Appendix 4D

Half-yearly report for the 6 months to 31 December 2018
Orthocell Limited - ABN 57 118 897 135

1. Reporting period

Report for the half year ended 31 December 2018.
Previous period is the half year ended 31 December 2017

2. Results for announcement to the market

	31 Dec 2018	31 Dec 2017	% change
Sales revenues from ordinary activities	506,875	293,380	40.9%
Other revenues from ordinary activities	76,389	195,195	(142.9%)
Loss from ordinary activities after tax attributable to the owners of Orthocell Limited	(1,406,151)	(943,273)	(67.1%)
Loss for the half-year attributable to the owners of Orthocell Limited	(1,406,151)	(943,273)	(67.1%)

3. Net tangible assets per security

	31 Dec 2018	31 Dec 2017
Net tangible assets per ordinary security	$0.008	$0.033

4. Dividends

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

5. Foreign entities

N/A

6. Gain or loss of control over entities

During the period two wholly owned subsidiaries were incorporated: Orthocell UK Ltd (United Kingdom, 20 July 2018) and Orthocell (HK) Limited (Hong Kong, 7 August 2018).

7. Associates and joint ventures

N/A

8. Audit qualification or review

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

The Interim Report of Orthocell Limited for the half-year ended 31 December 2018 was were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Signed

Paul Anderson
Managing Director

Date: 27 February 2019
Perth

ortho·cell
advancing tissue repair & regeneration

Orthocell Limited

ABN 57 118 897 135

Half-Year Report
31st December 2018

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CORPORATE DIRECTORY

Board of Directors

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

Company Secretary

Mr Simon Robertson

Registered Office & Principal Place of Business

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

Share Register

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

Auditor

PKF Perth
5th Floor, 35 Havelock Street
West Perth WA 6005, Australia

Solicitors

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

Bankers

Westpac Banking Corporation

Securities Exchange Listing

Australian Securities Exchange
ASX code: OCC

Website

www.orthocell.com.au

DIRECTORS REPORT

The directors present their report, together with the consolidated financial statements, on the consolidated entity ('consolidated entity') consisting of Orthocell Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

1. Directors

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

- Dr Stewart Washer
  Executive Chairman
- Mr Paul Anderson
  Managing Director 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 unless otherwise stated.

2. Principal activities

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

3. Summary review of operations

During the period the Company continued to progress the development of its lead regenerative medicine products and pipeline opportunities. Activities included pre-clinical, clinical studies and marketing activities to support the development and internationalisation of TGA licensed cell therapies for tendon and cartilage regeneration and CelGro® collagen based medical device technologies.

CelGro®: EU market entry for bone and soft tissue repair "CelGro® approved in key UK public dental hospital"

Orthocell's has successfully progressed the implementation of its marketing strategy designed to establish CelGro®, as the best in class collagen membrane for bone and soft tissue repair. The Company is now well positioned to drive product adoption and sales of CelGro® in key European markets following appointments of Key Opinion Leaders ("KOL") in the Dental market to the Medical Scientific Advisory Board, engagement of first distributor's and achievement of first product use and sales.

During the half year, the Company appointed Carrera Medical ("Carrera"), part of the GSH Dental Laboratory group of companies, as its exclusive distributor of CelGro® for dental bone and soft tissue repair across the UK. Orthocell now has exclusive distributors in place within the UK, and Italy and have been working collaboratively to execute targeted education programs and promotion activities to expand product awareness and establish a network of referring periodontists and oral and maxillofacial surgeons.

Working collaboratively with Carrera, The Company secured approval for use of CelGro® in the highly regarded Birmingham Dental Hospital ("BDH"), one of only ten teaching public dental hospitals in England. The approval for the use of CelGro® at BDH was driven Key KOL product feedback and recommendation and underpinned by clinical data demonstrating CelGro® assists clinicians in delivering superior tissue repair outcomes (up to 26% better quality newly formed bone) compared to the market leading dental product. This represents the first step in growing Orthocell's public hospital customer base, as part of its commercialisation strategy in Europe and is expected to provide a boost to revenues and accelerate product awareness of CelGro®.

Orthocell also continued to execute targeted education programs and promotion activities to expand product awareness and establish a

network of referring periodontists and oral and maxillofacial surgeons. In October 2018, Orthocell presented its successful CelGro® bone repair study results at the 27th European Association for Osseointegration (EAO) Annual Scientific Meeting attended by more than 2,900 delegates. This study demonstrated CelGro® results in up to 26% better quality newly formed bone when compared to market leading comparative product. The EAO Annual Scientific Meeting provided an opportunity to build awareness of the potential patient benefits provided by best in class products such as CelGro®. Orthocell is well positioned to establish CelGro® as the best class membrane for bone repair in the significant and growing global market.

The Company is well positioned to establish CelGro® as the best in class membrane for bone and soft tissue repair in the significant and growing global addressable market valued in excess of US$2.6bn[1] and growing.

CelGro®: US Regulatory progress and patent protection

In late 2018, Orthocell announced the successful completion of a Pre-Submission Meeting with the United States Food and Drug Administration (FDA), to discuss the submission to gain FDA clearance, enabling the use and sale of CelGro® in the US. The meeting provided an opportunity to discuss progress of submission for CelGro® to receive 510(k) clearance in bone and soft tissue repair in the US. During the half year, Orthocell continued to progress the regulatory studies required for 510(k) clearance and remains on track to receive FDA approval. Release of top line results is expected 2Q CY 2019.

During the half year, the Company was granted divisional patents in Europe, Japan, Hong Kong and Mexico for its CelGro® collagen medical device platform. The patents cover the method of manufacture of novel bio-scaffolds and method of combining cells and scaffolds as an aid in the surgical repair of soft tissue injuries and protects the CelGro® product platform. CelGro® patents have been previously granted in the US, Europe, China, Canada, Singapore, Australia and New Zealand.

CelGro®: studies validate versatility and highlight potential to extend the product range in bone repair

During the half year, Orthocell made significant dental bone and soft tissue clinical development progress successfully completing treatment of the last patient in the single-stage dental implant study. This study is designed to further validate the versatility of CelGro® for dental bone and soft tissue repair and represents a key milestone in Orthocell's marketing strategy, to generate further data and educate surgeons on the benefits of using CelGro. Release of top line results is expected in 2Q CY2019.

The Company also announced a breakthrough bone repair pre-clinical study using CelGro® dosed with bone growth factors presented at European Orthopaedic Research Society meeting in Ireland. This study indicated CelGro® when dosed with bone active factors can accelerate and augment the repair of fractures with cortical bone defects. Accelerated repair of critical bone defects represents an area of significant clinical interest to the orthopaedic community. This study also further validates the versatility of CelGro® and the potential to extend Orthocell's orthopaedic product range.

Ortho-ATI®

Orthocell continues to enrol patients for its lead clinical trial of Ortho-ATI®. The objective of this study is to assess the safety and effectiveness of Ortho-ATI® compared to corticosteroid injection in the treatment of rotator cuff tendinopathy and tear. The trial is being undertaken in collaboration with DePuy Synthes Products, Inc., part of the Johnson & Johnson Medical Device Companies.

Ortho-ATI® is a world leading breakthrough in regenerative medicine – a novel, cell therapy developed to treat chronic degenerative tendon injuries (tendinopathy / tendonitis), it can be utilised in both surgical and non-surgical applications. Ortho-ATI® is at the forefront of a

large and growing market opportunity where the addressable market is estimated to be >US$7.7bn[1] and growing.

Outlook

Orthocell remains focused on executing its strategic market entry plans into Europe for use of CelGro® in dental bone and soft tissue repair and achieving regulatory approval for the same in the US and Australia. Orthocell intends to leverage the CE Mark to accelerate the introduction of the CelGro® tendon and soft tissue indications and achieve US regulatory approvals, in parallel to the commercialisation of Ortho-ATI® and pipeline products.

Corporate

During the Half year Orthocell successfully completed a A$1.8m placement ("Placement"). The Placement was supported by existing shareholders, senior management and new institutional and wholesale investors.

In October 2018 Orthocell received A$2.5m Research and Development (R&D) tax incentive cash refund.

The loss for the consolidated entity after income tax for the half-year amounted to $1,406,151 (31 December 2017: $943,273).

4. Auditor's independence declaration

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

5. Directors' resolution

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

On behalf of the directors

Mr Paul Anderson
Managing Director
27 February 2019
Perth

[1] US, Japanese, European and Australian markets

AUDITOR'S INDEPENDENCE DECLARATION

PKF Perth

PKF

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF ORTHOCELL LIMITED

In relation to our review of the financial report of Orthocell Limited for the half year ended 31 December 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 PERTH

SHANE CROSS
PARTNER

27 FEBRUARY 2019
WEST PERTH
WESTERN AUSTRALIA

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Revenue			
Sales revenue	3	506,875	293,380
Cost of goods sold		(342,145)	(229,592)
Gross profit		164,730	63,788
Other revenue	3	76,389	195,195
Expenses			
Research & development		(2,472,891)	(1,729,548)
Sales & marketing, & business development		(823,679)	(784,864)
Administrative & general		(878,860)	(940,012)
	4	(4,175,430)	(3,454,424)
Loss before income tax expenses		(3,934,311)	(3,195,441)
Income tax benefit		2,528,160	2,252,168
Loss after income tax expenses		(1,406,151)	(943,273)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss		(1,406,151)	(943,273)

Loss per share	$	$
Basic earnings per share	(0.013)	(0.009)
Diluted earnings per share	(0.013)	(0.009)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31 Dec 2018 $	30 Jun 2018 $
Assets			
Current assets			
Cash and cash equivalents		3,495,480	2,910,233
Trade and other receivables		237,076	170,024
Inventories		45,302	53,816
Other		3,329	94,897
Total current assets		3,781,189	3,228,970
Non-current assets			
Property, plant and equipment		315,808	341,059
Intangibles		1,736,842	1,659,835
Total non-current assets		2,052,650	2,000,894
Total assets		5,833,839	5,229,864
Liabilities			
Current liabilities			
Trade and other payables		1,749,886	1,216,323
Employment benefits		448,066	467,898
Other		588,039	748,293
Total current liabilities		2,785,991	2,432,514
Non-current liabilities			
Other		354,300	425,148
Total non-current liabilities		354,300	425,148
Total Liabilities		3,140,291	2,857,662
Net assets		2,693,548	2,372,202
Equity			
Issue capital	5	27,532,413	25,984,676
Share-based payment reserve	6	1,205,372	1,025,612
Accumulated losses		(26,044,237)	(24,638,086)
Total equity		2,693,548	2,372,202

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2018

	Issued Capital	Share-based payment reserve	Accumulated losses	Total equity
	$	$	$	$
Balance at 1 July 2017	23,102,888	1,288,976	(19,679,377)	4,712,487
Loss after income tax expense	-	-	(943,274)	(943,274)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	(943,274)	(943,274)
Transactions with owners in their capacity as owners:				
Contributions of equity	1,427,401	-	-	1,427,401
Share equity costs	(75,712)	-	-	(75,712)
Expiry of options	-	(798,405)	798,405	-
Issue of options	-	-	-	-
Balance at 31 December 2017	24,454,577	490,571	(19,824,246)	5,120,902
Balance at 1 July 2018	25,984,676	1,025,612	(24,638,086)	2,372,202
Loss after income tax expense	-	-	(1,406,151)	(1,406,151)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	1,800,641	-	-	1,800,641
Share equity costs	(135,545)	-	-	(135,545)
Issue of options	-	62,400	-	62,400
Issue of options	(117,360)	117,360	-	-
Balance at 31 December 2018	27,532,413	1,205,372	(26,044,237)	2,693,548

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	Note	31 Dec 2018 $	31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		454,278	268,247
R&D tax concession received		2,528,160	2,252,168
Export Market Development Grant received		-	110,955
Payments to suppliers & employees (inclusive of GST)		(3,919,337)	(3,906,582)
Interest received		5,318	10,565
Net cash used in operating activities		(931,581)	(1,264,647)
Cash flows from investing activities			
Payments for intangible assets		(137,829)	(173,961)
Payments for property, plant & equipment		(10,439)	(39,554)
Net cash used in investing activities		(148,268)	(213,515)
Cash flows from financing activities			
Share subscription funds received		1,800,641	1,427,401
Share equity costs		(135,545)	(75,712)
Net cash from financing activities		1,665,096	1,351,689
Net (decrease)/increase in cash and cash equivalents		585,247	(126,473)
Cash & cash equivalents at the beginning of the financial half-year		2,910,233	5,046,257
Cash & cash equivalents at the end of the financial half-year		3,495,480	4,919,784

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Orthocell Limited (the "Company" or "Orthocell") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The consolidated financial statements of the Group as at and for the half-year to 31 December 2018 comprise the Company and its subsidiaries.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated interim financial statements were authorised by the directors on 26 February 2019.

Basis of preparation

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

Statement of compliance

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 30 June 2018 and any public announcements made by Orthocell Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

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

Critical accounting estimates and significant judgements

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

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the period ended 30 June 2018.

Going Concern

The Group has net assets of $2,693,548 (30 June 2018: $2,372,202) as at 31 December 2018 and incurred a loss of $1,406,151 (2017: $943,273) and net operating cash outflow of $931,581 (2017: $1,264,647) for the period ended 31 December 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.

New or amended accounting standards adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There is no impact on the consolidated entity's primary statements from the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 does not have any material impact on the accounting of revenue in the consolidated entity but has resulted in a change to the description of accounting policies.

Revenue recognition

In accordance with the adoption of AASB 15 noted above, the terminology in relation to revenue recognition has been changed as follows:

"Sale of goods" are derived from the sale of cell therapy products and biological scaffold products where control transfers to our customers and our performance obligations are satisfied at the time of delivery to or receipt of the products by the customer. The revenue derived from cell therapy products is recognised at the time when the patient's cells have been processed and are ready to be delivered to the patient. The revenue derived from biological scaffold products is recognised at the time of delivery to the customer.

Note 2. Operating segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance. The financial information presented in the statement of profit or loss and other comprehensive income and statement of financial position is the same as that presented to the chief operating decision makers. The consolidated entity predominately operates in the regenerative medicine industry in Australia.

Note 3. Revenue

	31 Dec 2018 $	31 Dec 2017 $
Sales revenue		
Sale of goods	506,875	293,380
	506,875	293,380
Other revenue		
Interest	5,318	10,565
Grant Income	-	110,955
License fee & royalties	70,848	70,848
Other	223	2,827
	76,389	195,195
Total revenue	583,264	488,575

Note 4. Expenses

	31 Dec 2018 $	31 Dec 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Depreciation – plant & equipment	33,111	47,245
Amortisation – patents & trademarks	75,737	51,591
Total depreciation and amortisation	108,848	98,836

Note 4. Expenses (continued)

Employment expenses		
Wages	1,336,181	1,266,212
Superannuation	127,265	119,392
Leave entitlements	(19,832)	24,255
Payroll & other taxes	62,411	76,202
Share-based payments	-	-
Directors' fees	140,550	140,550
Other employment costs	7,227	675
Total employment costs	1,653,802	1,627,286
Net foreign exchange loss		
Net foreign exchange loss	6,917	-
Rental expense relating to operating leases		
Minimum lease payments	33,976	41,239

Note 5. Equity – issued capital

	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $	30 Jun 2018 $
Ordinary shares – fully paid	120,769,787	110,177,779	29,422,144	27,621,502
Share equity costs	-	-	(1,889,731)	(1,636,826)
	120,769,787	110,177,779	27,532,413	25,984,676

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 Jul 2017	101,479,437		24,664,002
Issue of shares	20 Dec 2017	4,198,238	$0.34	1,427,401
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		27,621,502
Issue of shares	18 Dec 2018	9,709,655	$0.17	1,650,641
Issue of shares	31 Dec 2018	882,353	$0.17	150,000
Balance	31 Dec 2018	120,769,787		29,422,144

Note 6. Share-based payment reserve

	31 Dec 2018 No of Options	30 Jun 2018 No of Options	31 Dec 2018 $	30 Jun 2018 $
Share-based payment reserve	19,620,000	15,520,000	1,205,372	1,025,612
	19,620,000	15,520,000	1,205,372	1,025,612

Movements in share-based payment reserve

Details	Date	No of options	$
Balance	1 Jul 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)
Balance	31 Dec 2017	3,330,000	490,571
Issue of options[1]	7 May 2018	11,090,000	397,761
Issue of options[2]	7 May 2018	1,100,000	137,280
Issue of options[3]	3 Oct 2018	500,000	62,400
Issue of options[4]	18 Dec 2018	3,600,000	117,360
Balance	31 Dec 2018	19,620,000	1,205,372

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

	(1)	(2)	(3)	(4)
Grant date	07/05/18	07/05/18	07/05/18	18/12/18
Expiry date	08/05/21	08/05/21	08/05/21	31/12/21
Share price at grant date	$0.345	$0.345	$0.345	$0.160
Exercise price	$0.395	$0.340	$0.340	$0.250
Expected volatility	50%	50%	50%	48%
Dividend yield	0%	0%	0%	0%
Risk-free rate	2.15%	2.17%	2.17%	1.93%
Fair value at grant date	$0.1076	$0.1248	$0.1248	$0.0326

Note 7. Contingent assets

The consolidated entity has no contingent assets for the half-year ended 31 December 2018.

Note 8. Events after the reporting period

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

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Paul Anderson
Director

27 February 2019
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

PKF Perth

Advisory • Audit
Business Solutions

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF ORTHOCELL LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Orthocell Limited (the company) and controlled entities (consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2018, or during the half year.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018, and of its financial performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which confirmed that the consolidated entity incurred a net loss after tax of $1,406,151 during the half year ended 31 December 2018. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of 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 consolidated entity not continue as a going concern.

Independence

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

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INDEPENDENT AUDITOR'S REVIEW REPORT

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Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Orthocell Limited and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

27 FEBRUARY 2019
WEST PERTH
WESTERN AUSTRALIA