Regenerating Mobility

2024 Annual Report

ortho·cell

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CORPORATE DIRECTORY

Board of Directors

John Van Der Wielen
Independent Non-Executive Chair
Mr Paul Anderson
Managing Director & Chief Executive Officer
Mr Kim Beazley
Independent Non-Executive Director
Dr Ravi I Thadhani
Independent Non-Executive Director
Professor Fiona Wood
Independent Non-Executive Director

Company Secretary

Mr Peter Gordon Webse

Registered Office & Principal Place of Business

Building 191, Murdoch University, 90 South Street, Murdoch WA 6150, Australia

Share Register

Automic Registry Services
Level 5, 191 St Georges Terrace, Perth WA 6000, Australia

Auditor

PKF Perth
Dynons Plaza, Level 8, 905 Hay Street, Perth WA 6000, 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 entities it controlled at the end of, or during, the year ended 30 June 2024.

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:

- **Mr John Van Der Wielen, Independent Non-Executive Chairman**
- **Mr Paul Anderson, Managing Director & CEO**
- **Dr Ravi Thadhani, Independent Non-Executive Director**
- **Ms Fiona Wood, Independent Non-Executive Director (appointed 1 November 2023)**
- **Mr Kim Beazley, Independent Non-Executive Director (appointed 15 January 2024)**
- Dr Stewart Washer, Executive Director (resigned 22 December 2023)
- Mr Matthew Callahan, Non-Executive Director (resigned 15 January 2024)
- Professor Lars Lidgren, Independent Non-Executive Director (resigned 30 September 2023)
- Mr Qi Xiao Zhou, Non-Executive Director (resigned 1 November 2023)
- Ms Leslie Wise, Executive Director (resigned 22 September 2023)

Independent Non-Executive Chair

Mr John Van Der Wielen has over 30 years' in wealth management, private banking, investments, and insurance, which includes executive positions in global financial services groups. These positions allowed Mr Van Der Wielen to work in London, Luxemburg, Malaysia, Sydney and Perth, for major brands such as Crown Resorts, Blackstone, HBF Health Ltd, Lloyds Banking Group, Lombard Assurance and ANZ Bank.

Mr Van Der Wielen currently holds the role of Chair, Crown Perth and is a Non-Executive Director on the Blackstone owned Crown Resorts Australia Ltd. Prior to this Mr Van Der Wielen was the CEO of HBF Health Ltd for over five years. HBF has revenue of 2 billion dollars and in a recent independent consumer survey was named Australia's most trusted brand in private health insurance.

Mr Van Der Wielen also serves on the Board of the Royal Flying Doctor Service WA, was appointed by the Western Australian Government to be the inaugural Chair of the Government's Future Health Research and Innovation Fund (FHRI) and Senior Advisor Australia, for Appian Capital Advisory UK.

Mr Van Der Wielen holds an MBA from the University of Western Australia, has studied at London Business School and Oxford University, and is a Fellow of the Australian Institute of Company Directors.

Current Directorships
Nil

Previous Directorships (last 3 years)
Kyckr Limited (ASX: KWK)

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 17 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.

Current / Previous directorships (last 3 years)
Nil

Non-Executive Directors

Dr Ravi Thadhani is an Independent Non-Executive director of Orthocell who has co-authored more than 300 scientific publications, including articles in medical journals. Dr Thadhani has more than 30 years as a general and specialised physician, researcher, medical administrator and commercialisation adviser and has extensive experience in patient care, advancing novel research programs, US regulatory pathways and commercialisation of devices and therapeutics. Dr Thadhani has served on multiple US FDA advisory committees in the musculoskeletal, cardiovascular and renal sectors and has acted as expert advisor to multiple global pharmaceutical companies including Sandoz, Shore, Novartis, Celgene, Bayer and Reata on clinical trial design, execution and data monitoring. He has also secured significant research funding from global US healthcare companies including Amgen, Abbott, Serono, Kaneka and Genzyme.

Current / previous directorships (last 3 years)
Nil

Professor Fiona Wood has over 30 years' experience as a plastic and reconstructive surgeon. Professor Wood was named Western Australian Citizen of the Year in 2003 and 2004, Australian of the Year in 2005 and Member of the Order of Australia (AM) in 2003 for her contribution to Medicine in the field of burns. Her revolutionary "spray-on skin" treatment of serious burns, invented with colleague Marie Stoner, uses a patient's own skin cells to help restore damaged skin and significantly reduce permanent scarring. This treatment was instrumental in saving many lives in the aftermath of the Bali bombing in 2002.

Professor Wood played a pivotal role in bringing this life-saving Western Australian invention to the world through the establishment of Avita Medical Inc (NASDAQ: RCEL, ASX: AVH), which has expanded RECELL's approval for clinical use to over 30 countries including the US.

Professor Wood is currently a Consultant Plastic Surgeon at Fiona Stanley Hospital and Perth Children's Hospital, and the Winthrop Professor of Surgery at the University of Western Australia. Professor Wood is co-founder of the Wood Foundation, which continues her research into the treatment of burns and is a Board member of the Royal Flying Doctor Service, amongst others.

Current / Previous directorships (last 3 years)
Avita Medical Inc (NASDAQ: RCEL, ASX: AVH)

Mr Kim Beazley is an Independent Non-Executive director of Orthocell. The Honourable Kim Beazley AC was the 33rd Governor of Western Australia (2018-2022). Prior to this, Mr Beazley dedicated almost three decades to a career in Federal Parliament, representing the WA seats of Brand and Swan.

A notable former Australian politician and diplomat, Kim Beazley held key ministerial roles including Defence and Finance, and served as Deputy Prime Minister and Leader of the Opposition. His extensive parliamentary experience included committees on Intelligence, Foreign Affairs, Defence, and Trade.

In 2009, Mr Beazley was awarded the Companion of the Order of Australia for service to the Parliament of Australia through contributions to the development of government policies in relation to defence and international relations, and as an advocate for Indigenous people, and to the community.

Serving as the Australian Ambassador to the United States from 2010 to 2016, Mr Beazley brings a wealth of experience in matters of strategic engagement and advocacy in the US. Currently, he is involved in various roles across business, technology, and defence, including as Chair of the Perth US Asia Centre Board and Senior Distinguished Fellow at the Australian Strategic Policy Institute.

Current / 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
John Van Der Wielen	325,000	4,000,000
Mr Paul Anderson	6,903,805	5,700,000
Mr Kim Beazley	-	2,000,000
Dr Ravi Thadhani	-	3,000,000
Prof Fiona Wood	16,167	2,000,000

Company Secretary

Mr Webse has over 30 years of company secretarial experience. He is a Director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance, and corporate advisory services. Mr Webse attended Edith Cowan University of Western Australia where he obtained his degree in Accounting and Finance. He acts as Company Secretary for a number of ASX listed biotech and technology companies. He is a Fellow of the Governance Institute of Australia (FGIA) and a Fellow of the Chartered Governance Institute (GCI). He is also a Fellow of the CPA Australia (FCPA).

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2024, and the number of meetings attended by each director was:

	Full Board	
	Attended	Held (1)
John Van Der Wielen	7	7
Mr Paul Anderson	7	7
Mr Kim Beazley	3	3
Dr Ravi Thadhani	7	7
Professor Fiona Wood	4	4
Mr Matthew Callahan	4	4
Dr Stewart Washer	4	4
Ms Leslie Wise	0	2
Professor Lars Lidgren	2	2
Mr Qi Xiao Zhou	3	3

	Remuneration Committee	
	Attended	Held (1)
Mr Matthew Callahan	1	1
Professor Lars Lidgren	1	1
Dr Stewart Washer	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 biological medical devices and cell therapies.

3. Review and results of operations

The loss for the consolidated entity after income tax amounted to $7,180,959 (2023: $6,248,181).

Key Milestones

Orthocell Ltd is a regenerative medicine company focused on improving patients' quality of life by developing and manufacturing collagen medical devices and cell therapies that restore mobility, function and performance.

During the 2024 financial year Orthocell reported increasing **total revenue of $6.76 million, up 30.48% from the previous year (FY23) of $5.17 million.** Along with growing revenues, the Company achieved the following key milestones:

- completed the Board renewal program;
- strengthened the Company's financial position;
- solidified a long-term partnership with University of Western Australia;
- accelerated global market expansion of its medical devices; and
- progressed its pivotal nerve repair study to support US regulatory approval of Remplir™.

Strengthening Corporate Governance
Since the new chair, John Van Der Wielen, joined the board, the company has focussed on a program of improved governance and board renewal. Two new high profile Independent Directors have joined the Company (NEDs): Professor Fiona Wood AM (appointed Nov 2023) and the Hon Kim Beazley AC (appointed Jan 2024).

The Board is now majority independent, with four Non-Executive Directors (John Van Der Wielen, Dr Ravi Thadhani, Professor Fiona Wood AM and the Hon Kim Beazley AC) and one Executive Director (Mr Paul Anderson).

Solidifying long term partnership with University of Western Australia
Orthocell entered into a Royalty Agreement with the University of Western Australia to exchange all royalty entitlements for shares in Orthocell.

The Company issued UWA 1.7 million fully paid ordinary shares at a deemed issue price of $0.35 per share under its existing Listing Rule 7.1 placement capacity. As a result of the issue, UWA will hold 2.35 million shares (1.18%) in OCC on an undiluted basis.

Accelerated market expansion of medical devices Striate+™ and Remplir™
Orthocell's first product from the medical device platform, Striate+, for dental bone generation, is approved in US, EU/UK, AUS/NZ and CAN. The second product, Remplir for peripheral nerve

repair, is approved in AUS & NZ. During the year, the Company accelerated global market expansion plans for both devices with seven regulatory applications, either in progress or planned, in large and attractive new markets.

Strengthened financial position with $20.6 million cash at bank

Orthocell strengthened its financial position and share register, receiving a $3.05 million R&D tax incentive refund for the 2023 financial year and completing a $3.5 million strategic placement to prominent investors including Mr Chris Ellison, Mr Rod Jones, Mr Michael Malone, the McCusker Family and the Merchant Biotech Fund. The Company remains very well-funded for its global expansion strategy and beyond its major US product registration for Remplir, expected in Q1 CY25.

Collagen Medical Devices

Orthocell manufactures its collagen medical devices using a proprietary SMRT™ manufacturing process. The purified collagen scaffold provides the ideal environment for cellular attachment and proliferation. The devices are completely absorbed by the body, integrating and resorbing into the tissue as it heals with no immunogenic reactions. Consequently, this medical device has a wide and growing range of uses in orthopaedics and other surgical specialities.

Striate+™ more than a barrier membrane

Guided bone and tissue regeneration

Striate+™ is a unique collagen barrier membrane used in dental guided bone and tissue regeneration procedures. Striate+ has been shown in clinical use to support transition from a two-stage to a single-stage dental implant procedure, by facilitating rapid bone regeneration to support the dental implant. The resulting reduction in the procedure time and recovery periods by several months is of significant interest to patients and clinicians.

In July 2022, the Company executed a global exclusive licence and distribution agreement for Striate+ with BioHorizons Implant Systems Inc, (BioHorizons), one of the largest global dental implant companies. This transaction has been transformative for the Company, validating the business model, establishing the manufacturing business and funding the development of the second collagen medical device, Remplir, into the US market.

***BioHorizons update* – Striate continues to impress with momentum building**

Sales to BioHorizons has continued to build momentum in existing markets (USA, EU/UK and AUS) during the 2024 financial year. This traction has resulted from BioHorizon's comprehensive marketing and medical education programs, and the outstanding 98.6% success rate observed in the Striate+ post-market clinical study.

BioHorizons has been actively promoting and selling Striate+ to dental surgeons in the US for just over eighteen months, launching the device in November 2022. Feedback regarding the products performance from BioHorizons sales team has been excellent, with uptake driven by the surgeons' preference for a high-quality dental membrane that is easier to use and facilitates better patient outcomes.

BioHorizons Camlog, a wholly owned subsidiary of BioHorizons and headquartered in Basel, Switzerland, launched Striate+ in the EU in October 2023. BioHorizons Camlog have started to gain sales traction in initial markets with the Company completing substantial shipments of Striate+ during the year to meet the initial demand of key customers. Striate+ is available for sale in Belgium, France, Ireland, Italy, Netherlands, Portugal, Spain and UK.

Striate+'s high quality performance is driving BioHorizons' pursuit of other large, attractive markets where they have established accounts and/or distribution networks. Orthocell are currently working with BioHorizons to expand regulatory approvals of Striate+ in multiple new markets. In particular, regulatory approval for Striate+ in Canda was achieved in early July 2024, with approvals in Brazil and Singapore anticipated within 6-12 months. Further applications in other markets are under review.

Orthocell and BioHorizons are targeting large addressable markets with ~5.5M dental membranes estimated to be used in dental guided bone and tissue regeneration and implant procedures per annum in existing (US, EU/UK, Australia and Canada) and planned markets (Brazil and Singapore).

Remplir™ nerve wrap

Redefining nerve repair

Remplir is a collagen nerve wrap used in the repair of peripheral nerve injuries. Remplir provides compression-free protection to the nerve, generating an ideal microenvironment to aid nerve healing. Remplir is proving to be an important step forward in the improvement of nerve repair surgery. Its ease of use, consistent and predictable high-quality outcomes will empower surgeons to improve the lives of people navigating these complex injuries. The Company appointed Device Technologies (DVT) as the exclusive distributor of Remplir across Australia and New Zealand in September 2022 and has been working with DVT to establish key accounts with leading plastic, reconstructive and orthopaedic specialists in Australia and New Zealand.

Device Technologies update – Remplir accounts expanding and momentum building. Sales to DVT has continued to build momentum in AUS and NZ during the 2024 financial year. This traction has been driven by DVT's comprehensive medical education programs and supported by outstanding 85% success rates from the Remplir nerve repair study published in peer-reviewed Journal of Reconstructive Microsurgery Open.

DVT officially launched Remplir in Australia in November 2022, with a focus on supplying existing orthopaedic and plastic reconstructive KOL accounts. The ramp up of product sold in the ~18 months since market launch is gaining traction with 120+ orthopaedic and plastic surgeons now using Remplir in peripheral nerve repair surgeries, from facial nerves to upper and lower limb nerves, across Australia and New Zealand. Feedback from the clinicians and DVT salesforce continues to be very encouraging, with adoption driven by Remplir's unique qualities that enable less suturing, creation of the optimal healing microenvironment and facilitation of free gliding within the repair site during the critical healing period.

The DVT team is executing a comprehensive customer engagement program designed to continue momentum in product adoption and to grow the establishment of new orthopaedic and plastic reconstructive accounts. During the year, Orthocell assisted DVT with a series of targeted Remplir education and training events, including surgeon engagement roadshows, congress attendance and other scientific meetings across Australia and New Zealand.

Nerve repair study for US regulatory approval
Orthocell reported successful completion of all nerve repair surgeries in the first stage of the Remplir US market authorisation study. Completion of the first stage enables the Company to progress with the final stage of the study and provides further confidence that the safety and effectiveness outcomes will be consistent with the pilot study. Top-line results from this study are expected in Q4 CY24, and Orthocell remains on schedule to submit its US 510(K) market authorisation application in Q4 CY24 and progression into sales soon thereafter.

Remplir global expansion
Orthocell's global expansion strategy for Remplir continues to build, with the Company on track to receive regulatory clearance from the US FDA in 1Q CY25. Regulatory approval for Remplir in Singapore is expected in 2H CY24, following an application to the Health Services Authority (HSA) in Singapore in January 2024. Approval in Singapore is considered the gateway to other ASEAN markets (e.g. Thailand, Malaysia, Vietnam, Indonesia and Philippines). Orthocell has a further three applications planned in Canada, Thailand and EU/UK within the next 6-12 months.

Orthocell is targeting large addressable markets with ~1.6M peripheral nerve repairs estimated across existing (Australia) and planned markets (Singapore, USA, Canada, Thailand & EU/UK).

Cellular Therapies

The Company's cell therapies aim to treat diseased or damaged tissue by local implantation or injection of healthy cells where tissue repair is needed. The use of a patient's own cells (autologous) to repair tissue damage reduces the risk of rejection or transmission of infectious diseases. Orthocell is licensed by the TGA to manufacture autologous chondrocytes (OrthoACI) and tenocytes (OrthoATI) for cartilage and tendon repair. They are currently available for use in Australia: OrthoACI has regulatory approval and OrthoATI is available under Special Access provisions from the TGA. The Company intends to engage a strategic partner to accelerate US market access for its leading cellular therapies.

First to market cell therapy for chronic tendon injury

OrthoATI™ is a world-leading cell therapy developed to treat chronic degenerative tendon injuries (tendinopathy / tendonitis). OrthoATI can be used to treat tendinopathy in multiple anatomic locations, such as the shoulder, elbow, ankle, knee and hip. OrthoATI is at the forefront of a large and growing market opportunity. In rotator cuff tendinopathy alone, OrthoATI could be used to treat over 480,000 patients equating to an >US$4.8bn p.a. market opportunity.

During the year, Orthocell announced results from its randomised clinical study comparing OrthoATI to surgery for the treatment of severe, chronic, treatment-resistant lateral epicondylitis ('LE Study'). The data confirmed that the study met its primary endpoint, demonstrating that OrthoATI is as effective as surgery in the treatment of lateral epicondylitis. OrthoATI patients experienced almost complete resolution of pain by 1-month post-treatment compared to 6 months after treatment in the surgery group. Notably, participants in the OrthoATI group demonstrated a statistically significant improvement of return of function in half the time than the surgery group.

With two successful randomised controlled studies (in lateral epicondylitis and rotator cuff tendinopathy) now completed, Orthocell is well positioned to engage partners to accelerate US market access. Orthocell has already completed several steps in this process. The technology transfer to a specialist contract manufacturing facility, so that OrthoATI can be manufactured in accordance with US GMP standards, is complete. Orthocell is also well advanced in preparation of an IND application with the US FDA for OrthoATI's US clinical development plan, as well as an application for Regenerative Medicine Advanced Therapy (RMAT) Designation to accelerate regulatory processes for a Biological Licence Application (BLA).

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

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

Orthocell remains focused on maintaining consistent supply of high-quality products to its distribution partners. Cash reserves will be used to progress regulatory approvals and commercialisation of Remplir™ into the USA and other key markets following a successful launch of the product in Australia and growing global demand from industry leading clinicians and potential partners for superior regenerative medicine medical devices. In addition, the Company will advance the development and commercialisation of Collagen Medical Device platform products for tendon and ligament repair and OrthoATI™, support continued business development and marketing initiatives and for general working capital purposes.

7. Material Risks

There is a small number of material risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance and prospects of Orthocell and the value of its shares. Some of these risks may be mitigated by Orthocell's internal controls and processes but some are outside the control of Orthocell, its directors and management. The material risks identified by management are described below:

(a) Clinical development risk

The nature of medical device and cellular therapy development is inherently risky, with many product candidates failing to be successfully developed into marketable products. The Company is currently undertaking clinical trials with certain of its products and plans to undertake trials with additional products in its pipeline. Clinical trials have many associated risks which may impact the Company's commercial potential and therefore its future prospects and profitability. Clinical trials may fail to recruit patients, be terminated for safety reasons, or fail to be completed within acceptable timeframes as a result of delay. Clinical trials may reveal product candidates to be unsafe, poorly tolerated or non-effective. Any of these outcomes will likely have a significant adverse effect on the Company, the value of its securities and the future commercial development of its product candidates. Clinical trials might also potentially expose the Company to product liability claims in the event its products in development have unexpected effects on clinical subjects.

Mitigation measures employed by the Company include: ensuring that clinical trials are strongly supported by preclinical safety and efficacy data; careful clinical trial design to minimise the chances of potentially spurious outcomes; use of independent data and safety monitoring boards; engagement of leading contract research organisations to manage the trials and drive recruitment; engagement of well-qualified clinical sites experienced in clinical trial execution and in the relevant therapeutic areas.

(b) Regulatory risks

The research, development, manufacture, marketing and sale of products developed by the Company are subject to extensive regulation by multiple government authorities and institutional bodies in Australia and overseas. Medical Device and Cellular Therapy products must undergo a comprehensive and highly regulated development, trial and review process before receiving approval for marketing. The process includes a requirement for approval to conduct clinical trials, and the provision of data relating to the quality, safety and efficacy of the products for their proposed use. There is no guarantee that regulatory approvals to conduct clinical trials and/or to manufacture and market the Company's products will be granted.

If a product is approved, it may also be submitted for cost reimbursement approval to relevant agencies. The availability and timing of that reimbursement approval may have an impact upon the uptake and profitability of products in some jurisdictions. If the Company is unable to secure necessary approvals from regulatory agencies and institutional bodies to undertake its planned trials, market its products and obtain cost reimbursements for its products its future prospects and profitability is likely to be materially and adversely affected.

Mitigation measures employed by the Company include: engagement of suitably qualified and experienced persons with expertise in the regulation of Medical Device and Cellular Therapies; regular review of evolving regulatory requirements and analysis of the Company's activities and plans against regulatory expectations in key jurisdictions; and ensuring that the expectations and uncertainties related to regulatory approvals, and the timing of such approvals, are included in business plans.

(c) Risks associated with partnership model

The Company is pursuing a license partnership model, which typically involves entering into commercial arrangements with other companies by which Orthocell licenses its technology to the partner in one or more indications and/or geographies and the partner assumes responsibility for progressing, and paying for, the clinical trials and eventual commercialisation in that indication. This strategy involves the risk that the Company will lose control of the commercialisation and or development timetable of its current or future products, in that field of use, to its commercial partner, which may give rise to an unanticipated delay in any commercial returns. Further, the Company may be unable to enter into arrangements with suitable commercial partners in respect of other relevant indications. If either of these outcomes occurred, the Company's business and operations may be adversely affected.

Mitigation measures employed by the Company include: performing rigorous due diligence on potential partners; ensuring that the commercial terms negotiated are fair, ensuring the Company is able to license other products from the platform technologies and utilising expert legal advice to ensure that appropriate warranties and commitments are included in contracts, and that the contracts reflect the agreed commercial position.

(d) Manufacturing risk

The Company's products are manufactured using a unique, novel and highly specialised manufacturing process. The Company relies on supply relationships with third party organisations for raw materials and other consumables. An inability of these third-party organisations to continue to supply the Company in a timely, economical and/or consistent manner could adversely impact on the progress of the Company's development programs and potentially on the financial performance of the Company.

Mitigation measures employed by the Company include: performing rigorous due diligence on suppliers; engaging suppliers with strong track records and sufficient capability to meet the Company's foreseeable needs; and employing a senior manager responsible for managing and monitoring the performance of third parties including suppliers.

(e) Market Risks

The Company is subject to a number of financial risks which arise as a result of its activities. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk- During the normal course of business the Company enters into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates. The principle currency risk faced by the business is the exchange rate between the Australian dollar and the US dollar. The Company holds cash denominated in US dollars and Australian dollars and may have material future expenditure in each of these currencies. Where possible, the Company matches foreign currency income and foreign currency expenditure as a natural hedge, holding foreign currency cash to facilitate this natural hedge. When foreign currency expenditure exceeds foreign currency revenue and foreign currency cash, the Company may consider purchasing foreign currency to meet anticipated requirements under spot and forward contracts.

Interest rate risk - The Company is exposed to changes in market interest rates as the Company holds cash and cash equivalents. The Company mitigates this risk through a series of term deposits structured to provide some certainty of financial returns.

Liquidity risk - The Company's financial liabilities, comprising trade and other payables and derivatives, are generally repayable within 1 – 3 months. The maturity and availability of financial assets, comprising cash and cash equivalents and trade and other receivables, are monitored and managed to ensure financial liabilities can be repaid when due.

Capital management - The Company monitors capital including share capital, retained earnings and reserves and the cash and cash equivalents presented in the consolidated statement of financial position. The Company has no debt. The key objective of the Company when managing its capital is to safeguard its ability to continue as a going concern, so that the Company can sustain the commercialisation and the future development of the research and development activities being performed by the Company.

8. Environmental regulation

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

9. 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.

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 and/or performance rights, 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 value 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, share options or performance rights. During the financial year ended 30 June 2024 the Company granted nil share based payments to Executives.

The remuneration of executives for the years ended 30 June 2023 and 30 June 2024 are detailed in the tables below.

Details 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:

Mr Paul Anderson
- Managing Director

John Van Der Wielen
- Independent Non-Executive Chair

Dr Ravi Thadhani
- Independent Non-Executive Director

Prof Fiona Wood (appointed 1 Nov 2023)
- Independent Non-Executive Director

Mr Kim Beazley (appointed 15 Jan 2024)
- Independent Non-Executive Director

Dr Stewart Washer (resigned 22 Dec 2023)
- Executive Director

Ms Leslie Wise (resigned 22 Sep 2023)
- Executive Director

Prof Lars Lidgren (resigned 30 Sep 2023)
- Independent Non-Executive Director

Mr Matthew Callahan (resigned 15 Jan 2024)
- Non-Executive Director

Mr Qi Xiao Zhou (resigned 1 Nov 2023)
- Non-Executive Director

Key management personnel remuneration details:

2023	Short-term benefits: Base salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Leave (5) $	Post-employment benefits: Super-annuation $	Equity-based payments (non-cash) (1) $	Total $	Performance related %
Non-executive Directors:							
Mr M Callahan	120,000	-	-	-	-	120,000	0%
Prof L Lidgren	45,000	-	-	-	-	45,000	0%
Dr R Thadhani(3)	46,779	-	-	-	586,634	633,413	92.6%
Mr J Van Der Wielen(4)	12,500	-	-	-	645,621	658,121	98.1%
Mr QX Zhou	40,724	-	-	4,276	-	45,000	0%
Executive Directors:							
Mr P Anderson	420,000	155,000	14,953	61,021	-	650,974	23.8%
Dr S Washer	143,750	-	-	-	-	143,750	0%
Ms L Wise(2)	73,063	-	-	-	-	73,063	0%
Total	901,816	155,000	14,953	65,297	1,232,255	2,369,321	58.5%

2024	Short-term benefits: Base salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Leave (5) $	Post-employment benefits: Super-annuation $	Equity-based payments (non-cash) (1) $	Total $	Performance related %
Non-executive Directors:							
Mr J Van Der Wielen(4)	150,000	-	-	-	-	150,000	0%
Mr Kim Beazley	34,375	-	-	-	416,580	450,955	92.4%
Dr R Thadhani(3)	113,863	-	-	-	-	113,863	0%
Prof Fiona Wood	50,000				398,657	448,657	88.9%
Prof L Lidgren	11,250	-	-	-	84,717	95,967	88.3%
Mr M Callahan	140,000	-	-	-	-	140,000	0%
Mr QX Zhou	13,512	-	-	1,486	-	14,998	0%
Executive Directors:							
Mr P Anderson	440,000	110,000	11,624	59,950	-	621,574	17.7%
Dr S Washer	75,000	-	-	-	-	75,000	0%
Ms L Wise(2)	12,511	-	-	-	-	12,511	0%
Total	1,040,511	110,000	11,624	61,436	899,954	2,123,525	47.6%

(1) Equity-based payments relate to unlisted options issued. This is a non-cash component with a fair value based on an independent valuation as detailed below. The options convey the right to the key management personnel to purchase shares at the relevant exercise price in accordance with the terms and conditions of the options.
(2) The remuneration contract for Ms Leslie Wise, based in the United States, is based on US $50,000 per annum.
(3) The remuneration contract for Mr Ravi Thadhani, based in the United States, is based on US $75,000 per annum. Mr Thadhani's fees for the year ended 30 June 2023 represent remuneration for the period 8 March 2023 to 30 June 2023.
(4) The remuneration for Mr John Van Der Wielen for the year ended 30 June 2023 is for the period 1 June 2023 to 30 June 2023.
(5) Other benefits include the net movements in the annual leave and long service leave provisions in accordance with AASB 119 Employee Benefits. Movements in these provisions occur when leave is earned, taken or paid out, or there is a change in salary rate or superannuation rate. The value may be negative, for example when an employee has taken more leave than has been accrued during the year.

Share-based compensation

Fair value of options and performance rights granted
The fair value at grant date is determined by independent valuation using a Black-Scholes option pricing model that considers the exercise price, the term of the option or performance right, 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 or performance right.

On 7 November 2023 following shareholder approval at the Annual General Meeting (AGM) on 31 October 2023 the following share-based payments of options were made to key management personnel for nil consideration:

Issue date	Exercise price	Share price at grant date	Expiry date	No. issued	Fair value per option	Total fair value
7 Nov 2023	$0.36	$0.36	7 Nov 2027	500,000	$0.1694	$84,718

There were no share-based payments of options, performance rights or shares made to key management personnel during the year ended 30 June 2023.

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 30/06/2023	Additions	Disposals	Other	Balance 30/06/2024
Ordinary shares:					
Mr Paul Anderson	6,903,805	-	-	-	6,903,805
John Van Der Wielen	-	325,000	-	-	325,000
Professor Fiona Wood	-	16,167	-	-	16,167
Mr Matthew Callahan [1]	1,229,622	-	-	(134,211)	1,095,411
Professor Lars Lidgren	1,281,060	-	-	-	1,281,060
Dr Stewart Washer	1,127,647	-	-	-	1,127,647
Mr Qi Xiao Zhou	6,197,117	-	-	-	6,197,117

[1] Mr Callahan is a founder and director of Stone Ridge Ventures Pty Ltd which is the manager of both the SRV Tech Trust and SRV Nominees Pty Ltd (the trustee for the SRV Trust which is the carry trust for the SRV Tech Trust). Mr Callahan is considered to have a relevant interest in the 65,798 shares held by SRV Nominees Pty Ltd at 30 June 2024 (2023: 200,000) due to his position as a director or shareholder of the respective trustee companies and holds a beneficial interest in the SRV Trust.

Options holdings

The number options 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 30/06/2023	Options granted	Options exercised	Expired/ forfeited/ other	Balance 30/06/2024	Options vested & exercisable
Mr Paul Anderson	5,200,000	500,000	-	-	5,700,000	5,700,000
Mr John Van Der Wielen	4,000,000	-	-	-	4,000,000	4,000,000
Dr Ravi Thadhani	3,000,000	-	-	-	3,000,000	3,000,000
Professor Fiona Wood	-	2,000,000	-	-	2,000,000	2,000,000
Mr Kim Beazley	-	2,000,000	-	-	2,000,000	2,000,000
Mr Matthew Callahan	2,000,000	-	-	-	2,000,000	2,000,000
Professor Lars Lidgren	500,000	500,000	-	-	1,000,000	1,000,000
Dr Stewart Washer	2,000,000	-	-	-	2,000,000	2,000,000
Ms Leslie Wise	2,000,000	-	-	-	2,000,000	2,000,000
Mr Qi Xiao Zhou	400,000	-	-	-	400,000	400,000

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:	$440,000 pa 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 John Van Der Wielen, Dr Ravi Thadhani, Professor Fiona Wood, Mr Kim Beazley (and previously Mr Matthew Callahan, Dr Stewart Washer, and Leslie Wise) are/were to provide services to the Company. The key terms of the consulting agreements are as follows:

Mr Matthew Callahan / Thylacine LLC

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. This agreement was terminated on 15 January 2024.

Dr Stewart Washer / Biologica Ventures Pty Ltd

Consulting fee	$75,000 per annum

Consulting services:
Services to the Company in relation to acting as an Executive Director of the Company. The Company and Dr Washer acknowledge that Dr Washer will be an Executive Director of the Company pursuant to this consultancy agreement. This agreement was terminated on 22 December 2023.

Ms Leslie Wise / Evidence Matters, Inc

Consulting fee	US$50,000 per annum

Consulting services:
Services to the Company in relation to acting as an Executive Director of the Company. The Company and Ms Wise acknowledge that Ms Wise will be an Executive Director of the Company pursuant to this consultancy agreement. This agreement was terminated on 22 September 2023.

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 acknowledge 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

It is not customary for non-executive directors to have notice periods. The appointment of any of the non-executive directors may be terminated if the director gives notice of resignation and the appointment may be terminated immediately if the director becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.

Pursuant to letters of continuing appointment Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou continued their appointments to the Board as Non-Executive Directors following listing up to the date of their resignations. Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou were paid a director's fee of $45,000 per annum pro rata.

Professor Fiona Wood was appointed as an Independent Non-Executive Director of the Company on 1 November 2023 pursuant to a letter of appointment and will be paid a directors fee of $75,000 per annum.

Mr Kim Beazley was appointed as an Independent Non-Executive Director of the Company on 15 January 2024 pursuant to a letter of appointment and will be paid a directors fee of $75,000 per annum.

Dr Ravi Thadhani was appointed as an Independent Non-Executive Director of the Company on 8 March 2023 pursuant to a letter of appointment and will be paid a directors fee of US$75,000 per annum.

Mr John Van Der Wielen was appointed Non-Executive Chair on 1 June 2023 pursuant to a letter of appointment and will be paid a directors fee of $150,000 per annum.

Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou were 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.

11. Shares under option

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

Options	Issue date	Expiry date	Exercise price	Number of options
OCCOPT17	10/06/20	11/06/25	$0.410	2,000,000
OCCOPT19	15/10/20	14/10/24	$0.583	16,730,000
OCCOPT22	16/09/21	16/09/24	$0.570	100,000
OCCOPT23	25/10/21	26/10/24	$0.500	755,000
OCCOPT24	25/10/21	26/10/25	$0.580	150,000
OCCOPT25	4/04/22	4/04/26	$0.606	150,000
OCCOPT26	12/05/22	11/05/26	$0.515	1,050,000
OCCOPT27	13/07/22	13/07/25	$0.403	2,200,000
OCCOPT28	8/03/23	8/03/28	$0.400	3,000,000
OCCOPT29	4/04/23	19/04/27	$0.036	3,830,000
OCCOPT30	25/05/23	26/05/26	$0.600	1,000,000
OCCOPT31	25/05/23	26/05/27	$0.800	1,000,000
OCCOPT32	29/05/23	29/05/28	$0.400	4,000,000
OCCOPT33	7/11/23	7/11/27	$0.360	1,000,000
OCCOPT34	20/11/23	20/11/28	$0.400	2,000,000
OCCOPT35	15/01/24	17/01/29	$0.400	2,000,000
OCCOPT36	11/06/24	11/06/27	$0.373	100,000
OCCOPT37	11/06/24	11/06/27	$0.367	700,000

At the date of this report the following performance rights are on issue:

Performance rights	Issue date	Expiry date	Exercise price	Number of rights
OCCPR1	19/01/23	19/01/26	$0.00	500,000
OCCPR2	08/08/24	31/05/27	$0.00	250,000

12. Shares issued on the exercise of options

During the year ended 30 June 2024 and up to the date of this report there were nil shares (2023: 75,158) of the Company issued on the exercise of nil options granted (2023: 1,480,000).

During the year ended 30 June 2024 and up to the date of this report there were 500,000 shares (2023: nil) of the Company issued on the exercise of 500,000 performance rights granted (2023: nil).

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

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

Subsequent to 30 June 2024 250,000 shares valued at $96,250 and 250,000 performance rights valued at $91,250 were issued pursuant to the Employee Awards Plan.

No other matter or circumstance has arisen since 30 June 2024 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 23 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 23 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 Perth

There are no officers of the Company who are former audit partners of PKF Perth.

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 Perth 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
30 August 2024
Perth

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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 2024, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SIMON FERMANIS
PARTNER

30 August 2024
PERTH,
WESTERN AUSTRALIA

CONSOLIDATED STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2024

	Note	2024 $	2023 $
Revenue from continuing operations			
Revenue from sale of goods	3	3,011,375	1,939,069
Cost of goods sold	4	(1,626,953)	(1,026,155)
Gross profit		1,384,422	912,914
Revenue from contracts	3, 16	2,304,000	2,304,000
Other revenue	3	1,448,677	929,991
Expenses			
Research & development		(8,674,058)	(7,598,144)
Administrative & corporate		(3,610,474)	(4,250,094)
Sales, marketing & business development		(3,085,009)	(1,709,228)
	4	(15,369,541)	(13,557,466)
Loss before income tax expense		(10,232,442)	(9,410,561)
Income tax benefit	5	3,051,483	3,162,380
Loss after income tax expenses		(7,180,959)	(6,248,181)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss		(7,180,959)	(6,248,181)
Loss per share			
Basic earnings per share	31	(0.036)	(0.032)
Diluted earnings per share	31	(0.036)	(0.032)

Note: the above consolidated 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 2024

	Note	2024 $	2023 $
Assets			
Current assets			
Cash and cash equivalents	6	20,614,440	24,817,962
Trade and other receivables	7	1,151,990	843,268
Inventories	8	1,176,638	1,034,129
Other	9	64,187	171,015
Total current assets		23,007,255	26,866,374
Non-current assets			
Property, plant and equipment	10	1,897,149	1,121,200
Right-of-use assets	11	664,606	484,857
Intangibles	12	1,046,200	1,133,052
Total non-current assets		3,607,955	2,739,109
Total assets		26,615,210	29,605,483
Liabilities			
Current liabilities			
Trade and other payables	13	1,469,534	877,047
Lease liabilities	14	148,968	180,629
Employment benefits	15	653,987	599,851
Contract liabilities	16	2,304,000	2,304,000
Other	17	729,392	568,741
Total current liabilities		5,305,881	4,530,268
Non-current liabilities			
Lease liabilities	14	540,725	381,676
Employment benefits	15	164,802	169,358
Contract Liabilities	16	16,071,228	18,375,228
Total non-current liabilities		16,776,755	18,926,262
Total liabilities		22,082,636	23,456,530
Net assets		4,532,574	6,148,953
Equity			
Issue capital	18	62,219,668	57,897,993
Reserves	19	7,939,296	7,335,298
Accumulated losses	20	(65,626,390)	(59,084,338)
Total equity		4,532,574	6,148,953

Note: the above consolidated 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 2024

	Issued Capital $	Share-based payment reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2022	57,476,080	5,913,911	(53,485,357)	9,904,634
Loss after income tax expense	-	-	(6,248,181)	(6,248,181)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity				
Share equity costs				
Issue of shares	42,000	-	-	42,000
Issue of options		2,450,500	-	2,450,500
Options exercised (reversal of reserve)	379,913	(379,913)	-	-
Expiry of options	-	(649,200)	649,200	-
Balance at 30 June 2023	57,897,993	7,335,298	(59,084,338)	6,148,953
Balance at 1 July 2023	57,897,993	7,335,298	(59,084,338)	6,148,953
Loss after income tax expense	-	-	(7,180,959)	(7,180,959)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive income	-	-	-	-
Transactions with owners in their capacity as owners:				
Contributions of equity	4,231,750	-	-	4,231,750
Share equity costs	(122,575)	-	-	(122,575)
Issue of options	-	1,090,404	-	1,090,404
Issue of performance rights	-	365,001	-	365,001
Exercise of performance rights	212,500	(212,500)	-	-
Expiry of options	-	(638,907)	638,907	-
Balance at 30 June 2024	62,219,668	7,939,296	(65,626,390)	4,532,574

Note: the above consolidated 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 2024

	Note	2024 $	2023 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,414,318	1,872,148
Payments to suppliers & employees (inclusive of GST)		(13,782,647)	(12,494,427)
R&D tax concession received		3,051,483	3,162,380
Contract revenue received		-	21,461,686
Interest received		813,795	590,793
Interest paid		(2,075)	-
Net cash used in operating activities	30	(6,505,126)	14,592,580
Cash flows from investing activities			
Payments for property, plant & equipment		(926,888)	(613,446)
Payments for intangible assets		(15,130)	(18,117)
Net cash used in investing activities		(942,018)	(631,563)
Cash flows from financing activities			
Subscription funds		3,591,251	-
Equity costs		(122,575)	-
Lease payments		(225,054)	(164,607)
Net cash from financing activities		3,243,622	(164,607)
Net increase/(decrease) in cash and cash equivalents		(4,203,522)	13,796,410
Cash and cash equivalents at the beginning of the financial year		24,817,962	11,021,552
Cash and cash equivalents at the end of the financial year	6	20,614,440	24,817,962

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

Note 1. Material 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.

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 subsidiaries. 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.

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.

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.

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

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 28.

Going Concern

The consolidated entity has net assets of $4,532,574 (2023: $6,148,953) as at 30 June 2024 and incurred a loss of $7,180,959 (2023: $6,248,181) and net operating cash inflow/(outflow) of $(6,505,126) (2023: ($14,592,580)) for the year ended 30 June 2024.

Whilst the consolidated entity has incurred a loss of $7,180,959, the consolidated entity has $20,614,440 cash on hand at the reporting date.

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.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities and results of Orthocell Limited ('Company' or 'parent entity') and its subsidiaries Ausbiomedical Pty Ltd, Orthocell UK Ltd and Orthocell (US) LLC as at 30 June 2024. Orthocell Limited and its subsidiaries 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, except where stated otherwise.

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

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised in accordance with AASB15 "Revenue from Contracts with Customers" at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations and recognises revenue, using the cost method, when or as performance obligations are satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue from contracts licence fees

The consolidated entity derives revenue from contracts with customers. The revenue is recognised over time under the terms and conditions of the contract when the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Sale of goods

The consolidated entity derives revenue from the sale of cell therapy products and biological scaffold products. 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. Revenue derived from the sale of products under contract is recognised at the time of delivery to the customer.

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 include 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 expected credit losses. 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.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Inventory relating to work in progress is comprised of cell therapies (OrthoACI™ and OrthoATI™) and scaffold batches still in production phase.

Cell therapies work in progress 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. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be 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 a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

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	Diminishing value	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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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 & technical feasibility, the consolidated entity is able to use or sell the asset, has sufficient resources, & intent to complete the development & 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 registration 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 10 years for Trademarks and 20 years for Patents. 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 10 years for Trademarks and 20 years for Patents from the date of application. Costs associated with maintaining intangibles are expensed as incurred. 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 26.

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.

Contract liabilities

The company recognizes contract liabilities for consideration received in respective of unsatisfied performance obligations or where revenue is constrained and reports these amounts as contract liabilities (deferred revenue) in the statement of financial position. Similarly, if the company satisfies a performance obligation before it receives the consideration, the company recognize either a contract asset or a receivable in its statement of financial position, depending on where the something other than the passage of time is required before the consideration is due.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue. Amounts expected to be recognised as revenue within the 12 months following the balance sheet date are classified within current liabilities. Amounts not expected to be recognised as revenue within the 12 months following the balance sheet date are classified within non-current liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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, options over shares or performance rights 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.

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.

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.

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 2024. The consolidated entity has not assessed the impact of these new or amended Accounting Standards and Interpretations, except as noted.

AASB No.	Title	Application date *	Issue date
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contributions of Assets between an Investor and its Associate or Joint Venture	1 Jan 2025	Dec 2014
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 Jan 2023	Mar 2020
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 Jan 2023	Mar 2021
AASB 2021-5	Amendments of Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	Jul 2021
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 Jan 2023	Dec 2021
AASB 2021-7c	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]	1 Jan 2025	Dec 2021

* Annual reporting periods beginning after

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, directors and consultants 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 expected credit losses

The provision for expected credit losses 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 patient's 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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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.

Revenue from contracts with customers

When recognising revenue from upfront payments from contracts with customers, the key performance obligation of the consolidated entity is considered to be over the term of the contract, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

When recognising revenue in relation to the sale of goods to customers under contracts, the key performance obligation of the consolidated entity is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Note 3. Revenue

	2024 $	2023 $
Sales revenue		
Sale of goods	3,011,375	1,939,069
Revenue from contracts with customers		
Revenue from contracts recognised over time	2,304,000	2,304,000
Other revenue		
Interest	1,031,681	850,793
Foreign currency gain	-	18,710
Other	416,996	60,488
	1,448,677	929,991
Total revenue	6,764,052	5,173,060

Note 4. Expenses

Loss before income tax includes the following specific expenses:

	2024 $	2023 $
Cost of sales		
Cost of sales	1,626,953	1,026,155
Interest expense leases	60,525	30,572
Depreciation and amortisation		
Depreciation – plant & equipment	246,219	239,959
Depreciation – right-of-use assets	162,761	199,204
Amortisation – patents & trademarks	108,097	114,958
Total depreciation and amortisation	517,077	554,121
Rental expense relating to operating leases		
Short-term lease payments	2,940	2,908
Total rental expense relating to operating leases	2,940	2,908
Employment expenses		
Salaries & wages	5,121,657	4,399,959
Employment benefits	49,581	64,414
Superannuation expense	559,250	456,587
Directors' fees	484,885	397,916
Payroll & other taxes	357,118	280,385
Other employment costs	23,704	2,979
Share-based payments expense	1,390,173	1,942,713
Total employment expenses	7,986,368	7,544,953

Note 4. Expenses (continued)

	2024 $	2023 $
Write off assets		
Inventories	22,517	20,123

Note 5. Income tax expense

	2024 $	2023 $
Income tax expense/(benefit)		
Current tax	(3,051,483)	(3,162,380)
Deferred tax – origination and reversal of temporary differences	-	-
Aggregate income tax expense	(3,051,483)	(3,162,380)
Numerical reconciliation of income tax expense & tax at the statutory rate		
Loss before income tax expense from continuing operations	(10,232,442)	(9,410,561)
Tax at the statutory tax rate of 25% (2023: 25%)	(2,558,111)	(2,352,640)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible items	409,294	493,471
Contract Liabilities assessable in advance	-	-
Benefit of tax losses not previously brought to account	-	-
Income tax benefit not brought to account	2,148,817	1,859,170
	-	-
Research and development tax benefit received	(3,051,483)	(3,162,380)
The following deferred tax balances have not been recognised:		
Deferred tax assets not recognised at 25% (2023: 25%)		
Provisions and accruals	387,045	334,487
Capital raising costs	24,515	33,000
Other	-	-
Carried forward revenue losses	5,202,256	4,348,883
	5,613,816	4,716,371
Deferred tax liabilities not recognised at 25% (2023: 25%)		
Contract liabilities	1,702,381	2,278,380
Prepayments	121,899	107,754
	1,824,280	2,386,134

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

	2024 $	2023 $
Cash at bank	3,114,440	6,817,962
Term deposits	17,500,000	18,000,000
	20,614,440	24,817,962

All term deposits held which are at call and subject to an insignificant change in value when called, are classified as cash and cash equivalents.

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 financial position as follows:

	2024 $	2023 $
Balance as above		
Cash and cash equivalents	20,614,440	24,817,962
Balance as per statement of financial position	20,614,440	24,817,962

Note 7. Trade and other receivables

	2024 $	2023 $
Trade receivables:	545,387	473,878
Other receivables:		
Interest on cash term deposits	477,885	260,000
Sundry debtors	25,000	-
GST refund due	103,718	109,390
	606,603	369,390
	1,151,990	843,268

Impairment of receivables

There have been no expected credit losses of trade receivables in the year ended 30 June 2024 (2023: $0).

Past due but not impaired
Customers with balances past due but without provision for expected credit losses amount to $45,086 as at 30 June 2024 (2023: $113,156)

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:

	2024 $	2023 $
0 to 3 months overdue	17,988	83,281
3 to 6 months overdue	8,558	29,875
Over 6 months overdue	18,540	-
	45,086	113,156

Note 8. Inventories

	2024 $	2023 $
Consumables, at cost	435,343	302,101
Work in progress, at cost	268,854	444,137
Finished goods, at cost	472,441	287,891
	1,176,638	1,034,129

Note 9. Other

Prepayments	9,710	171,015
Accrued revenue	54,477	-
	64,187	171,015

Note 10. Property, plant and equipment

Leasehold improvements – at cost	1,590,691	882,940
Less: Accumulated depreciation	(154,303)	(126,704)
	1,436,388	756,236
Plant and equipment – at cost	1,186,577	1,174,535
Less: Accumulated depreciation	(861,261)	(826,018)
	325,316	348,517
Furniture and fittings – at cost	211,697	67,503
Less: Accumulated depreciation	(76,252)	(51,056)
	135,445	16,447
	1,897,149	1,121,200

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 & fittings $	Total $
Balance at 30 June 2022	520,280	369,227	16,305	905,812
Additions	256,326	194,359	4,662	455,347
Depreciation	(20,370)	(215,069)	(4,520)	(239,959)
Balance at 30 June 2023	756,236	348,517	16,447	1,121,200
Additions	709,880	168,094	144,094	1,022,168
Depreciation	(29,728)	(191,295)	(25,196)	(246,219)
Balance at 30 June 2024	1,436,388	325,316	135,445	1,897,149

Note 11. Right-of-use assets

	2024 $	2023 $
Land and buildings – right-of-use	827,367	808,095
Less: Accumulated depreciation	(162,761)	(323,238)
	664,606	484,857

Reconciliations

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

Opening balance	484,857	496,136
Additions	-	187,925
Adjustments/(disposals)	322,510	-
Depreciation	(162,761)	(199,204)
Closing balance	664,606	484,857

The right-of-use asset is based on a lease entered into with a commencement date of 30 June 2020. Additions to the right-of-use assets during the year were nil (2023: $187,925, relating to additional space added to the lease agreement). Adjustments to the right-of-use assets during the year were $322,510 relating to lease remeasurement following signing of new lease (2023: nil).

The consolidated entity leases land and buildings for its offices and clean room facility under an agreement of five years with an option to extend. On renewal, the terms of the lease are renegotiated. The consolidated entity leases office equipment under agreements of up to five years. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 12. Intangibles

Patents and trademarks – at cost	2,259,351	2,238,106
Less: Accumulated amortisation	(1,213,151)	(1,105,054)
	1,046,200	1,133,052

Reconciliations

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

Opening balance	1,133,052	1,229,893
Additions	21,245	18,117
Amortisation expense	(108,097)	(114,958)
Closing balance	1,046,200	1,133,052

Note 13. Trade and other payables

	2024 $	2023 $
Trade payables	1,353,596	875,763
Other payables	115,938	1,284
	1,469,534	877,047

Note 14. Lease liabilities

Current lease liabilities	148,968	180,629
Non-current lease liabilities	540,725	381,676

Note 15. Employee benefits

Current:		
Annual leave entitlements	379,539	380,749
Long service leave entitlements	274,446	219,102
	653,987	599,851
Non-current:		
Long service leave entitlements	164,802	169,358
	164,802	169,358

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 where employees are entitled to pro-rata payments in certain circumstances. Employee benefit amounts are presented predominantly as current, as 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 16. Contract liabilities

Current:		
Deferred revenue from contacts with customers recognised over time	2,304,000	2,304,000
	2,304,000	2,304,000
Non-current:		
Deferred revenue from contacts with customers recognised over time	16,071,228	18,375,228
	16,071,228	18,375,228
Total contract liabilities	18,375,228	20,679,228

Note 16. Contract liabilities (continued)

Reconciliation:

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

	2024 $	2023 $
Opening balance	20,679,228	22,983,228
Transfer to revenue – performance obligations satisfied	(2,304,000)	(2,340,000)
	18,375,228	20,679,228

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $18,375,228 as at 30 June 2024 (2023: 20,679,228) and is expected to be recognised as revenue in future periods as follows:

Within 1 year	2,304,000	2,304,000
1 to 2 years	2,304,000	2,304,000
2 to 5 years	6,912,000	6,912,000
Over 5 years	6,855,228	9,159,228
	18,375,228	20,679,228

On 22 June 2022 the Company entered into a global exclusive patent and trademark license agreement and an exclusive distribution and supply agreement with BioHorizons Implant Systems Inc (BioHorizons) in relation to Orthocell's Striate+, a resorbable collagen membrane, manufactured by Orthocell, used for dental guided bone and tissue regeneration procedures. In consideration for the license granted, BioHorizons paid Orthocell AU $23,225,432 (US $16,000,000). Under the agreements Orthocell will supply BioHorizons with Striate+™ products at agreed transfer prices and grant exclusive distribution rights of those products globally. BioHorizons will market and distribute Striate+™ alongside its innovative and evidence-based dental implants and tissue regeneration products.

The contract liability relates to that portion of the upfront payment of AU $23,225,432 (US $16,000,000) for which there are future performance obligations to be satisfied. Under the terms of the contract BioHorizons have an exclusive license to use Orthocell's Trademarks and Patents in connection with the marketing and sale of products (in the Field of Use, dental). The license terminates when the last patent expires (in approximately 10 years). The Company's performance obligation is the maintenance of the Trademarks and Patents so that BioHorizons may receive and consume the benefits of having access to the Trademarks and Patents to promote and distribute the manufactured Striate products for the term of the license. There is no financing component within the contract and there is no requirement to obtain financing as the consolidated entity has sufficient working capital to meet its obligations under the contract and the consolidated entity has access to capital exclusive of the contract.

Note 17. Other current liabilities

Accrued expenses	729,392	568,741
	729,392	568,741

Note 18. Equity – issued capital

	2024 Shares	2023 Shares	2024 $	2023 $
Ordinary shares – fully paid	209,326,818	197,303,071	65,421,974	60,977,724
	209,326,818	197,303,071	65,421,974	60,977,724
Share equity costs – ordinary shares	-	-	(3,202,306)	(3,079,731)
	209,326,818	197,303,071	62,219,668	57,897,933

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance at 30 June 2022		197,127,913		57,476,080
Issue of shares on exercise of options	17 Aug 2022	75,158	$0.198	379,912
Issue of shares	19 Apr 2023	100,000	$0.420	42,000
		175,158		421,912
Balance at 30 June 2023		197,303,071		57,897,993
Issue of shares	30 Oct 2023	1,714,286	$0.350	600,000
Issue of shares	15 Nov 2023	250,000	$0.365	91,250
Issue of shares	28 Feb 2024	9,459,461	$0.370	3,500,000
Share equity costs	28 Feb 2024	-	-	(122,575)
Issue of shares	11 Mar 2024	100,000	$0.405	40,500
Issue of shares	11 Mar 2024	500,000	$0.405	212,500
		12,023,747		4,321,675
Balance at 30 June 2024		209,326,818		62,219,668

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 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 value 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 to maximise synergies.

Note 19. Share-based payment reserve

	2024 Options/rights	2023 Options/rights	2024 $	2023 $
Share-based payment reserve	42,265,000	38,465,000	7,939,296	7,335,298
	42,265,000	38,465,000	7,939,296	7,335,298

Movements in share-based payment reserve

Details	Class	Date	No of options/ rights	$
Balance at 30 June 2022			26,805,000	5,913,911
Issue of options	OCCOPT19	13/07/2022	50,000	10,150
Issue of options	OCCOPT27	13/07/2022	2,200,000	349,140
Value of options exercised	OCCOPT14	17/08/2022	(1,480,000)	(379,912)
Expiry of options	OCCOPT14	17/08/2022	(140,000)	(35,938)
Expiry of options	OCCOPT15	20/11/2022	(1,650,000)	(560,076)
Expiry of options	OCCOPT16	20/11/2022	(150,000)	(53,187)
Issue of options	OCCOPT28	08/03/2023	3,000,000	586,634
Issue of options	OCCOPT29	08/03/2023	3,830,000	700,308
Issue of options	OCCOPT30	25/05/2023	1,000,000	80,187
Issue of options	OCCOPT31	25/05/2023	1,000,000	78,460
Issue of options	OCCOPT32	25/05/2023	11,660,000	1,421,387
Balance at 30 June 2023			38,465,000	7,335,298
Expiry of options	OCCOPT18	08/10/2023	(200,000)	(40,302)
Issue of options	OCCOPT33	07/11/2023	1,000,000	169,435
Issue of options	OCCOPT34	20/11/2023	2,000,000	398,657
Issue of options	OCCOPT35	18/01/2024	2,000,000	416,580
Expiry of options	OCCOPT20	05/02/2024	(450,000)	(125,643)
Expiry of options	OCCOPT21	04/06/2024	(1,850,000)	(472,962)
Issue of options	OCCOPT36	11/06/2024	100,000	13,043
Issue of options	OCCOPT37	11/06/2024	700,000	92,689
Issue of performance rights	OCCPR1	19/01/2023	1,000,000	365,001
Performance rights exercised	OCCPR1	11/03/2024	(500,000)	(212,500)
			4,300,000	603,998
Balance at 30 June 2024			42,765,000	7,939,296

Total value of share-based payments for the year that has been recognised through the reserve is $1,495,905 (2023: $2,450,500). Of this $1,390,173 (2023: $1,942,713) is classified as share-based payments to employees and directors in Note 4 under employment expenses and the remaining $105,732 (2023: $507,787) is classified in consultants' fees. 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.

Note 19. Share-based payment reserve (continued)

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

Grant date	Expiry date	Equity code	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2023								
14/08/19	14/08/22	OCCOPT14	$0.413	1,620,000	-	(1,480,000)	(140,000)	-
20/11/19	20/11/22	OCCOPT15	$0.617	1,650,000	-	-	(1,650,000)	-
20/11/19	20/11/22	OCCOPT16	$0.537	150,000	-	-	(150,000)	-
11/06/20	11/06/25	OCCOPT17	$0.410	2,000,000	-	-	-	2,000,000
08/10/20	08/10/23	OCCOPT18	$0.400	200,000	-	-	-	200,000
15/10/20	14/10/24	OCCOPT19	$0.583	16,680,000	50,000	-	-	16,730,000
06/02/21	05/02/24	OCCOPT20	$0.517	450,000	-	-	-	450,000
05/06/21	04/06/24	OCCOPT21	$0.536	1,850,000	-	-	-	1,850,000
16/09/21	16/09/24	OCCOPT22	$0.570	100,000	-	-	-	100,000
26/10/21	26/10/24	OCCOPT23	$0.500	755,000	-	-	-	755,000
26/10/21	26/10/25	OCCOPT24	$0.480	150,000	-	-	-	150,000
04/04/22	04/04/26	OCCOPT25	$0.606	150,000	-	-	-	150,000
12/05/22	12/05/26	OCCOPT26	$0.515	1,050,000	-	-	-	1,050,000
12/07/25	13/07/25	OCCOPT27	$0.403	-	2,200,000	-	-	2,200,000
08/03/23	08/03/28	OCCOPT28	$0.400	-	3,000,000	-	-	3,000,000
04/04/23	19/04/27	OCCOPT29	$0.360	-	3,830,000	-	-	3,830,000
25/05/23	26/05/26	OCCOPT30	$0.600	-	1,000,000	-	-	1,000,000
25/05/23	26/05/27	OCCOPT31	$0.800	-	1,000,000	-	-	1,000,000
25/05/23	26/05/28	OCCOPT32	$0.400	-	4,000,000	-	-	4,000,000
				26,805,000	15,080,000	(1,480,000)	(1,940,000)	38,465,000
Weighted average exercise price				$0.550	$0.431	$0.413	$0.596	$0.506

Grant date	Expiry date	Equity code	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
2024								
11/06/20	11/06/25	OCCOPT17	$0.410	2,000,000	-	-	-	2,000,000
08/10/20	08/10/23	OCCOPT18	$0.400	200,000	-	-	(200,000)	-
15/10/20	14/10/24	OCCOPT19	$0.583	16,730,000	-	-	-	16,730,000
06/02/21	05/02/24	OCCOPT20	$0.517	450,000	-	-	(450,000)	-
05/06/21	04/06/24	OCCOPT21	$0.536	1,850,000	-	-	(1,850,000)	-
16/09/21	16/09/24	OCCOPT22	$0.570	100,000	-	-	-	100,000
26/10/21	26/10/24	OCCOPT23	$0.500	755,000	-	-	-	755,000
26/10/21	26/10/25	OCCOPT24	$0.480	150,000	-	-	-	150,000
04/04/22	04/04/26	OCCOPT25	$0.606	150,000	-	-	-	150,000
12/05/22	12/05/26	OCCOPT26	$0.515	1,050,000	-	-	-	1,050,000
12/07/25	13/07/25	OCCOPT27	$0.403	2,200,000	-	-	-	2,200,000
08/03/23	08/03/28	OCCOPT28	$0.400	3,000,000	-	-	-	3,000,000
04/04/23	19/04/27	OCCOPT29	$0.360	3,830,000	-	-	-	3,830,000
25/05/23	26/05/26	OCCOPT30	$0.600	1,000,000	-	-	-	1,000,000
25/05/23	26/05/27	OCCOPT31	$0.800	1,000,000	-	-	-	1,000,000
25/05/23	26/05/28	OCCOPT32	$0.400	4,000,000	-	-	-	4,000,000
31/10/23	07/11/27	OCCOPT33	$0.360	-	1,000,000	-	-	1,000,000
02/11/23	20/11/28	OCCOPT34	$0.400	-	2,000,000	-	-	2,000,000
17/11/24	17/11/29	OCCOPT35	$0.400	-	2,000,000	-	-	2,000,000
11/06/24	11/06/27	OCCOPT36	$0.373	-	100,000	-	-	100,000
11/06/24	11/06/27	OCCOPT37	$0.367	-	700,000	-	-	700,000
				38,465,000	5,800,000	-	(2,500,000)	41,765,000
Weighted average exercise price				$0.506	$0.389	$0.000	$0.522	$0.489

At 30 June 2024 the remaining weighted average contractual life of the options is 1,030 days (2023: 875 days).

Note 19. Share-based payment reserve (continued)

Set out below is a summary of performance rights granted by the Company during the year:

Grant date	Expiry date	Equity code	Exercise price	Opening balance	Granted	Exercised	Expired/ forfeited	Closing balance
19/01/23	19/01/26	OCCPR1	$0.000	-	1,000,000	(500,000)	-	500 000
				-	1,000,000	(500,000)	-	500,000

The costs of equity-settled transactions are measured at fair value. Fair value is independently determined using the Black-Scholes option pricing model. For the options and performance rights granted the valuation model inputs used to determine the fair value at the grant date are as follows:

Equity class	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free rate	Fair value at grant date
Options:								
OCCOPT17	10/06/20	11/06/25	$0.355	$0.410	80%	0%	0.41%	$0.2150
OCCOPT18	08/10/20	08/10/23	$0.410	$0.400	75%	0%	0.14%	$0.2015
OCCOPT19	15/10/20	14/10/24	$0.405	$0.583	80%	0%	0.42%	$0.2030
OCCOPT20	05/02/21	05/02/24	$0.555	$0.517	75%	0%	0.10%	$0.2792
OCCOPT21	02/06/21	04/06/24	$0530	$0.536	75%	0%	0.09%	$0.2557
OCCOPT22	16/09/21	16/09/24	$0.560	$0.570	70%	0%	0.08%	$0.2529
OCCOPT23	26/10/21	26/10/24	$0.540	$0.500	70%	0%	0.67%	$0.2590
OCCOPT24	26/10/21	26/10/24	$0.485	$0.580	70%	0%	0.14%	$0.2522
OCCOPT25	04/04/22	04/04/26	$0.405	$0.606	65%	0%	2.49%	$0.1645
OCCOPT26	12/05/22	12/05/26	$0.340	$0.515	65%	0%	2.95%	$0.1386
OCCOPT27	13/07/22	13/07/25	$0.370	$0.403	65%	0%	2.96%	$0.1587
OCCOPT28	08/03/23	08/03/28	$0.390	$0.400	55%	0%	3.46%	$0.1955
OCCOPT29	04/04/23	19/04/27	$0.385	$0.360	55%	0%	3.02%	$0.1828
OCCOPT30	25/05/23	26/05/26	$0.345	$0.600	55%	0%	3.35%	$0.0802
OCCOPT31	25/05/23	26/05/27	$0.345	$0.800	55%	0%	3.38%	$0.0785
OCCOPT32	25/05/23	26/05/28	$0.345	$0.400	55%	0%	3.38%	$0.1614
OCCOPT33	07/11/23	07/11/27	$0.360	$0.360	55%	0%	4.43%	$0.1694
OCCOPT34	01/11/23	20/11/28	$0.385	$0.400	55%	0%	3.01%	$0.1993
OCCOPT35	15/01/24	17/11/29	$0.405	$0.400	55%	0%	3.66%	$0.2083
OCCOPT36	11/06/24	11/06/27	$0.360	$0.373	50%	0%	3.89%	$0.1304
OCCOPT37	11/06/24	11/06/27	$0.360	$0.367	50%	0%	3.89%	$0.1324
Performance rights:								
OCCPR1	19/01/23	19/01/26	$0.000	$0.425	50%	0%	2.90%	$0.4250

At 30 June 2024 all options were fully vested and none of the outstanding performance rights were vested. Performance rights granted to employees are subject to two-year vesting periods from grant date and subject to achievement of performance milestones over the two-year vesting period to the satisfaction of the Chief Executive Officer and the board of directors.

Note 20. Equity – accumulated losses

	2024 $	2023 $
Accumulated losses at the beginning of the financial year	59,084,338	53,485,357
Expired/forfeited options	(638,907)	(649,200)
Loss after income tax expense for the year	7,180,959	6,248,181
Accumulated losses at the end of the financial year	65,626,390	59,084,338

Note 21. 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 & liabilities such as trade receivables & 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 & methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income & expenses are recognised, in respect of each class of financial asset & financial liability are disclosed in Note 1.

(b) Interest rate risk

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

	2024 **$**	**2023** **$**
Cash(1)	20,614,440	24,817,962

(1) The weighted average interest rate of cash is 4.51% (2023: 4.35%)

(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 2023:							
Trade & other payables	877,047	-	-	-	-	-	877,047
Lease liabilities	89,489	91,139	187,352	194,325	-	-	562,305
	966,536	91,139	187,352	194,325	-	-	1,439,352
As at 30 June 2024:							
Trade & other payables	1,469,534	-	-	-	-	-	1,469,534
Lease liabilities	73,016	75,952	161,188	379,537	-	-	689,693
	1,542,550	75,952	161,188	379,537	-	-	2,159,227

Note 21. Financial instruments (continued)

(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 2023 and 2024. None of the Company's financial liabilities are interest bearing.

Financial assets	Carrying amount	Interest rate risk (-1%)		Interest rate risk (1%)	
		Net profit	Equity	Net profit	Equity
	$	$	$	$	$
30 June 2023					
Cash	24,817,962	(248,180)	(248,180)	248,180	248,180
30 June 2024					
Cash	20,614,440	(206,144)	(206,144)	206,144	206,144

Note 22. 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:

	2024	**2023**
	$	**$**
Short-term employee benefits	1,208,927	1,056,816
Post-employment benefits	61,436	65,297
Long-term benefits	11,624	14,953
Share-based payments	899,954	1,232,255
	2,181,941	2,369,321

Note 23. Remuneration of auditor

During the financial year the following fees were paid or payable for services provided by PKF Perth, the auditor of the Company, its network firms and unrelated firms:

Audit services – PKF Perth	53,500	60,450
Audit or review of the consolidated financial statements		
Other services – PKF Perth		
Preparation of the tax return	7,113	5,700
Other matters	10,425	40,800
	17,538	46,500
	71,038	106,950

Note 24. Contingent liabilities

On 22 June 2022 the Company entered into a global exclusive patent and trademark license agreement and an exclusive distribution and supply agreement with BioHorizons Implant Systems Inc (BioHorizons) in relation to Orthocell's Striate+, a resorbable collagen membrane, manufactured by Orthocell, used for dental guided bone and tissue regeneration procedures. In consideration for the license granted, BioHorizons paid Orthocell AU $23,225,432 (US $16,000,000). Under the agreements Orthocell will supply BioHorizons with Striate+™ products at agreed transfer prices and grant exclusive distribution rights of those products globally. BioHorizons will market and distribute Striate+™ alongside its innovative and evidence-based dental implants and tissue regeneration products. There is no financing component within the contract and there is no requirement to obtain financing as the consolidated entity has sufficient working capital to meet its obligations under the contract and the consolidated entity has access to capital exclusive of the contract.

To ensure continuous supply and access to the IP, the parties have entered into an escrow arrangement and an IP security agreement. The escrow arrangement allows for the release of know-how to BioHorizons if there is a default by Orthocell under the Distribution Agreement (generally which is not rectified within 60 days of notice by BioHorizons). The IP security agreement allows the Licence Agreement to be registered with local IP offices (including IP Australia and the U.S. Patent and Trademark Office).

Either party may terminate the Licence Agreement for material breach if such breach is not cured within 90 days after written notice from the other party. Either party may terminate the Distribution Agreement for material breach if such breach is not cured within 60 days after written notice from the other party.

The Distribution Agreement contains two separate regimes for change of control:

1) "Sale Default" which is effectively a change in 50% of voting power or acquisition of at least 50% of ordinary shares of Orthocell, or a sale by Orthocell to an unrelated party (other than BioHorizons, Henry Schein Inc. or any of their Affiliates) of all or substantially all of the assets of Orthocell or of the business required by Orthocell to perform its obligations under the Distribution Agreement, in each case during the first three years of the Distribution Agreement. If this occurs, BioHorizons has a 20-day period following announcement of the proposed transaction (or otherwise becoming aware of the proposed transaction, in the case that Orthocell is no longer listed on the ASX) that would trigger a change of control during which it can claim a refund of the full licence fee (payable two weeks after completion of the relevant transaction), and the Agreements will automatically terminate. This will be BioHorizons' sole remedy.

2) "Supply Default" which is effectively a change in 50% of voting power or acquisition of at least 50% of ordinary shares of Orthocell in favour of a competitor of BioHorizons, or a sale by Orthocell to a competitor of BioHorizons of all or substantially all of the assets of Orthocell or of the business required by Orthocell to perform its obligations under the Distribution Agreement, or a change in manufacturing facilities, in each case during the first seven years of the Distribution Agreement, which results in a failure to supply Striate+™ products by Orthocell that were ordered by BioHorizons before the change of control event. If this occurs, BioHorizons can pursue two of the following three remedies: (i) release of know-how from escrow; (ii) a partial refund of license payments based on the number of anniversaries since the commencement of the Distribution Agreement; or (iii) 12 months' worth of extra supply of Striate+™ products. This doesn't preclude BioHorizons from pursuing other contractual remedies, usual for an agreement of this type, that may be available.

The consolidated entity has no other contingent liabilities for the year ended 30 June 2024.

Note 25. Contingent assets

The consolidated entity has no contingent assets for the year ended 30 June 2024 or 30 June 2023.

Note 26. Commitments

	2024 $	2023 $
Patent annuity commitments		
To maintain patent rights the following commitments will need to be met by the Company:		
Within one year	87,346	89,986
One to five years	334,651	356,612
More than five years	330,811	395,328
	752,808	841,926
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,940	2,940
One to five years	6,125	9,065
More than five years	-	-
	9,065	12,005
Capital commitments		
Committed at the reporting date but not recognised as liabilities:		
Property, plant & equipment	-	435,839
	-	435,839
Total commitments	761,873	1,289,770

Operating lease commitments includes contracted amounts for various equipment under non-cancellable operating leases expiring within one to ten years.

Note 27. Related party transactions

Parent entity:	Orthocell Limited is the parent entity
Subsidiaries:	Interests in subsidiaries are set out in note 28.
Key management personnel:	Disclosures relating to key management personnel are set out in note 22 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 28. 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	2024 %	2023 %
Ausbiomedical Pty Ltd	Australia	100	100
Orthocell UK Ltd	United Kingdom	100	100
Orthocell (US) LLC	United States of America	100	100

As the subsidiaries do not trade or have any assets and liabilities, the consolidated entity and parent entity disclosures are the same.

Note 29. Events after the reporting period

Subsequent to 30 June 2024 250,000 shares valued at $96,250 and 250,000 performance rights valued at $91,250 were issued pursuant to the Employee Awards Plan.

No other matters or circumstances have arisen since 30 June 2024 that have 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 30. Reconciliation of loss after income tax to net cash from operating activities

	2024 $	2023 $
Loss after income tax expense for the year	(7,180,959)	(6,248,181)
Adjustments for:		
Depreciation and amortisation	517,077	554,121
Share-based payments expensed	2,095,905	2,492,500
Lease interest	60,525	30,573
Inventory write-off	22,517	20,123
Revaluation of right-of-use asset	(77,448)	-
Change in operating assets and liabilities:		
(Increase)/decrease in debtors	(269,512)	20,950,592
(Increase)/decrease in prepayments	161,305	(89,276)
(Increase)/decrease in inventories	(165,026)	(440,682)
(Increase)/decrease in accrued revenue	(54,478)	-
Increase/(decrease) in creditors	478,737	(678,999)
Increase/(decrease) in accruals	160,650	241,395
Increase/(decrease) in contract liabilities	(2,304,000)	(2,304,000)
Increase/(decrease) in employee entitlements	49,581	64,414
	(6,505,126)	14,592,580

Note 31. Loss per share

	2024 $	2023 $
Loss after income tax expense for the year	(7,180,959)	(6,248,181)

	Shares	Shares
Weighted average number of shares used in calculating basic and diluted loss per share	202,008,340	197,213,393

Loss per share		
Basic earnings per share	(0.036)	(0.032)
Diluted earnings per share	(0.036)	(0.032)

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.

Note 32. 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. Reports provided to the chief operating decision makers reference the consolidated entity operating in one segment, being the development of innovative biological products to address unmet clinical needs in human health in the regenerative medicine industry.

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

Entity name	Entity type	Country of incorporation	Ownership interest %	Tax residency & foreign jurisdiction
Ausbiomedical Pty Ltd	Body corporate	Australia	100%	Australia
Orthocell UK Ltd	Body corporate	United Kingdom	100%	United Kingdom
Orthocell US LLC	Body corporate	United States of America	100%	United States of America

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 2024 and of its performance for the financial year ended on that date,
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- The information disclosed in the attached consolidated entity disclosure statement is true and correct.

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
30 August 2024
Perth

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ORTHOCELL LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of Orthocell Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2024, 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, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement, 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 accompanying 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 2024 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

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

Independence

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

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Key Audit Matters

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. This matter was 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 this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition – Notes 3 and 16

Why significant	How our audit addressed the key audit matter

The consolidated entity has two distinct categories of revenue being revenue with performance obligations recognised at a point in time of $3,011,375 (2023: $1,939,069) and revenue with performance obligations recognised over time of $2,304,000 (2023: $2,304,000), as disclosed in Note 3.
 	
In prior years, Orthocell Limited signed an exclusive patent and trademark agreement, which provided an upfront consideration (contract liability) of AUD$23,225,432 (US$16,000,000). As at balance date the remaining contract liability is $18,375,228 (2023: $20,678,228), as disclosed in the Note 16.
 	
The recognition of revenue and associated contract liability is considered a key audit matter due to the varied timing of recognition relative to the different revenue streams and separate performance obligations, and the application of AASB 15 Revenue from Contracts with Customers.
	Our work included, but was not limited to, the following procedures:
	
	• Identified the various revenue streams;
	• Obtained an understanding and documented the design and implementation of internal controls in operation for the significant revenue streams;
	• Reviewed significant contracts with customers to ensure revenue was recognised in line with the revenue recognition policy;
	• Tested substantively the revenue recognised in the financial statements;
	• Reviewed post year end receipts to ensure the revenue has been recorded in the correct accounting period;
	• With respect to contract liability applicable to the exclusive patent and trademark agreement we have:
	  ○ Agreed the revenue amount recognised in the statement of profit or loss; and
	  ○ Confirmed the accuracy of the contract liability in the financial statements and the recognition over time of the consideration received upfront from the contract
	• Assessed the appropriateness of the related disclosures.

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Intangibles – Note 12

Why significant	How our audit addressed the key audit matter

The consolidated entity has recognised intangible assets of $1,046,200 (2023: $1,133,052) as disclosed in Note 12. AASB 136 Impairment of Assets requires an entity assesses at the end of each reporting period whether there is any indication that an asset may be impaired, and where such indication exists the entity is required to determine the recoverable amount of the asset.
 	
Management undertook an impairment test in accordance with AASB 136 to ensure the CGU's recoverable amount is greater than carrying value, utilising the greater of fair value less costs to sell or its value-in-use.
 	
Considering the significant estimates and judgement involved in assessing the recoverable amount, this was considered to be a key audit matter.
	Our work included, but was not limited to, the following procedures:
	• Understood and documented management's process and controls related to the assessment of impairment, including management's identification of CGU and the calculation of the recoverable amount for the CGU;
	• Evaluated the value-in-use model against the requirements of AASB 136;
	• Challenged the appropriateness of management's revenue and cost forecasts;
	• Reviewed management's value-in-use calculation:
	  ○ Tested the mathematical accuracy of the calculations;
	  ○ Evaluated the forecast cash inflows and outflows to be derived by the CGU assets for reasonableness;
	  ○ Assessed the discount rate applied to forecast future cash flows for reasonableness;
	  ○ Performed sensitivity analysis on significant inputs and assumptions made by management in the preparation of its calculation;
	• Verified the existence of the patents and trademarks through the confirmation that the status of the patents and trademarks is active;
	• Performed test of details for any additions / disposals in the current year; and
	• Assessed the appropriateness of the related disclosures.

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express 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 and, in doing so, 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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of:-

a) the financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001; and

b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act2001; and

for such internal control as the Directors determine is necessary to enable the preparation of:-

i) the financial report (other than the consolidated entity disclosure statements) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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 the 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 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

- Obtain an understanding of internal control relevant to the audit 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 consolidated entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- 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.

- 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.

- 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 group financial report. We are responsible for the direction, supervision and performance of the group 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.

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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, actions taken to eliminate threats or safeguards applied.

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 the 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

Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Orthocell Limited for the year ended 30 June 2024, 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 Perth

PKF PERTH

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SIMON FERMANIS
PARTNER

30 August 2024
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.

The Company's Corporate Governance Statement is set out on the Company's website at www.orthocell.com.au.

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective 19 August 2024.

Substantial shareholders

There are no substantial shareholders at the date of this report.

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	364	220,881
1,001 – 5,000	1,788	4,861,335
5,001 – 10,000	814	6,648,574
10,001 – 100,000	1,723	61,402,185
100,001 and over	317	136,443,818
Totals	**5,006**	**209,576,818**
Unmarketable parcels	609	513,429

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	%
Ming Hao Zheng & Fan Ying	6,805,886	3.25
Mr Paul Frederick Anderson & Ms Nicole Jane Telford	6,233,335	2.97
Mr Qixiao Zhou	5,996,241	2.86
Mr Jia Xun Xu	5,014,107	2.39
HSBC Custody Nominees (Australia) Limited	4,420,632	2.11
Mr Patrick John McHale	4,300,000	2.05
Wenola Pty Ltd	3,609,058	1.72
Sankofa Strategic Equity Fund Limited	2,462,000	1.17
Citicorp Nominees Pty Ltd	2,448,297	1.17
The University of Western Australia	2,360,973	1.13
Dr John Clifford Philpott & Mrs Rebecca Anne Philpott	2,048,677	0.98
Sandini Pty Ltd	1,784,911	0.85
Miss Kate Imogen Leaver	1,698,762	0.81
Dr John Clifford Philpott	1,560,216	0.74
Mr Tony Athas & Mrs Angela Athas	1,430,000	0.68
Mr Vance Clark Moore	1,360,000	0.65
Carjay Investments Pty Ltd	1,351,352	0.64
Mr Bryan F Short	1,300,000	0.62
Dr Russell Kay Hancock	1,200,000	0.57
Aris Nominees Pty Ltd	1,042,816	0.50
Total	58,427,263	27.88
Balance of register	151,149,555	72.12
Grand total	209,576,818	**100.00**

ASX ADDITIONAL INFORMATION

Unquoted options and performance rights

Options issued under the options plans total 41,765,000.

Performance rights under the Employee Awards Plan total 750,000.

Voting rights

Options and performance rights - No voting rights.

Distribution of unlisted options and performance rights

Security	Exercise price	Expiry date	Holding range 1 – 5,000	Holding range 5,001 – 10,000	Holding range 10,001 – 100,000	Holding range 100,001 and over	Totals
			No options (Holders)	*No options (Holders)*	*No options (Holders)*	*No options (Holders)*	*No options (Holders)*
OCCOPT17	$0.41	11/06/25	nil	nil	nil	2,000,000 (1)	2,000,000 (1)
OCCOPT19	$0.583	14/10/24	nil	nil	760,000 (19)	15,970,000 (13)	16,730,000 (32)
OCCOPT22	$0.57	16/09/24	nil	nil	100,000 (1)	nil	100,000 (1)
OCCOPT23	$0.50	26/10/24	nil	nil	300,000 (3)	455,000 (3)	755,000 (6)
OCCOPT24	$0.58	26/10/24	nil	nil	nil	150,000 (1)	150,000 (1)
OCCOPT25	$0.606	4/04/26	nil	nil	150,000 (2)	nil	150,000 (2)
OCCOPT26	$0.515	11/05/26	nil	nil	50,000 (1)	1,000,000 (1)	1,050,000 (2)
OCCOPT27	$0.403	13/07/25	nil	nil	900,000 (10)	1,300,000 (4)	2,200,000 (14)
OCCOPT28	$0.400	8/03/28	nil	nil	nil	3,000,000 (1)	3,000,000 (1)
OCCOPT29	$0.360	19/04/27	nil	nil	790,000 (16)	3,040,000 (10)	3,830,000 (26)
OCCOPT30	$0.600	26/05/26	nil	nil	nil	1,000,000 (1)	1,000,000 (1)
OCCOPT31	$0.800	26/05/27	nil	nil	nil	1,000,000 (1)	1,000,000 (1)
OCCOPT32	$0.400	26/05/28	nil	nil	nil	4,000,000 (1)	4,000,000 (1)
OCCOPT33	$0.360	7/11/27	nil	nil	nil	1,000,000 (2)	1,000,000 (2)
OCCOPT34	$0.400	20/11/28	nil	nil	nil	2,000,000 (1)	2,000,000 (1)
OCCOPT35	$0.400	17/01/29	nil	nil	nil	2,000,000 (1)	2,000,000 (1)

ASX ADDITIONAL INFORMATION

Distribution of unlisted options and performance rights (continued)

Security	Exercise price	Expiry date	Holding range 1 – 5,000	Holding range 5,001 – 10,000	Holding range 10,001 – 100,000	Holding range 100,001 and over	Totals
			No options (Holders)	*No options (Holders)*	*No options (Holders)*	*No options (Holders)*	*No options (Holders)*
OCCOPT36	$0.373	11/06/27	nil	nil	100,000 (1)	nil	100,000 (1)
OCCOPT37	$0.367	11/06/27	nil	nil	nil	700,000 (1)	700,000 (1)
OCCPR1	nil	19/01/26	nil	nil	nil	500,000 (1)	500,000 (1)
OCCPR2	nil	31/05/27	nil	nil	nil	250,000 (1)	250,000 (1)

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