s recent partnership with world leading bone substitute firm BONESUPPORT to use Celgro™ to create new bone repair products is a major validation of our technology and its global relevance and potentials in a range of differing surgical specialities.