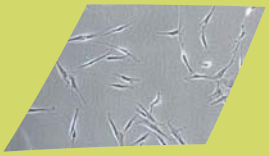


ortho·cell

ABN 57 118 897 135

PROSPECTUS

For the offer of up to 20,000,000 Shares at a price of $0.40 per Share to raise up to $8,000,000 (before costs and expenses).

Orthocell Limited

ABN 57 118 897 135

Prospectus

For the offer of up to 20,000,000 Shares at a price of $0.40 per Share to raise up to $8,000,000 (before costs and expenses).

Joint Lead Managers: KTM Capital Pty Ltd AFS Licence No. 247149

Azure Capital Limited AFS Licence No. 276569

Co Manager: Shaw Stockbroking Limited AFS Licence No. 236048

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

CONTENTS

IMPORTANT NOTICES

This Prospectus is dated 28 May 2014 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX and their respective officers take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date this Prospectus was lodged with ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Application will be made for the listing of the Shares offered by this Prospectus on the ASX within 7 days after the date of this Prospectus. The fact that ASX may list the Shares of the Company is not to be taken in any way as an indication of the merits of the Company or the listed Shares. ASX takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form, which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Exposure period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications prior to the expiry of the Exposure Period.

Not investment advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation of particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the forecast financial information and the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 6. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus. This Prospectus includes information regarding past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information contained in this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

Electronic Prospectus

ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

A copy of this Prospectus can be downloaded from the website of the Company at www.orthocell.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

Foreign jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Shares or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

United States

In particular, the Shares have not been, and will not be, registered under the US Securities Act and may only be offered or sold: (a) in the United States to "qualified institutional buyers", as defined under Rule 144A of the US Securities Act, in transactions exempt from, or not subject to, the registration requirements of the US Securities Act; and (b) outside the United States in "offshore transactions" in compliance with Regulation S under the US Securities Act and applicable local law.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the new Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the new Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to new Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted new Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008.

This Offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

The Company does not propose to give any taxation advice and, to the maximum extent permitted by law, the Company, its Directors, officers and each of their respective advisers accept no responsibility or liability for any taxation consequences of subscribing for Shares under this Prospectus. Applicants should consult their own professional tax advisers in regard to taxation implications of the Offer.

Website

No document or information included on our website is incorporated by reference into this Prospectus.

Forward-looking statements

This Prospectus contains forward looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Governing law

The Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in Western Australia and each applicant and bidder submits to the exclusive jurisdiction of the courts of Western Australia.

Defined terms and interpretation

Certain terms or abbreviations used in this Prospectus have defined meanings which are explained in Section 11. A reference to a Section is a reference to a Section in this Prospectus.

LETTER FROM THE CHAIRMAN

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to invest in Orthocell Limited (**Orthocell** or **Company**).

By this Prospectus, the Company is offering for subscription up to 20,000,000 Shares at $0.40 each to raise up to $8,000,000 (before costs and expenses of the Offer).

Orthocell is a company in the regenerative medicine sector addressing the unmet medical needs for chronic degenerative diseases and injury. Orthocell's lead product is a specific stem cell therapy, known as Ortho-ATI™ which uses a patient's own tendon cells and has gained Therapeutic Goods Administration (TGA) manufacturing approval. Ortho-ATI™ is currently marketed in Australia to patients suffering from damaged or degenerated tendons and ligaments. More than 200 patients with tendon damage have been treated to date and several clinical trials are in progress, including a pivotal Achilles tendon trial in Rotterdam, The Netherlands. These trials are planned to further support the efficacy of Ortho-ATI™ for different tendon applications.

Orthocell's second stem cell therapy product approved for sale in Australia is Ortho-ACI™ for cartilage repair and regeneration. This therapy is used to repair damaged or degenerate cartilage in the knee or ankle joint and more than 200 patients have been treated in Australia to date using Ortho-ACI™.

We are also very excited about the potential for our implantable collagen medical device known as CelGro™ which will be used for soft tissue augmentation repair and regeneration if registered with the TGA. There are many uses for the CelGro™ scaffold platform in orthopaedic and broader general surgical fields. Application for approval for the CelGro™ scaffold is planned to be lodged with the TGA in Q2 2015.

Orthocell has gained patent protection for both the Ortho-ATI™ and Ortho-ACI™ technologies and is pursuing patent protection for the CelGro™ scaffold. The Company's scientific team has deep knowledge, expertise and passion to develop and package regenerative medicine technology for clinical use and key members of the management team boast unique experience in the regenerative medicine industry and have proven success in growing companies in this area. The Board also has broad experience in partnering and licensing medical technologies, so that we can maximise the value of Orthocell.

Funds are being raised pursuant to this Prospectus to finalise development of the CelGro™ product and lodge it for regulatory approval in Australia, maintain regulatory approvals for Ortho-ATI™ and Ortho-ACI™ in Australia and prepare for regulatory approvals of the CelGro™ product and Ortho-ATI™ in the first international market, likely to be either Europe or Japan. See Section 1.5 for further detail about the use of funds.

I recommend that you read this Prospectus in its entirety prior to making a decision to invest in the Company. Some of the key risks that Orthocell may face include failure of clinical trials required to gain registration of CelGro™ or maintain registration of each of Ortho-ATI™ and Ortho-ACI™ in Australia, competition from other companies to Orthocell's products and manufacturing or quality failures that prevent Orthocell from continuing to distribute its products. See Section 6 for further information about the key risks of investing in Orthocell.

On behalf of the Board, I look forward to welcoming you as a Shareholder.

Yours faithfully,

Dr Stewart Washer

Executive Chairman

Orthocell Limited

KEY OFFER STATISTICS

Description	Number	
Offer Price per Share	**$0.40**	
Shares on issue[1]	62,500,000	
	Minimum Subscription	**Full Subscription**
Shares to be offered under the Offer	15,000,000	20,000,000
Shares on issue at completion of the Offer[2]	**77,500,000**	**82,500,000**

1. *Once ASX has conditionally confirmed that it will admit the Company to the Official List. Refer to Section 9.3 for further details regarding the capital structure of the Company.*
2. *The Company will also have 5,912,500 Options on issue exercisable at $0.50 each expiring on the date 3 years from the date of grant. Refer to Section 9.5 for a summary of the terms and conditions attaching to Options.*

KEY DATES

Event	Date
Lodgement of Prospectus with ASIC	28 May 2014
Opening Date of Offer	5 June 2014
Closing Date of Offer	27 June 2014
Issue of Shares under this Prospectus	4 July 2014
Anticipated date of admission to the official list of ASX	16 July 2014

The above dates are indicative only and may change without notice. Orthocell reserves the right to extend the Closing Date or close the Offer early without notice.

1 INVESTMENT SUMMARY

Important Notice

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends nor can any guarantee be given about the future value of the Shares.

1.1 Overview of Orthocell and its business model

Who is Orthocell?	Orthocell is an Australian regenerative medicine company dedicated to the improvement of the lives of people suffering from soft tissue injuries and subsequent chronic musculoskeletal disorders. Founded in 2006, Orthocell provides new approaches to the regeneration of tendon, cartilage and the repair of soft tissue injuries. To date the Company has successfully developed and commenced commercialisation of two autologous (using a patient's own cells) cell therapies for the treatment of damaged and degenerated tendons (Ortho-ATI™) as well as damaged and degenerated cartilage (Ortho-ACI™). Orthocell has also developed and is readying for registration, a collagen scaffold product (CelGro™) for the repair and reconstruction of soft tissue injuries such as tendon tears, hernias and tympanic membrane (ear drum) reconstructions. Orthocell is led by an experienced Board and management team which have been responsible for the rapid development of the business and has a successful track record of developing, protecting and commercialising novel scientific products and processes. For further details see 'Orthocell's Business' in Section 3.
Why is the Offer being conducted?	The primary purposes of the Offer are to: • raise capital enabling the Company to progress the development of its CelGro™ collagen medical device platform technology, development and lodgement of an application for CelGro™ regulatory approval with the Therapeutic Goods Administration (TGA), advance the commercialisation in Australia for its Ortho-ATI™ tendon regeneration product and to maintain requisite regulatory approvals for its Ortho-ATI™ and Ortho-ACI™ products in Australia and pursue regulatory approval for Ortho-ATI™ in the first international jurisdiction outside Australia, likely to be either Europe or Japan; • to provide Orthocell with a liquid market for its Shares and an opportunity for others to invest in the Company; and • to raise general working capital and meet the costs of the Offer. For further details see 'Use of Funds Raised' in Section 1.5.
Market opportunity	Regenerative medicine is a rapidly evolving part of the healthcare industry which is focused on the augmentation, repair, replacement or regeneration of organs and tissues to restore or establish normal function. The primary goal is to enhance the body's natural ability to repair or replace tissue damaged or destroyed by injury or disease A portion of this market is concerned with regenerating tissues such as tendons, cartilage, bone and soft tissues. Tendon injury for example is very common, with more than 250,000 rotator cuff injuries requiring surgical repair in the USA each year and over 200,000 Achilles tendon sports injuries occurring in the USA each year. It is also estimated that 12% of the overall prevalence of osteoarthritis is due to traumatic joint injury, corresponding to 5.6 million people in the US alone.

What is Orthocell's strategy?	Orthocell is committed to developing its proprietary regenerative cell technologies and collagen scaffold medical device in order to provide physicians with new tools for the treatment and functional restoration of damaged or diseased tissues. The Company intends to implement this strategy by expanding the early stage commercialisation of its existing Ortho-ATI™ and Ortho-ACI™ products for the treatment of musculoskeletal conditions, through: • the completion and reporting of its ongoing clinical trials for Ortho-ATI™ in Achilles and gluteal tendon models as well as new planned trials for other anatomic areas, as outlined in Section 3.5.6; • ongoing training and education of orthopaedic surgeons, radiologists, sports medicine doctors and other specialists concerning the clinical benefits of Ortho-ATI™ and Ortho-ACI™ and each product's use; • raising the profile of the Ortho-ATI™ and Ortho-ACI™ products in the general public through media coverage and the publication of case studies from a number of professional and elite sports people already treated with the therapies; • seeking new regulatory approvals for Ortho-ATI™ in the first international market; • completing the first clinical trial for the CelGro™ collagen scaffold which commenced in February 2014 and including that data and the necessary preclinical and manufacturing data in a registration application with the Australian TGA in Q2 2015; and • continuing research and development activities in other indications, applications and markets for regenerative medicine. For further details see 'Orthocell's Business' in Section 3.
How does Orthocell expect to fund its activities?	Orthocell expects to fund its activities as follows: • using existing cash reserves; • using the proceeds of the Offer in the manner set out at Section 1.5; and • through operating cash flows.
How does Orthocell generate revenue?	Orthocell currently generates revenue primarily from the following sources: • Ortho-ATI™ and Ortho-ACI™ product revenues resulting from the sale of each therapy to patients; and • license fees from the license of Ortho-ACI™ technology to a Chinese partner (Grandhope). Once registered with relevant regulatory bodies, Orthocell also plans to generate revenue from the sale of the CelGro™ collagen scaffold to patients. Orthocell may also receive royalties from product sales of Ortho-ACI™ pursuant to the license of technology to Grandhope following completion of technology transfer into China and commencement of sales. Details of the Grandhope Agreement are set out in Section 9.6(b).
No forecast financial information	Given the speculative nature of Orthocell's business and the early stage of development and commercialisation of its products, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. On this basis and after considering ASIC Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus.

What are the regulatory issues associated with Orthocell's products?	Orthocell's Ortho-ATI™ and Ortho-ACI™ products are currently approved by the TGA and marketed in Australia pursuant to a manufacturing licence issued by the Australian TGA. Each of these products is also subject to a transitional regulatory approval process in Australia managed by the TGA, which eventually requires the registration of each product on the Australian Register of Therapeutic Goods (ARTG), as is now required for most biological products intended to be marketed in Australia. Applications for each product have been lodged with the TGA and the Company is confident that each product will maintain its approval to be marketed in Australia following the TGA review process. The CelGro™ collagen scaffold is also required to be registered on the ARTG and the relevant application for this product is planned to be submitted in Q2 2015. For further details see 'Orthocell's Business' in Section 3.
Corporate governance	Orthocell has established a corporate governance framework, the key features of which are outlined in Section 4.4. In establishing its corporate governance framework, Orthocell has referred to the 3rd edition of the Corporate Governance Principles and Recommendations as published by ASX Corporate Governance Council (Principles & Recommendations). Orthocell's intended compliance with and departures from the recommendations as at the date of admission of Orthocell to the ASX are also set out in Section 4.4. Orthocell's governance-related documents can be found on its website at www.orthocell.com.au under the Section marked "Corporate Governance".

1.2 Key strengths

A novel treatment with a strong and growing clinical evidence base	Orthocell's Ortho-ATI™ therapy is believed to be the first autologous cell therapy for tendon and ligament repair and regeneration approved by a regulatory authority in the major markets of Australia, New Zealand, the USA, Europe, China and Japan. Ortho-ATI™ clinical trials and case studies have demonstrated significant pain reduction and functional improvement in a range of different tendons including, gluteal and Extensor Carpi Radialis Brevis (ECRB) (tennis elbow) tendons. Clinical data at up to five years post intervention continues to demonstrate significant improvement in pain relief and function improvement.
Early commercialisation success	Orthocell has already secured approval to manufacture and market the Ortho-ATI™ and Ortho-ACI™ products in Australia and have treated more than 200 patients with each therapy to date. Patients have paid for the therapy without Government or private health fund reimbursement. Awareness and support for the therapies continues to grow in Australia.
Promising new product and opportunity	Orthocell's CelGro™ collagen scaffold product is a promising new platform technology that provides the opportunity to enter the orthopaedic and general surgical markets for collagen scaffolds. CelGro™ has many advantages over existing marketed naturally derived and synthetic scaffolds and it is intended that clinical data from the current and proposed trials will form the basis for a TGA regulatory approval application in Q2 2015.
Established cGMP manufacturing facility and licence	Orthocell has established a quality controlled Good Manufacturing Processes (cGMP) facility in Perth qualified to international standard ISO 14644-1. This facility is licensed by the TGA to permit the manufacture of human tendon stem cells (tenocytes) and cartilage stem cells (chondrocytes) for the regeneration of damaged tendon and cartilage, thereby enabling the commercialisation of its two lead cellular therapeutic products Ortho-ATI™ and Ortho-ACI™. The facility provides substantial manufacturing capacity to support a rapid expansion of sales of Ortho-ATI™ and Ortho-ACI™ as well as early stage commercialisation of CelGro™.
Experienced team with successful regenerative medicine track record	The Orthocell Managing Director and Chief Scientific Officer both have unique experience in the regenerative medicine industry, having been responsible for securing one of the first cell therapy products approved for the repair of cartilage in Australia and having led the sale of one of Australia's first regenerative medicine companies. The Board also features a number of experienced directors, including a world expert in orthopaedics, as well as directors with track records in developing and gaining FDA approval and CE marking for products in the life sciences and health care industry and successfully selling Australian companies in this industry to US based acquirers.

1.3 Key risk factors

Set out below are a summary of the key risks to which the Company is exposed. A full explanation of the key risks summarised below and further risks associated with an investment in Orthocell are outlined in Section 6.	
Market adoption	The success of Orthocell's commercialisation strategy relies on medical specialists and patients accepting its products for routine use. Take up of the products will involve education of medical specialists, marketing to raise the profile of the Company and its products and ongoing clinical studies to provide further evidence of the medical benefits of the products in order to overcome any market resistance. Orthocell's ability to generate revenues from its currently marketed products Ortho-ATI™ and Ortho-ACI™, and its CelGro™ product if approved by the TGA in Australia, will depend on its ability to successfully market and sell its products in the Australian market. Long term generation of revenues will also depend to some extent on the Company's ability to sell directly or partner with distributors in international markets to sell its products.
Clinical trials	While both Ortho-ATI™ and Ortho-ACI™ are already approved for sale in Australia, Orthocell is undertaking ongoing clinical development for Ortho-ATI™ to maintain regulatory approval in Australia and support future reimbursement applications to the Federal Government's Department of Health and Aging. The Company is also undertaking clinical trials of the CelGro™ collagen medical device and plans to lodge an application for ARTG registration with the TGA in Q2 2015. Clinical trials of the Company's Ortho-ATI™ product and the CelGro™ collagen medical device may take several years to complete and clinical development of the Company's products may fail for a number of reasons, including unexpected outcomes and failure to reach desired end points, or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials.
Regulatory risks	Ortho-ATI™ and Ortho-ACI™ are already approved for sale in Australia pursuant to a TGA issued manufacturing license. In order to maintain regulatory approval in Australia for the commercial sale of Ortho-ATI™ and Ortho-ACI™ pursuant to the relevant transitional provisions, Orthocell has lodged an application with the TGA for registration on the Australian Register of Therapeutic Goods (ARTG) in respect of each product. The Company expects to receive feedback from the TGA on the success or failure of its applications by Q3 2015. Failure to eventually secure regulatory approval will mean that the Company may be unable to continue to sell the relevant product, which will affect the Company's ability to generate revenue. In order to market the CelGro™ collagen scaffold, the Company also needs to apply for ARTG registration of the product with the TGA. An application for approval of the CelGro™ product is planned to be made in Q2 2015. Failure to eventually obtain regulatory approval may mean that the Company will be unable to sell the product, which will affect the Company's ability to generate revenue.
Manufacturing / production risks	The Company's manufacturing process for the CelGro™ collagen scaffold product has not yet been scaled up to commercial scale. Therefore production of commercial products using the Company's production technology has an element of risk, as the technology is scaled up from the current capacity of supplying clinical trial material. The Company also maintains a manufacturing licence from the TGA which allows it to manufacture and distribute human tissue required for the Ortho-ATI™ and Ortho-ACI™ product sales. If there is a disruption or if Orthocell fails to maintain its manufacturing licence following a regular audit, then it may be required to temporarily or permanently interrupt or cease production. Any interruption or cessation of production at Orthocell's facility will have a material impact on its revenues and the value of the Company.

Reliance on key personnel	The Company currently employs or engages as consultants a number of key management and scientific personnel, and the Company's future depends on retaining and attracting suitable qualified personnel. The Company has structured its employment and consultancy practices aimed at providing incentives and assisting in the recruitment and retention of key personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.
Dependence on service providers	The Company operates a significant amount of its key clinical activities through a series of contractual relationships with third party service providers and intends to continue to operate in this manner. All of the Company's contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's product development efforts.
Third party collaborations	The Company has established collaborative relationships and intends to continue to establish additional collaborative relationships to achieve its product development objectives. The Company does not have all the resources that it needs to internally develop its product candidates through full clinical development and to launch marketable products and relies on its ability to maintain and enter into collaborative and licensing relationships to achieve this objective, and also relies on its collaborators to fulfil their contractual responsibilities. Any failure by the Company's collaborators to fulfil their responsibilities could adversely impact the value of the Company.
Competition	The biologics industry is highly competitive, and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. Numerous entities around the world may compete with the Company's efforts to commercialise products that may compete with the Company's products. The Company's competitors may develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, which may result in adverse effects on revenue, margins and profitability.
Sufficiency of funding	The Company's growth through product development and commercialisation activities will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that the Company's cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that the Company will have sufficient capital resources to continue to meet its objectives, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.
Product liability	As with all therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

Healthcare insurers and reimbursement	In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. None of Orthocell's products are currently reimbursed, although the Company plans to lodge applications with the Australian Government Department of Health and Aging for each of Ortho-ATI™, Ortho-ACI™ and CelGro™ following successful registration on the ARTG. There is considerable pressure to reduce the cost of therapeutic products, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for therapeutic products, and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the relevant regulatory authority has not granted marketing approval. No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.
Trade secrets	The Company relies on its trade secrets, which includes some of its method of manufacture that it has and may develop before filing any respective patent applications. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.
Patent rights	The Company relies heavily on its ability to obtain and maintain patent protection for its products. The process of obtaining patent protection for products and technology is highly uncertain and the process involves complex and continually evolving factual and legal questions. Even if the Company succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.
Intellectual property rights licensed in by the Company	Insofar as the Company may rely in the future on rights derived from licensing agreements with third parties, there is no guarantee that such rights will be fully secured for the benefit of Orthocell. If third party patents or patent applications contain claims infringed by the Company's technology and these claims are valid, the Company may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted.
Infringement of third party intellectual property	If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation in the pharmaceutical industry is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Company from commercialising available products and could cause it to incur substantial expenditure.

Reputational damage	The reputation of Orthocell and its products is important in attracting medical specialists, hospitals and patients and key employees. Reputational damage could arise due to a number of circumstances, including: • inadequate services or unsatisfactory clinical outcomes for patients; • error, malpractice or negligence of Orthocell's employees; or • error, malpractice or negligence of the medical specialists performing the treatments. Negative publicity could adversely impact Orthocell's reputation which may potentially result in a fall in the number of patients seeking Orthocell's products or medical specialists willing to provide them.
Existing Shareholders' Shares	Following listing the existing Shareholders will continue to hold a significant stake in the Company. A number of the existing Shares will be subject to restriction agreements and escrow arrangements set out in Section 1.7. The potential future sale of such existing Shares or the perception of that possibility could adversely impact the price of Shares. Alternatively, the absence of such a sale by Existing Shareholders may diminish or contribute to a diminution in the liquidity of the market for the Shares.
Litigation	Orthocell is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim is successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

1.4 Dividend policy

What is Orthocell's dividend policy?	The primary focus of the Company is to complete the development and commercialisation of its products. During this phase, the Company is unlikely to pay a dividend. Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

1.5 Use of funds raised

What is the proposed use of proceeds of the Offer?

The Offer seeks to raise a minimum of $6 million and a maximum of $8 million before costs. As at the date of this Prospectus, the Company has approximately $900,000 in cash.

The table below sets out the proposed use of funds raised from the Offer and existing cash reserves at the date of this Prospectus. This represents current intentions based on the current business plan and business conditions. The amount and timing of the actual expenditure may vary and will depend upon numerous factors, including the timing and success of the Company's commercialisation activities and revenue from sales.

Use of Fund Raised	Minimum subscription $6,000,000	Full subscription $8,000,000
• Progress the CelGro™ product development and lodge an application for approval with the TGA • Advance the development and commercialisation in Australia for Ortho-ATI™ • Maintain requisite regulatory approvals for both Ortho-ATI™ and Ortho-ACI™ products in Australia • Pursue regulatory approval for Ortho-ATI™ in the first international jurisdiction outside Australia, likely to be Europe or Japan	$2,660,000	$3,549,000
Expand the sales and marketing capability of the Company to increase sales and exposure of the Company's products	$991,000	$1,783,000
Maintenance of patents and intellectual property	$520,000	$520,000
Capital expenditure	$117,000	$117,000
Working capital and administrative expenses	$2,027,000	$2,216,000
Expenses of the Offer	$585,000	$715,000
Total	**6,900,000**	**8,900,000**

On completion of the Offer the Directors believe that the funds raised from the Offer will provide the Company with sufficient funds to achieve the Company's objectives set out above.

Is there a minimum subscription?

The minimum subscription under the Offer is 15,000,000 Shares to raise $6,000,000. The Company will not issue or allot any Shares under the Offer, unless the minimum subscription has been received.

In the event the minimum subscription has not been raised within 4 months of the date of this Prospectus, the Company will either repay all application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application Form and be repaid their application money. No interest will be paid on this money.

Further information on how the funds raised under the Offer will be applied to the use of funds in the event that the Offer is not fully subscribed, is set out in Section 8.3.

1.6 Board of Directors and key management personnel

Who are the Directors and senior management of Orthocell?	Directors • Dr Stewart Washer, Executive Chairman • Mr Paul Anderson, Managing Director • Professor Lars Lidgren, Non-Executive Director • Mr Matthew Callahan, Non-Executive Director • Mr Qi Xiao Zhou, Non-Executive Director Company Secretary • Mr Simon Robertson Senior management • Professor Ming Hao Zheng, CSO • Ms Nicole Telford, CFO Further information in relation to each Director, the Company Secretary and each member of senior management is set out in Sections 4.1, 4.2 and 4.3.

1.7 Overview of the Offer

What is the Offer?	The Offer is an initial public offering of up to 20,000,000 Shares in Orthocell at an issue price of $0.40 each to raise up to $8,000,000 (before costs and expenses). The Shares being offered will represent 24.2% of the total shares in Orthocell on issue following Listing (assuming the Offer is fully subscribed).
Is the Offer underwritten?	The Offer is not underwritten.
Who are the Joint Lead Managers?	Azure Capital and KTM Capital have been appointed as Joint Lead Managers to the Offer. The Joint Lead Managers have also appointed Shaw Stockbroking Ltd to co-manage the offer. A summary of the terms of engagement of Azure Capital and KTM Capital is set out in Section 9.6(a).
Will the Shares be listed?	Orthocell will apply to the ASX for its admission to the official list of the ASX and quotation of Shares on the ASX (which is expected to be under the code "OCC") within seven days of the date of this Prospectus. Listing is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.
Will any Shares be subject to escrow arrangements?	As a condition of listing, ASX will classify certain Shares of Existing Shareholders as restricted securities and will be required to be held in escrow for a period of 12 months from the date they were issued or 24 months from the date of Official Quotation. The escrow arrangements will result in approximately 27,228,065 Shares (representing approximately 33% of the Shares immediately post Offer assuming the Offer is fully subscribed) being subject to escrow. Of these escrowed Shares, 27,185,414 Shares will be held in escrow for 24 months from Listing, with the balance of 42,651 Shares being held in escrow for 12 months from the date of issue of those Shares. During the period in which these Shares are escrowed, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

How many Shares will be on issue after Listing?	The Company will have 82,500,000 Shares on issue (assuming the Offer is fully subscribed).
What is the allocation policy?	The allocation of Shares will be determined by the Joint Lead Managers in consultation with Orthocell.
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.
What are the tax implications of investing in the Shares?	The Directors are unable to provide advice as to the taxation implications of the Offer or an investment in Shares in relation to an individual investor and as such investors are encouraged to seek their own professional advice before making an investment in Shares.
How can I apply?	Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus in accordance with the instructions set out in the Application Form. Applications for Shares must be for a minimum of 5,000 Shares and thereafter in multiples of 2,000. Payment for the Shares must be made in full at the issue price of $0.40 per Share. Completed Application Forms and accompanying cheques must be mailed or delivered to: Automic Registry Services PO Box 223 West Perth WA 6872 Cheques should be made payable to "Orthocell Limited IPO" and crossed "Not Negotiable". Completed Application Forms and accompanying cheques must reach the address set out above by the Closing Date. The Opening Date for the Offer is 5 June 2014 and the Closing Date for Offer is 5.00pm WST on 27 June 2014, or such later date as the Directors, in their absolute discretion, may determine. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.
Is there a minimum Application size under the Offer?	Applications for Shares must be for a minimum of 5,000 Shares and thereafter in multiples of 2,000 Shares.
How will the Shares be allotted?	Subject to ASX granting conditional approval for quotation on the ASX, the Shares to be issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched by standard post on or around 7 July 2014.
When can I sell my Shares on ASX?	It is expected that holding statements will be sent on or about 7 July 2014 and that Shares will commence trading on the ASX on a normal settlement basis on 16 July 2014. It is the responsibility of each Applicant to confirm their holding before trading its Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.

Can the Offer be withdrawn?	Orthocell reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants. If the Offer does not proceed, Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.
Where can I find out more information about this Prospectus or the Offer?	If you are unclear on any matter in relation to this Prospectus or are uncertain as to whether Orthocell is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

1.8 Significant interests of key persons and other parties connected with Orthocell or the Offer

Director / key person	Payment	Further detail
Dr Stewart Washer (Executive Chairman)	Consulting fee of $120,000 per annum plus a bonus of up to 20% of this amount subject to achievement of key performance indicators to be agreed by the Board.	Section 9.7(b)
Mr Paul Anderson (Managing Director)	Remuneration of $280,000 per annum plus superannuation plus a bonus of up to 25% of this amount subject to achievement of key performance indicators to be agreed by the Board.	Section 9.7(a)
Mr Matthew Callahan (Non-Executive Director)	Director fees of $45,000 per annum. Mr Callahan will also be entitled to receive additional fees at the rate of $1,500 per day for services to be provided to the Company on general matters relating to the Company's business, identifying, evaluating and developing new opportunities and performing any other duties as may be delegated by the Board from time to time.	Section 9.7(b)(c)
Professor Lars Lidgren (Non-Executive Director)	Director fees of $45,000 per annum	Section 9.7(c)
Mr Qi Xiao Zhou (Non-Executive Director)	Director fees of $45,000 per annum	Section 9.7(c)
Professor Ming Hao Zheng (Chief Scientific Officer)	Consulting fee of $150,000 per annum. Professor Zheng will also be entitled to receive additional fees at the rate of $1,500 per day for services to be provided to the Company in the area of technology development, manufacturing and quality control, intellectual property and regulatory issues.	Section 9.7(b)
Ms Nicole Telford (Chief Financial Officer)	Remuneration of $150,000 per annum plus superannuation plus a bonus of up to 25% of this amount subject to achievement of key performance indicators to be agreed by the Board.	Section 9.7(a)

Deeds of indemnity, Insurance and access

Orthocell has entered into a deed of indemnity, insurance and access with each of its Directors, Chief Scientific Officer, Chief Financial Officer and the Company Secretary. Under these deeds, Orthocell agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of Orthocell. Orthocell is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances. The terms and conditions of the deeds of indemnity, access and insurance are summarised in Section 9.7(d).

Disclosure of Interests

The interest of each of the Directors in the Shares of Orthocell as at the date of this Prospectus, and the Options to be issued to them under this Prospectus, is set out in the table below:

Director	Shares[1]	Options[1,5]
Dr Stewart Washer	154,267	1,250,000
Mr Paul Anderson[2]	6,963,608	1,250,000
Mr Matthew Callahan[3]	9,929,559	1,250,000
Mr Qi Xiao Zhou	5,705,673	-
Professor Lars Lidgren[4]	727,523	-

1. Once ASX has conditionally confirmed that it will admit the Company to the Official List.
2. Held directly and indirectly through the Elwing Superannuation Fund of which Mr Anderson is a beneficiary.
3. Mr Callahan is a founder and director of Stone Ridge Ventures Pty Ltd which is the manager of the SRV Tech Trust, a venture capital fund. Mr Callahan's interest in Shares is held indirectly through:
   - SRV Custodians Pty Ltd as trustee for the SRV Tech Trust which is the venture capital fund (9,280,383 Shares) in respect of which AustralianSuper Investments Pty Ltd, as trustee of the AustralianSuper Private Equity Trust is the sole unit holder; and
   - SRV Nominees Pty Ltd as trustee for the SRV Trust which is the carry trust for the SRV Tech Trust (649,175 Shares).

   Mr Callahan is considered to have a relevant interest in these shares due to his position as a director or shareholder of the respective trustee companies and holds a beneficial interest in the SRV trust.
4. Held indirectly through Diamonex Ltd, a company of which Professor Lidgren is a director.
5. Options exercisable at $0.50 each expiring on the date 3 years from the date of grant.

Professor Lars Lidgren intends to apply for Shares under the Offer. Final Director's shareholdings will be notified to ASX on listing.

Substantial Shareholders and Interests of major Shareholders

The following Existing Shareholders have an interest in 5% or more of the issued Shares in the Company as at the date of this Prospectus:

Shareholder / Number of Shares immediately prior to the Offer [1]	Percentage interest in Shares immediately prior to the Offer (%)	Percentage interest in Shares immediately following the Offer [1] (minimum subscription) (%)	Percentage interest in Shares immediately following the Offer [1] (full subscription) (%)
Matthew Callahan[2,3]			
9,929,559	15.89	12.81	12.04
Paul Anderson[2,4]			
6,963,608	11.14	8.99	8.44
Nicole Telford[5]			
6,963,608	11.14	8.99	8.44
Ming Hao Zheng[2]			
6,963,608	11.14	8.99	8.44
Qi Xiao Zhou			
5,705,673	9.13%	7.36	6.92
Australian Super			
4,619,190	7.39	5.96	5.60
Jia Xun Xu			
5,168,276	8.27	6.67	6.26

1. Once ASX has conditionally confirmed that it will admit the Company to the Official List.
2. Messrs Callahan, Anderson and Zheng will also each be granted 1,250,000 Options as detailed in Section 9.14.
3. Mr Callahan is a founder and director of Stone Ridge Ventures Pty Ltd which is the manager of the SRV Tech Trust, a venture capital fund. Mr Callahan's interest in Shares is held indirectly through:
   - SRV Custodians Pty Ltd as trustee for the SRV Tech Trust which is the venture capital fund (9,280,382 Shares) in respect of which AustralianSuper Investments Pty Ltd, as trustee of the AustralianSuper Private Equity Trust is the sole unit holder; and
   - SRV Nominees Pty Ltd as trustee for the SRV Trust which is the carry trust for the SRV Tech Trust (649,177 Shares).

   Mr Callahan is considered to have a relevant interest in these shares due to his position as a director or shareholder of the respective trustee companies and holds a beneficial interest in the SRV trust.
4. Held directly and indirectly through the Elwing Superannuation Fund of which Mr Anderson is a beneficiary.
5. Ms Telford is the spouse of Mr Anderson and therefore has a relevant interest in Mr Anderson's shares. Ms Telford will also be granted 500,000 Options as detailed in Section 9.14.

2 INDUSTRY OVERVIEW

2.1 Introduction

The regenerative medicine industry aims to augment, repair, replace or regenerate tissue that has been damaged by disease, injury or even the natural aging process. It differs from other fields of medicine, in that it focuses on harnessing the body's innate healing capacity to repair, support or rejuvenate damaged tissues. Currently, the vast majority of treatments for chronic and life-threatening diseases are palliative or aimed at delaying disease progression. Very few therapies in use today are capable of curing or significantly changing the course of disease.

A significant number of regenerative medicine products are already approved and marketed in Australia, the USA and Europe with proven clinical success.

Regenerative medicine is no longer a vision for the future of medical treatment, but rather a commercial and medical reality that is available today. A significant number of regenerative medicine products have been developed and approved by regulatory authorities and commercialised in Australia, the USA, Europe and other countries around the world. It is estimated by the Alliance of Regenerative Medicine (ARM) that in 2012, cell therapy products distributed by biotherapeutic companies generated revenue of over $900 million with 160,000 patients receiving treatments.

In 2012, seven cell therapy products were approved by regulatory agencies around the world in contrast with five such approvals in the three years prior, and none from 2002 to 2008. The Company anticipates many more approvals in the years to follow. The sector is also attracting increased attention from investors and industry partners. In 2012, according to ARM, the sector garnered over $900 million in investment from private investors and public markets.

2.2 Evolution of the healthcare sector

The Company believes the evolution of healthcare globally supports the view that the regenerative medicine industry will play a significant role in the future of medical care and could potentially have a dramatic impact on the aging population. According to the 2010 Global Burden of Disease study, musculoskeletal conditions have the fourth greatest impact on the health of the world's population, accounting for 6.8% of the total disease burden. In Australia in 2010, musculoskeletal conditions were the leading contributor to total disability burden (27.4%), and are second only to cancer (15.3% versus 16.2%) when death is also considered. Musculoskeletal conditions are the most common reason for accessing health care services and in financial terms, contribute to 7.5% of total health expenditure (costing around $4 billion per annum). Importantly, the burden from musculoskeletal conditions is increasing as the population ages.

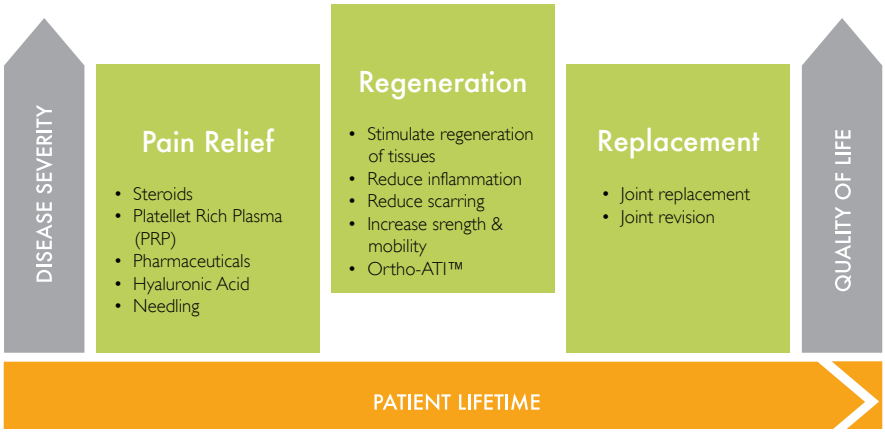


Figure 1 - Positioning of Regenerative Medicine therapies in the context of traditional therapies

Orthocell believes that the potential of regenerative medicine will continue to drive the development of technologies to address the key challenges for healthcare globally:

- **Improved patient clinical outcomes** – many of the treatments for tendon, cartilage and other tissue injury currently are symptomatic and do not address the underlying cause of the injury or degeneration. Regenerative medicine addresses these causes;
- **Superior cost economics** – regenerative medicine can delay or prevent the need for certain surgery or improve surgical outcomes, pharmaceuticals and also the requirement for long term care and hence potentially reducing the cost of care to patients; and
- **Reducing the reliance on pharmaceuticals** – the most common prescription for chronic painful musculoskeletal conditions are painkillers including opiates that have serious addiction and side effect issues.

2.3 A lack of effective treatments for tendon injury and degeneration

Orthocell's product portfolio is focused on the regeneration, support and repair of degenerate tendon, cartilage and soft tissue. The Company's Ortho-ATI™ product is believed to be the first autologous cell therapy approved by a regulator in Australia, the USA, Europe, China or Japan to treat tendon injury or degeneration and which the Company believes represents a significant improvement in the standard of care for these conditions.

The effective treatment of tendon and ligament injuries and degeneration are a significant unmet medical need. In the area of tendon injury, 13% of individuals between the ages of 50-59 and 51% of people over the age of 80 years experience a rotator cuff injury and more than 250,000 patients require surgical repair in the USA alone each year. Literature also suggests that approximately 11% of regular runners suffer from Achilles tendinopathy and in the USA there are approximately 75,000 cases of anterior cruciate ligament ruptures and 5 million new cases of tennis elbow reported each year.

The prevalence of such injuries means the cost of treating tendon and ligament injury has placed a huge burden on the healthcare system world-wide.

There are more than 4000 tendons and ligaments in the body. Tendon degeneration due to injury, overuse or related to age is one of the most common health problems worldwide and is the most common reason for seeing general practitioners in the Western world. The tendons most susceptible to injury are the rotator cuff, extensor carpi radialis brevis (tennis elbow), patellar tendon, anterior cruciate ligament (ACL) and Achilles tendon. Tendon injury is a serious problem that impacts both public health and places an immense burden on the health budget. Despite a high prevalence of tendon injury and degeneration, treatment regimens remain poorly defined.

Tendonitis after injury is a remarkably common condition which ranks second only to back pain in clinical frequency. This can lead to the degeneration of tendon for which there is no definitive treatment available. Most patients seen in primary care will have chronic symptoms suggesting a degenerative condition that perhaps should be labelled as "tendinosis" or "tendinopathy." It causes both signs and symptoms of pain, local tenderness, decreased range of motion, stiffness and decreased functionality, and is often triggered by repetitive movements.

The treatment of tendinopathy has remained essentially unchanged for decades. Traditional therapies include bandages, anti-inflammatory creams and ointments, crutches, simple bed rest and gluco-corticosteroids injections. Though some advancement has occurred with a variety of non-steroidal, anti-inflammatory drugs and plasma based injections, limited innovation has occurred. Injection of gluco-corticosteroids is falling out of favour and has been demonstrated to cause deleterious effects on the tendon including rupture. Current treatments, however, are based largely on empirical experience and do not address the fundamental pathology of a lack of relevant "builder" cells to repair or restore the tendon or ligament. As a result there is a very high rate of recurrence of injury and ongoing pain. The ultimate goal of the Ortho-ATI™ treatment is to restore the tissue architecture of tendon, eliminate pain and improve function.

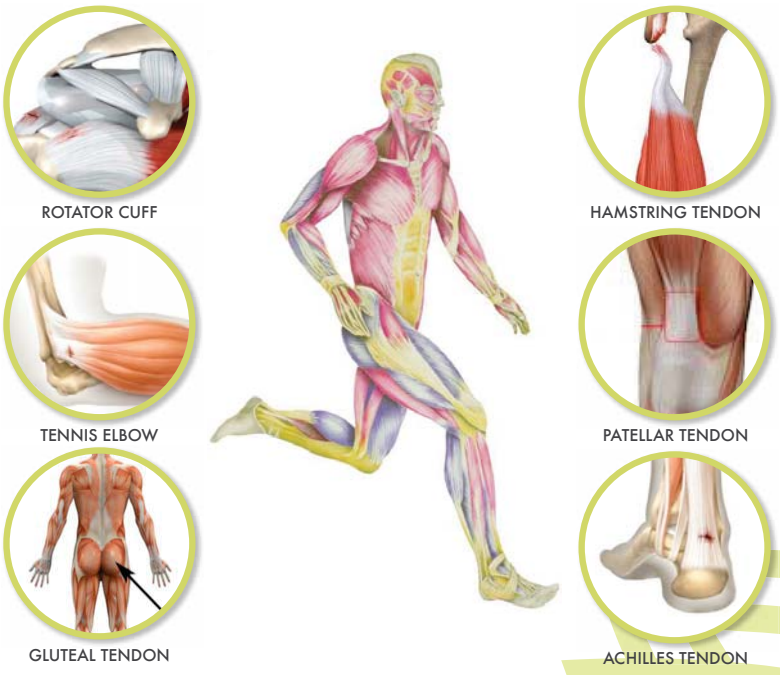


Figure 2 - Target tendons for initial application of Ortho-ATI Therapy

2.4 Devices for effective soft tissue repairs remain a significant unmet medical need

Natural and synthetic biomaterials are widely regarded as an integral component for repair of soft tissue injuries and degeneration. Collagen derived scaffolds have been considered to be the most friendly biological substitutes for implants and a number of collagen-derived scaffolds are currently approved for sale in Australia, the US and Europe for surgical use.

Scaffolds are manufactured to aid the restoration of normal function of an organ or tissue temporarily or permanently. There are several desirable characteristics of successful scaffolds:

- adequate mechanical properties;
- ability to induce host tissue integration;
- be appropriately biodegraded or absorbed at the desired rate, while being replaced by host tissue;
- biologically safe to recipients; and
- surgeon friendly characteristics for easy fabrication into the desired shape and size.

Of all of these characteristics, the ability to induce appropriate host tissue integration is possibly the most important factor to ensure successful tissue regeneration and minimise scar tissue formation.

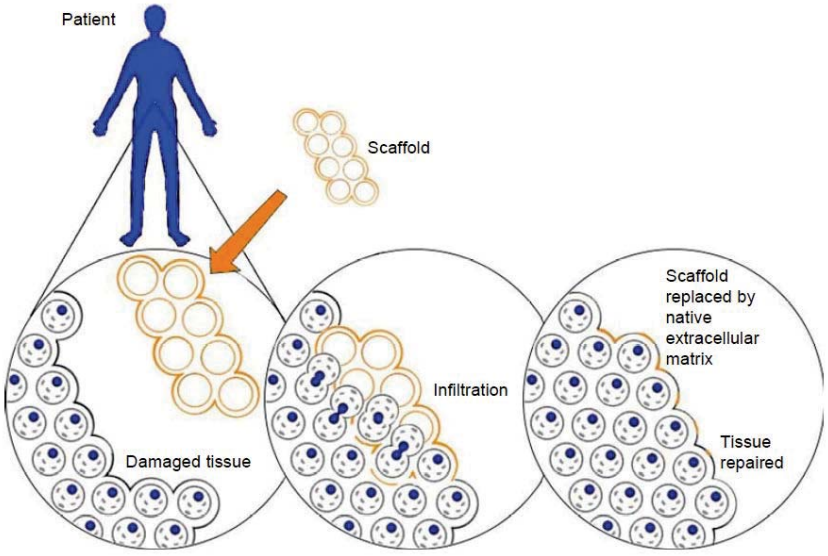


Figure 3 - Scaffold induced cell recruitment and tissue repair

While many scaffolds have shown promising ability to support tissue in the body, their clinical applications remain limited by poor cell incorporation, post-operative complications (such as fibrous adhesion formation) and in some instances, adverse immunogenic responses due to residual foreign DNA. These failings have prompted the need for safer and biocompatible collagen-based alternatives. Orthocell is seeking to address these needs with its CelGro™ collagen scaffold product.

3 ORTHOCELL'S BUSINESS

3.1 Company introduction

Orthocell is an Australian based regenerative medicine company dedicated to the treatment of people suffering from soft tissue injuries and subsequent musculoskeletal disorders. Founded in March 2006, Orthocell operates in the global regenerative medicine market, with a focus on the development and commercialisation of products for the regeneration and repair of soft tissue injuries such as tendons and ligaments as well as cartilage, using the patient's own stem cells. In addition, Orthocell has developed a collagen scaffold medical device to provide new solutions to surgical interventions where physical support and repair of human tissue is required and to support its stem cell treatments.

Orthocell is primarily focused on the development and commercialisation of its lead product, known as Ortho-ATI™ (Autologous Tenocyte Implantation) for the treatment of damaged or degenerated tendons. Ortho-ATI™ has been used to successfully treat more than 225 patients in Australia, Asia and Europe to date and Orthocell believes that it is the only approved therapy in the major markets in the world for the regeneration of human tendon and ligaments.

In addition, Orthocell is also developing a range of collagen scaffolds known as CelGro™ which are naturally derived products used to stabilise orthopaedic surgical interventions (such as tendon tears and detachments), as well as reconstruct damaged or missing tissue (such as ear drums and abdominal wall). The Company believes that these collagen scaffolds are stronger, more compatible and more cell friendly than most of the currently available commercial scaffolds.

Finally, Orthocell is also a participant in the field of cartilage repair and regeneration with its Autologous Chondrocyte Implantation (Ortho-ACI™) therapy. Orthocell's CEO and CSO led the first global approval for this type of technology when working with a previous company and have now significantly improved the efficiency and cost effectiveness of a next generation cartilage repair approach. This next generation therapy also utilises the patient's own cartilage stem cells to stimulate and support repair of damaged cartilage.

Orthocell has also entered into a licence agreement with Grandhope, a Chinese biotechnology company, pursuant to which Orthocell agreed to grant to Grandhope intellectual property licences for the purpose of commercialising Ortho-ACI™ within all fields of human application in mainland China (excluding Hong Kong), Taiwan and the Special Administrative Region of Macau. Orthocell has received revenue milestone payments and may receive royalties on sales of each Ortho-ACI™ product sold by Grandhope from this license arrangement. Details of the Grandhope agreement are set out in Section 9.6(b).

3.2 Company history

Orthocell was founded in 2006 by Managing Director (MD) Paul Anderson and Chief Scientific Officer (CSO) Professor Ming Hao Zheng. Mr Anderson and Professor Zheng were previously the CEO and CSO respectively of Verigen Australia Pty Ltd, a company that developed and commercialised a cartilage repair and regeneration technology. Mr Anderson and Professor Zheng played important roles in securing the Australian Therapeutic Goods Administration's (TGA) approval for the manufacture and sale of that technology.

Since forming the Company, the management team and Board has rapidly achieved a number of important milestones as set out below.

Year	Milestone
2006	Secured venture capital investment from Stone Ridge Ventures as well as private investors
2007	Development of a cGMP quality manufacturing facility to facilitate prototype design, clinical trials, and early commercialisation activities
2008	Phase One clinical study for Ortho-ATI™ for the regeneration of degenerate "tennis elbow" tendons
2009	Therapeutic Goods Administration (TGA) license to manufacture Human Tissue granted
2010	Ortho-ATI™ initial product launch into Australia
2011	Initiated double blinded placebo controlled clinical trial in The Netherlands for Ortho-ATI™ therapy targeting repair and regeneration of chronic Achilles tendon injuries
2012	cGMP manufacture of CelGro™ for tissue regeneration to enable design dossier and clinical trial commencement Patent delivered on method of manufacture for lead product Ortho-ATI™

2013	Successful completion of human clinical trials for the application of Ortho-ATI™ in gluteal tendon. Completion of patient recruitment for Achilles Ortho-ATI™ trial Positive Ortho-ATI™ data published in prestigious peer reviewed journal *American Journal of Sports Medicine*. Positive case study results published in the prestigious peer reviewed journal *British Medical Journal*. Design Dossier submission for Ortho-ATI™ and Ortho-ACI™ to enable ARTG registration in Australia License deal completed with Grandhope; a Chinese public listed company in respect of Orthocell's Ortho-ACI™
2014	Commencement of the first human trial of CelGro™ scaffold targeting the repair and regeneration of the tympanic membrane (ear drum)

Table 1 – Company history

3.3 Business model & commercialisation objectives

The Company's focus is the development and commercialisation of its portfolio of regenerative medicine products, Ortho-ATI™, Ortho-ACI™ and CelGro™ which aim to address significant unmet patient needs. Each of the products leverages the Orthocell team's long experience in developing and gaining TGA approval for stem cell based products, and the team's previous success in gaining TGA approval for biological medical devices.

Orthocell generates revenue from the following primary sources:

- early commercialisation sales of Ortho-ATI™ and Ortho-ACI™ therapies to patients in the Australian market;
- license milestone and royalties from its agreement to license Ortho-ACI™ to Grandhope; and
- research grant funds.

The Company plans to generate revenue from product sales of CelGro™ once approved, and licensing revenue in respect of each of Ortho-ATI™ and Ortho-ACI™.

	Ortho-ATI™	CelGro™	Ortho-ACI™
Description	Tendon repair and regeneration therapy utilising the patients' own tendon stem cells that have been cultured and expanded	Collagen scaffold for repair of soft tissue injuries or degeneration for use in orthopaedic and general surgical areas	Tendon repair and regeneration therapy utilising the patients' own tendon stem cells that have been cultured and expanded
Current Clinical Applications	Epicondylitis (tennis elbow) Achilles (ankle/leg), Gluteal (bottom), Patellar (knee) and Rotator Cuff (shoulder).	Tympanic membrane (ear drum)	Knee and ankle
Future Applications	Quadriceps and other load bearing tendons	Cartilage repair, tendon and ligament repair, hernia repair, vaginal wall repair, liver resection, other general surgical repairs	Knee and ankle
Planned Revenue Source	Product sales, license revenue and royalties		

Table 2 – Overview of Orthocell's product platform and planned revenue focus

Orthocell manufactures Ortho-ATI™ and Ortho-ACI™ at a TGA licenced specialist facility established by the Company in Perth, Western Australia, which has capacity to support the manufacture and distribution of these products. Both the Ortho-ATI™ and Ortho-ACI™ products are currently approved for manufacture and sale in Australia by the TGA pursuant to a granted TGA manufacturing license, and further approvals are being sought for each product with the TGA pursuant to the Australian Regulatory Guidelines for Biologicals.

CelGro™ is also currently manufactured at this facility for clinical trials, but commercial sales of the product will not commence until the product has been approved by the TGA following lodgement of the relevant application for approval with the TGA in Q2 2015. Commercial manufacturing is planned to also take place at Orthocell's Perth facility following successful TGA approval and ARTG registration.

More information in relation to regulatory approvals for Orthocell products is provided in Sections 3.4 - 3.7.

3.4 cGMP manufacturing facility and TGA manufacturing licence

Orthocell has established a quality controlled Good Manufacturing Processes (cGMP) facility in Perth qualified to international standard ISO 14644-1. This facility is licensed by the TGA to permit the manufacture of human tendon stem cells (tenocytes) and cartilage stem cells (chondrocytes) for the regeneration of damaged tendon and cartilage, thereby enabling the commercialisation of its two lead cellular therapeutic products Ortho-ATI™ and Ortho-ACI™.

The facility provides substantial manufacturing capacity to support a rapid expansion of sales of Ortho-ATI™ and Ortho-ACI™ as well as early stage commercialisation of CelGro™. The facility is regularly inspected by the TGA and quality systems are regularly reviewed and updated to reflect best practice. This facility represents a significant asset for the Company which is difficult for potential competitors to rapidly replicate.

3.5 Ortho-ATI™ clinical development, regulatory approval and commercialisation plans

3.5.1 Background

Orthocell's priority product is the Autologous Tenocyte Implantation therapy or Ortho-ATI™. Ortho-ATI™ utilises a patient's own tendon stem cells (or 'tenocytes') to assist in the regeneration of damaged tendons and ligaments. These tenocytes and associated growth factors initiate the repair and reconstruction of new tendon and ligament tissue.

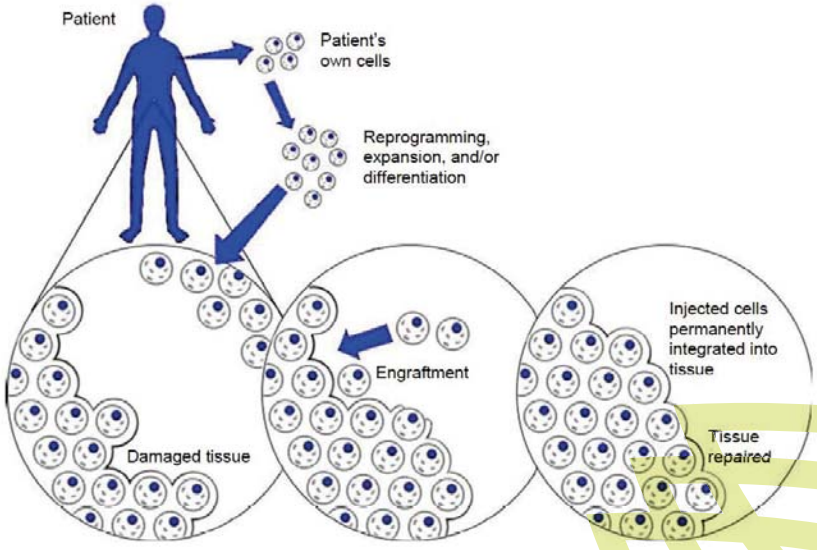


Figure 4 - Regenerative cell therapy model

The Ortho-ATI™ therapy comprises:

- non-surgical extraction of a small piece of tendon tissue under local anaesthetic, usually from the patient's patellar tendon in the knee;
- tissue culturing and expanding the number of tendon stem cells harvested from the tendon tissue in a quality controlled laboratory to a customised patient dose packaging the tenocyte cells in a validated delivery container and transporting the product to a medical professional under controlled courier conditions; and
- having the medical professional, under local anaesthesia, inject the expanded volume of tendon stem cells directly into the target tendon or ligament area using an ultrasound guided method. The procedure is performed within medical or treatment room, and is designed to stimulate new repair and regeneration. In some cases the injection of tenocyte cells may be accompanied by the addition of a collagen scaffold repair or augmentation undertaken by a surgeon in a hospital theatre.

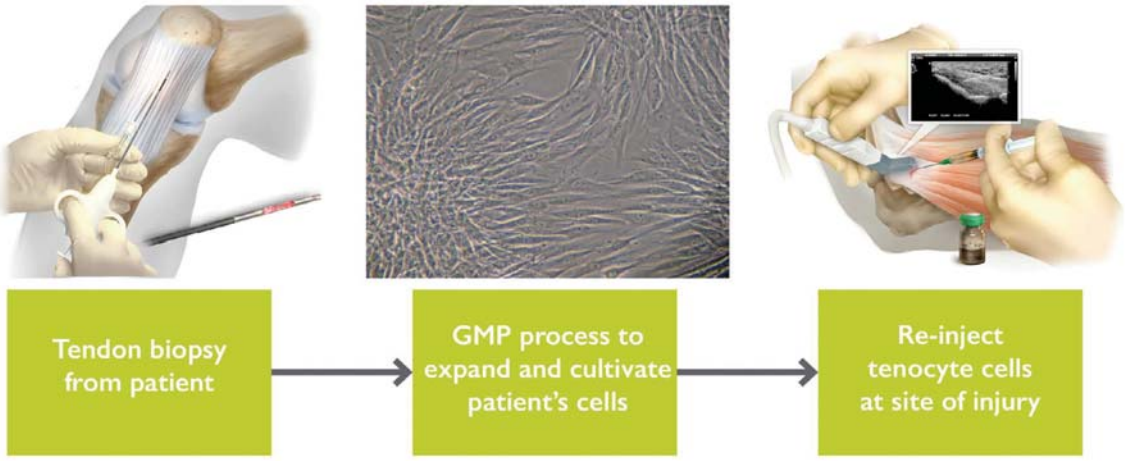


Figure 5 - Ortho-ATI™ process

Orthocell has developed the specific culture conditions and processes that allow the extracted tendon stem cells to remain viable, avoid differentiation into undesirable cell types (such as bone forming stem cells) and have validated the surgical and rehabilitation techniques required to deliver the therapy. Orthocell has also been able to validate the processes that ensure there is no lingering damage to the tendon donor site, while achieving unprecedented relief of patient pain levels, dramatic improvements in tendon or ligament function and MRI supported visual regeneration and repair of the target tendon or ligament. Some of these technological innovations and processes are the subject of pending and granted patent and patent applications filed by Orthocell.

3.5.2 Ortho-ATI™ clinical development – completed studies

To date Orthocell has provided the Ortho-ATI™ therapy for the treatment of seven different tendon or ligament interventions, including the Achilles, patella, lateral epicondylitis (tennis elbow), rotator cuff and gluteal (hip) tendons. The Ortho-ATI™ therapy has successfully completed two safety and efficacy clinical trials in Australia as follows:

Lateral epicondylitis (tennis elbow) trial

The aim of this study was to assess the potential role of Ortho-ATI™ in the healing process in degenerate tennis elbow tendon tissue. In a study of 17 patients with chronic tennis elbow (pain of greater than 6 months' duration) patients received an injection of their own cultured tenocyte cells and were then monitored post-operatively. Objective outcome measures were employed pre and post operatively, via ultrasound and magnetic resonance imaging (MRI).

Ortho-ATI™ treatment resulted in statistically significant results in the reduction of pain as early as one month after therapy (the earliest time evaluated) and statistically significant increases in grip strength and function out to one year post intervention.

The MRI showed tissue in-fill that correlated with the reduction in symptoms and improvement of functions. A summary of the outcome score graphs is provided below:

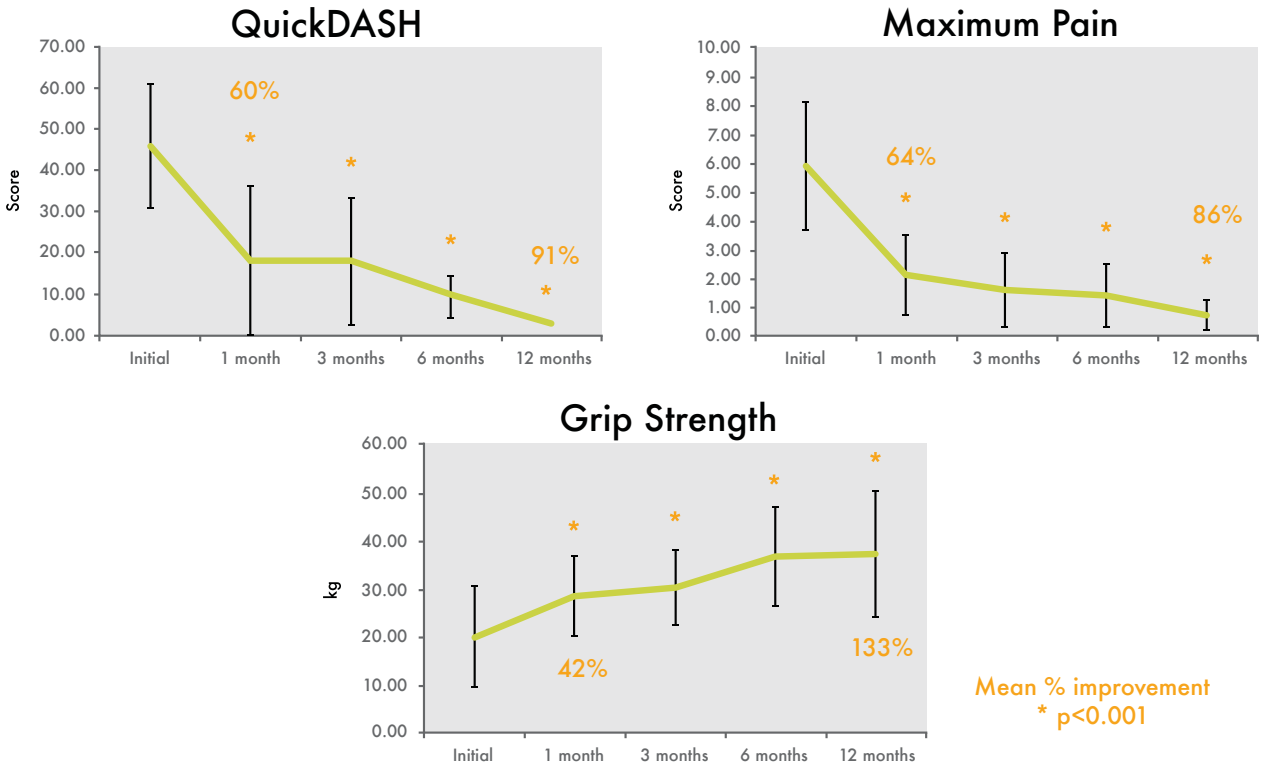


Figure 6 - Assessment of pain and functionality.

*(A) Visual analog scale (VAS) of maximum pain score improved on average by **86%**.*

*(B) Quick Disabilities of the Arm, Shoulder and Hand (QuickDASH) score assessing the ability to perform daily tasks showed a mean **91%** improvement by 12 months.*

*(C) Grip strength (kg) increased on average by **133%**.*

The study concluded that Ortho-ATI™ is a safe and tolerable procedure and that it may be a viable treatment for the regeneration of damaged tendon tissue. Ortho-ATI™ significantly improved clinical outcomes for patients in this clinical study and was published within the prestigious peer reviewed *American Journal of Sports Medicine* in the October 2013 edition.

Follow up three year results have also been collated and are currently being prepared for a further publication submission. The three year results replicated the one year results, showing excellent ongoing pain relief and restoration of function of the relevant tendon indicating a disease modifying effect.

Gluteal tendon trial

Gluteal tendinopathy (or tendon degeneration) is a common cause of lateral hip pain. No effective treatments are available for tendinopathy and this has led to poor health outcomes and ongoing disability for sufferers. This clinical study investigated the effect of Ortho-ATI™ in 12 patients with clinical and radiological evidence of serious gluteal tendinopathy.

All patients recruited had a long duration of symptoms (mean of 33 months) and had not responded to other non-surgical treatments. Tendon stem cells were harvested from the patellar tendon through a needle biopsy and propagated in Orthocell's GMP-licensed laboratory. Ortho-ATI™ tendon cells were injected into the site of pathological gluteal tendon under ultrasound guidance. All patients were assessed pre-treatment and at 3, 6, 12 and 24 months post-treatment with the Oxford Hip Score, Merle D'aubigne Postel Score, 36-item Short-Form Health Survey and a Visual Analogue Pain Scale and MRI imaging was also assessed.

In a controlled follow-up to the study, continued improvement was observed at 24 months. One patient opted to undergo surgery after 12 months. All patients completed the Patient Satisfaction Questionnaire at 12 months post-treatment and the data showed that 67% (n=8) were either 'satisfied' or 'highly satisfied' with the outcome of their procedure. The study showed that Ortho-ATI™ significantly improved clinical outcomes in patients with gluteal tendinopathy. This two year post-treatment data from this study is currently being prepared for publication.

The following case studies demonstrate the application of Ortho-ATI™ to successfully treat tendinopathy patients.

Case study one

Treatment resistant tendinopathy of the lateral epicondoyle know as Tennis Elbow

Patient is a 48 year old female with ongoing treatment resistant tendon damage to her right elbow in the area called the lateral epicondoyle. Symptoms have been persistent over a period of 18 months and failed a conservative exercise regime. The patient was also treated with corticosteroid and analgesics.

Symptoms were inhibiting work related activities and were having a negative impact of the patient's ability to manage their activities of daily living.

Investigations

An MRI was undertaken which showed extensive tearing common extensor origin (Tennis Elbow), extending to involve some of the superficial components and increased focal signal and tendon thickness associated with partial-thickness tear with fluid.

Treatment

Symptoms did not respond to physiotherapy or conventional injections, therefore the patient was offered inclusion in a pilot study looking at the safety, tolerability and efficacy of Ortho-ATI™ (autologous tenocyte injection).

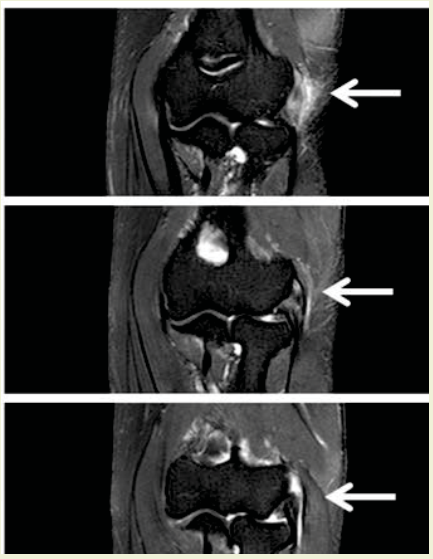
Tenocyte cells were harvested from the patient's patella tendon under local anaesthesia. Cells were cultivated at Orthocell's cGMP accredited, TGA licensed laboratory. Five weeks following tendon biopsy, cultured tendon stem cells were injected under ultrasound-guidance into the damaged area of the tendon. The procedure was performed by a senior interventional musculoskeletal radiologist.

Outcome and follow up

The patient was assessed via subjective and objective outcome scores to assess pain strength and quality of life activities. Subjective evaluation data were collected prior to treatment, and then post treatment at 4, 12 and 52 weeks. Subjective scores listed in Table 3 are validated upper limb scores and demonstrated significant improvements in function, strength and reduction in pain when compared to the base line data.

	Before treatment scores	12 months after treatment	% improvement
QuickDASH	59.09	2.27	96.2
UEFS	36	8	77.8
VAS Pain Score	7.4	0.6	91.9
Grip Strength	3.67	30.33	727.3

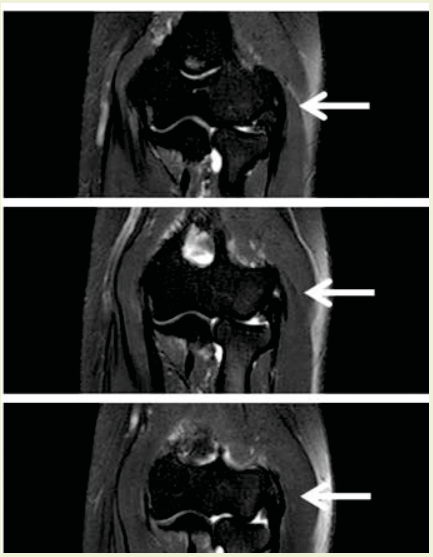
Table 3 – Subjective and objective outcome scores



Pre Ortho-ATI™ injection MRI report

Symptomatic tennis elbow injury

Extensive tearing of virtually the entire deep (ECRB) component of the common extensor origin, extending to involve some of the superficial (extensor digitorum) components



12 months post Ortho-ATI™ injection MRI report

There is a low to intermediate grade partial thickness tear of common extensor origin although this is much less prominent than on the previous scan

No full thickness tear of tendon or retraction is identified.

Appearance improved significantly since previous imaging.

Figure 7 - MRI images pre and 12 months post Ortho-ATI™ injection for treatment resistant tennis elbow

The patient had suffered from chronic tennis elbow and had previously failed non-operative treatment. Following treatment with Ortho-ATI™ the patient showed significantly improved clinical function and structural repair to the tennis elbow injury.

Case study two

Tendinopathy of the shoulder tendon known as the rotator cuff

A 20 year old gymnast who has been competing at national level for three years on rings and parallel bars was referred to an orthopaedic shoulder specialist for the treatment of ongoing left shoulder pain in August 2011. Symptoms began more than 12 months prior to the initial presentation. There was no specific trauma, but symptoms were gradually progressive despite physiotherapy. In April 2011 the pain had become more severe.

The athlete described the symptoms as moderate pain in the left shoulder when supporting the entire bodyweight on his arms and severe when hanging and swinging from his arms at full extension on rings and parallel bars. No night pain was experienced. In June 2011, a sub-acromial corticosteroid injection became necessary to enable the athlete to participate at national championships. However, shoulder symptoms recurred and precluded continuation of regular training sessions.

Investigations

An MRI was undertaken which showed increased focal signal and tendon thickness associated with a 50–100% partial-thickness supraspinatus rim tear with fluid which appear white on the MRI images in Figure 9.

Treatment

This tendon injury was not considered appropriate for surgery. Symptoms did not respond to physiotherapy or conventional injections, therefore the decision was made for treatment with Ortho-ATI™. Tenocytes were harvested from the patient's patella tendon under local anaesthesia. Cells were cultivated at Orthocell's cGMP accredited, TGA licensed laboratory. At five weeks, a cultured tendon stem cells were injected under ultrasound guidance into the damaged area of the tendon and partial-thickness tear (see Figure 8). The procedure was performed by a senior interventional musculoskeletal radiologist.

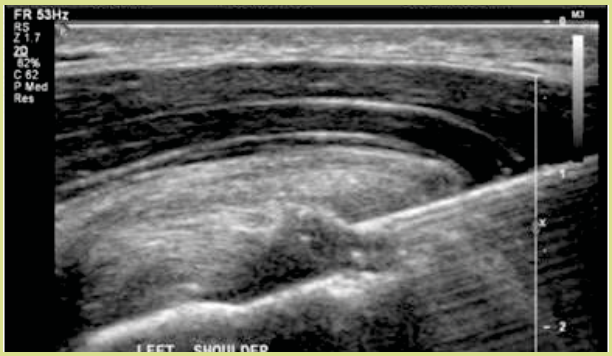


Figure 8 - Ultrasound guided Ortho-ATI™ injection

Outcome and follow-up

The athlete was completely rested from all training for four weeks after Ortho-ATI™. Light training then began and at 12 weeks after Ortho-ATI™, the athlete resumed a full 26 hour week of gymnastic training. At four months after Ortho-ATI™, the athlete reported no pain when supporting full body weight on his arms and either no pain or a mild level of pain when hanging and swinging from his arms at full extension or hyperextension.

At ten months, clinical symptoms were stable. Improvement in shoulder function (as assessed by Oxford Shoulder Score and QuickDASH score) and a reduction in pain were observed. At four and ten months after Ortho-ATI™, MRIs were reported and scored for rotator cuff tendinopathy, tear thickness and tear size by two independent senior musculoskeletal radiologists. Tendinopathy (shown on imaging by tendon thickening with persistent focal signal increase) improved at four months. The partial-thickness rim-rent tear had filled in and was not detectable at four and ten months after treatment. These findings were independently reported and confirmed by a second senior musculoskeletal radiologist (Figure 9).

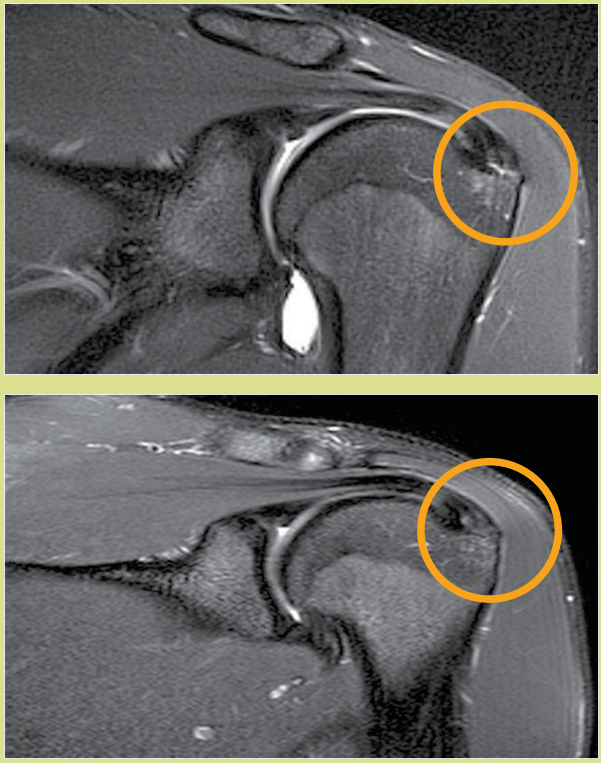


Figure 9 - MRI Images before Ortho-ATI™ treatment and at ten months after treatment

Outcomes

This case study demonstrated the following outcomes:

- Ortho-ATI™ can be applied non-surgically as an ultrasound-guided intratendinous injection;
- Ortho-ATI™ is appropriate for small partial-thickness rotator cuff tears with or without tendinopathy;
- Ortho-ATI™ can be a safe and effective treatment option for the elite athlete; and
- Regeneration of the tendon, evidenced by MRI signal intensity improvement and tendon infill, can occur.

3.5.3 Ortho-ATI™ clinical development – studies underway

Ortho-ATI™ is currently the subject of one major 90 patient double-blinded, randomised, placebo controlled, safety and efficacy Achilles tendon clinical trial being undertaken in Rotterdam, The Netherlands (Achilles Trial).

The aim of the Achilles Trial is to evaluate the effect of Ortho-ATI™ in patients with chronic Achilles tendinopathy. Due to an increase in the sporting population and ageing of the population, the number of injuries to the Achilles tendon is increasing. Chronic Achilles tendinopathy occurs frequently and the results of treatment are often poor as the disease involves a local degeneration of tendon tissue.

The Achilles Trial design is a randomised, double-blinded, placebo-controlled clinical trial involving patients aged 18-55 years diagnosed with chronic Achilles tendinopathy and having failed a prescribed exercise regime. Half of the patients received a blinded injection of Ortho-ATI™ tendon cells and the other half received a blinded saline (placebo) injection.

The primary outcome of the Achilles Trial is the objective and validated Victorian Institute of Sports Assessment-Achilles (VISA-A) score and the secondary outcome measures include patient satisfaction, return to previous sports and ultrasonographic evaluation. All patients within this study have been recruited and treated with the last patient receiving treatment in December 2013.

Top line results from the Achilles Trial is expected in Q3 2014. If positive, Orthocell expects that this will serve as a significant validation of the Ortho-ATI™ technology in a rigorous trial setting, studying a very common injury model which is unable to be effectively treated by alternative therapies and which the Company believes has a large market potential. A portion of the funds raised from the IPO will partially fund the finalisation of this study.

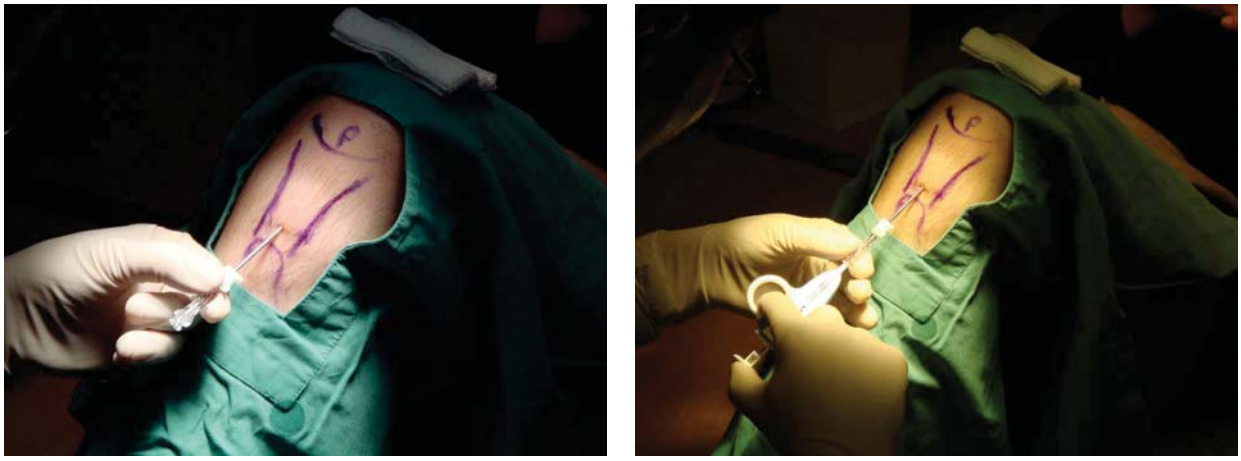


Figure 10 - Tendon stem biopsy

3.5.4 Ortho-ATI™ clinical development – studies pending

There are four clinical studies that are pending commencement using Ortho-ATI™ in Australia as follows.

Ortho-ATI™ for resistant lateral epicondylitis (tennis elbow)

This study is planned as a follow on to the completed "Autologous Tenocyte Injection (Ortho-ATI™) Study for the Treatment of Severe, Chronic Resistant Lateral Epicondylitis (tennis elbow)" that showed Ortho-ATI™ is a safe and effective procedure that reduces pain and improves function.

It is intended that a larger group of patients will be treated with Ortho-ATI™ under this study. Patients with severe refractory lateral epicondylitis (tennis elbow) will undergo clinical evaluation and magnetic resonance imaging (MRI) before intervention. Ortho-ATI™ will be injected into the site of tendinopathy identified at the origin of the extensor carpi radialis brevis tendon under ultrasound guidance on a single occasion. Patients will have serial clinical evaluations and repeat MRI at 6 and 12 months after intervention. Subjective and objective evaluations will be performed with image interpretation performed by two experienced musculoskeletal radiologist to give a consensus score for overall tendon thickness, texture, reduction of intra-substance tears and vascularity of the tendon post treatment.

This study is intended to commence in Q3 2014 and it is intended that funds raised from the Offer will fund this study.

Ortho-ATI™ for resistant patella tendinopathy

The aim of this study is to show that Ortho-ATI™ is a safe and effective procedure that reduces pain and improves function in patellar (knee) tendinopathy. Autologous tenocytes will be injected into the site of the tendon tear or hole under ultrasound guidance and local anaesthesia. Subjective and objective evaluations will be performed with image interpretation performed by two experienced musculoskeletal radiologist to give a consensus score for overall tendon thickness, texture, reduction of intra-substance tears and vascularity of the tendon post treatment. This study is intended to commence in Q4 2014 and funds raised from the IPO if fully subscribed will fund this study. If the Offer does not reach full subscription, this trial may not be commenced as planned in Q4 2014 or at all.

Ortho-ATI™ for resistant gluteal tendinopathy

The aim of this study is as a follow on to the completed Autologous Tenocyte Injection (Ortho-ATI™) Study for Treatment of Resistant Gluteal Tendinopathy that showed Ortho-ATI™ is a safe and effective procedure that reduces pain and improves function in Gluteal tendinopathy.

Patients will undergo clinical and subjective evaluation before intervention. Ortho-ATI™ will be injected into the site of tendinopathy under ultrasound guidance on a single occasion. Patients will have serial clinical evaluations. Subjective evaluations will be performed using validated upper limb scoring systems

This study is intended to commence in the Q4 2014 and it is intended that funds raised from the Offer will fund this study if the Offer is fully subscribed. If the Offer is not fully subscribed, this study may not be commenced as planned in Q4 2014, or at all.

Ortho-ATI™ for resistant rotator cuff tendinopathy

The aim of this study is to show that Ortho-ATI™ is a safe and effective procedure that reduces pain and improves function in rotator cuff (shoulder tendon) tendinopathy prior to surgery.

Ortho-ATI™ will be injected into the site of tendinopathy under ultrasound guidance on a single occasion. Image interpretation will be performed by two experienced musculoskeletal radiologist to give a consensus score for overall tendon thickness, texture, reduction of intrasubstance tears and vascularity of the tendon post treatment. Subjective and objective evaluations will be performed with image interpretation performed by two experienced musculoskeletal radiologist to give a consensus score for overall tendon thickness, texture, reduction of intra-substance tears and vascularity of the tendon post treatment.

This study is intended to commence in the Q2 2015 and it is intended that funds raised from the Offer will fund this study if the Offer is fully subscribed. If the Offer is not fully subscribed, this study may not be commenced as planned in Q2 2015 or at all.

3.5.5 Ortho-ATI™ regulatory approval

Ortho-ATI™ therapy is classified as a "biological" within the framework of the Therapeutic Goods Administration Act 1989 (Cth). Ortho-ATI™ therapy was formerly regulated through the TGA's current cGMP manufacturing licence regulations. As a result, it was exempt from being required to be listed on the Australian Register of Therapeutic Goods (ARTG), which is the Federal Government register that records which therapeutic goods can be lawfully supplied within Australia. As a consequence, Ortho-ATI™ has been manufactured and commercialised pursuant to the existing TGA manufacturing licence.

The transitional arrangements contained in the Australian Regulatory Guidelines for Biologicals now provide that Ortho-ATI™ must be entered onto the ARTG. To gain entry, Orthocell has submitted a design dossier for regulation as a Class III Biological which addresses various aspects of the product's quality and manufacturing processes, non-clinical and clinical development, as well as various other risk related information.

Orthocell has received confirmation that the application has been accepted for review by TGA. Subject to certain review related issues, the TGA is expected to either approve registration of Ortho-ATI™ on the ARTG, or fail to approve it within 12 months of the acceptance of the application. Orthocell can, however, continue to provide the Ortho-ATI™ therapy to patients pending evaluation of the application by the TGA pursuant to the terms of its cGMP manufacturing licence.

Successful assessment of Orthocell's Class III Biological application will result in the registering of the product on the ARTG. Registration allows for full marketing approvals and a reimbursement application to the Australian Government Department of Health and Aging to be submitted. In the meantime, patients continue to pay for the therapy directly, and through worker's compensation reimbursement. If the Class III Biological application is not ultimately approved by the TGA for registration on the ARTG, Orthocell will not be permitted to continue to supply the Ortho-ATI™ therapy to patients.

Orthocell intends to pursue approvals to market Ortho-ATI™ in an international market, most likely Japan or Europe following completion of the Offer and will investigate the process to obtain FDA approval to market the product in the United States thereafter.

3.5.6 Ortho-ATI™ commercialisation plans

Orthocell is currently undertaking early stage commercialisation of Ortho-ATI™ in Australia utilising direct sales and distributorship models. The Company has a direct sales infrastructure in Western Australia and Queensland and currently utilises distributors within South Australia, New South Wales and Victoria. Part of the funds raised from the Offer will enable the Company to establish direct sales capability in all Australian States.

Since market launch, the number of patients treated has grown to more than 230 in total patient numbers including clinical trials, including 154 paying patients. Currently, private patients pay for the therapy directly to Orthocell and workers compensation patients are paid for via the insurer on a patient-by-patient basis. Ortho-ATI™ can also be prescribed within the public health system on a patient-by-patient basis.

Once the Achilles Trial in Rotterdam is completed and final clinical study report becomes available (expected to be in Q1 2015), and the ARTG registration for Ortho-ATI™ is complete, Orthocell plans to use this data to support application for reimbursement with the Australian Government, Department of Health and Aging. This application will rely on the clinical data and patient treatment data generated up until that time and so the success of these trials and ongoing patient treatment remains critical to that success. The allowance of this reimbursement application will depend in part on a cost - benefit and economic analysis and is subject to the discretion of the Department of Health and Aging. There is some risk associated with the application, however Orthocell is confident that such an application has good prospects of being successful.

The Company intends to pursue subsequent commercialisation of Ortho-ATI™ in Japan, Europe and the USA following submission of the reimbursement application in Australia. Commercialisation will be undertaken by the Company either directly, or via licensing arrangements or partnerships in each jurisdiction, subject to regulatory approval requirements and funding availability. Part of the funds raised from the IPO will be used to pursue the first international regulatory application, likely to be made in either Japan or Europe.

3.6 CelGro™ collagen scaffold

3.6.1 Background

CelGro™ is a new product in development by Orthocell which comprises a range of collagen scaffolds that are intended to be used for orthopaedic and general surgical interventions. Collagen scaffolds are currently used widely in surgical interventions. The size, strength, thickness, predisposition to inflammatory response and human cell compatibility of collagen and synthetic scaffolds varies widely, creating a significant opportunity for Orthocell's CelGro™ products to address a number of important unmet needs for physicians and patients.

Scaffolds are widely regarded as an integral component for tissue regeneration in reconstructive medicine. A number of collagen derived scaffolds are currently approved for sale in Australia and the USA, largely developed for bone, cartilage and tendon tissue regeneration. However, their clinical applications remain limited by poor cell compatibility, post-operative complications (such as fibrous adhesion formation) and, in some instances, elicit adverse immunogenic response due to residual foreign DNA. There is therefore a need for safer and biocompatible collagen-based alternatives.

3.6.2 CelGro™ and its applications

To address this market gap, Orthocell developed a unique patented technology for manufacture of collagen scaffold with retention of collagen bundles and mechanical strength without compromising the biocompatibility. This next-generation CelGro™ platform technology overcomes the shortcoming of current collagen products in the market and enables tissue growth and repair. The CelGro™ collagen scaffold is differentiated from existing commercial collagen-based products.

These unique characteristics include:

a. completely acellular and therefore devoid of any reactive DNA;

b. better tissue in-growth and repair by its defined structure;

c. adequate mechanical properties according to tissue specificities;

d. better host tissue integration; and

e. Australian sourced raw materials that can be reproducibly manufactured in large commercial quantities, thus eliminating disease transmission concerns associated with foreign imports and human cadaveric donations.

Orthocell believes that the CelGro™ collagen scaffold products are superior to other existing collagen products and offers wide spread therapeutic and commercial potential with particular emphasis on orthopaedic and reconstructive applications, including tendon augmentation, chronic ear drum ruptures and other soft tissue defect repairs.

The CelGro™ collagen scaffold possesses two structurally distinct surfaces, being smooth and rough respectively (Figure 11). The smooth surface is uniformly composed of densely packed collagen fibres, which helps repel the formation of undesirable fibrous adhesions which often arise post-operatively, particularly when using synthetic products. The rough surface consists of loosely packed and porous collagen fibres, which encourages and enhances cell attachment and invasion and therefore promotes tissue in-growth and repair.

These distinctive properties, together with its tissue biocompatibility and low immunogenicity, make the CelGro™ collagen scaffold ideal for a wide variety of reconstructive surgical applications ranging from tendon repair to other applications such as ear drum repair.

Orthocell has analysed the market need of scaffolds in regenerative medicine and has addressed the technical challenges facing the current approved and marketed products.

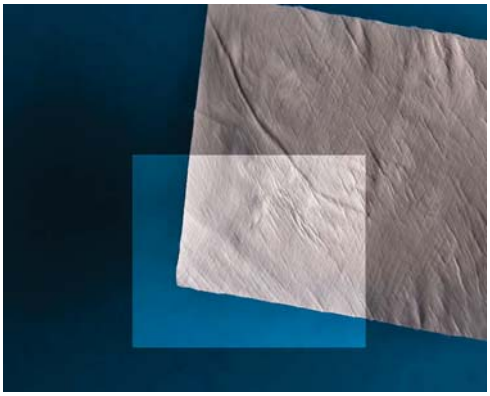


Figure 11 - CelGro™ Orthocell's collagen based medical device

The global collagen medical device market comprises several different surgical specialities and different anatomical applications for soft tissue defect repair and augmentation. Key target areas for Orthocell's CelGro™ encompass ear nose and throat (ENT) applications for chronically ruptured ear drums, orthopaedic applications including tendon repair and augmentation, general surgical applications for hernia repair and gynaecological applications for vaginal wall and pelvic floor defects.

Orthopaedic applications

In orthopaedic applications, anterior cruciate ligament (ACL) rupture is the most common knee injury in sport. Traditional ACL reconstruction requires surgery and is often performed using tendon autografts. However, native autografts are frequently limited by tissue availability, donor site morbidity and extended patient rehabilitation periods. Since the 1980s, artificial ligaments and synthetic grafts (including carbon fibres, polypropylene, Dacron and polyester) have become an attractive alternative, but are often themselves complicated by undesirable immunological responses, breakage, debris dispersion leading to synovitis, chronic effusions, recurrent instability and knee osteoarthritis.

More recently, we have witnessed resurgence in the design and application of biological scaffolds. However, despite several promising initial studies currently no biological scaffold which closely mimics native human tendon tissue has been successfully developed. The CelGro™ collagen-based tendon therefore represents an ideal alternative to augment tendon and ligament repair.

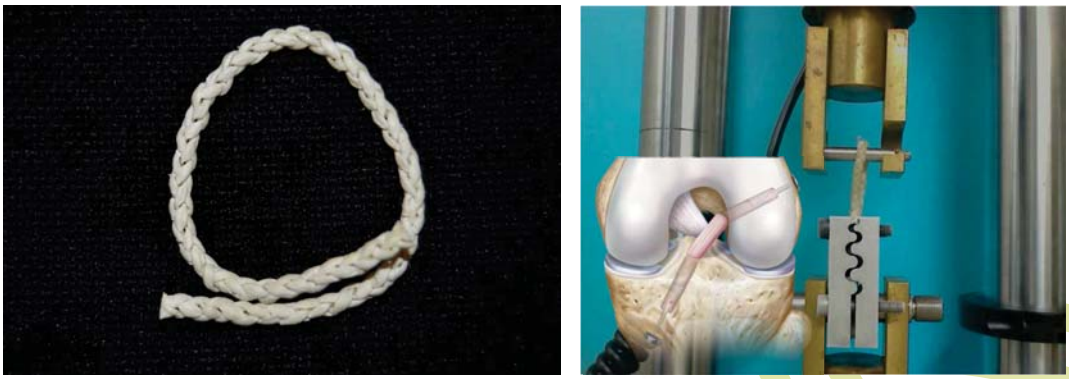


Figure 12 - CelGro™ collagen tendon and biomechanical testing (600N/ 4mm cross-section)

General surgical applications

In the general surgical area, abdominal wall reconstruction and hernia repair pose a significant burden on the global health care system. Hernia is one of the major health concerns worldwide and poses a significant burden on the global health care system, with an estimated 25% of males and 2% of females developing inguinal hernias within their lifetime. Tension free repair of abdominal wall defects require scaffolds which not only bridge the defect, but also promote tissue incorporation and vascularisation in order to facilitate healing.

Synthetic scaffolds such as polypropylene and polyester mesh make up the majority of commercially available scaffolds, but they almost always induce a foreign body reaction and generally have a greater incidence of mesh related complications such as adhesions and infection. By comparison, biological scaffolds and a-cellular dermis are generally more biocompatible and viewed as far superior to synthetic scaffolds, but even these scaffolds have suffered from a common problem of containing foreign DNA that can cause inflammation.

The CelGro™ Collagen scaffold patches enable bridging of the defect and promote tissue incorporation and vascularisation in order to facilitate healing.

Tympanic membrane (ear drum) repair applications

Tympanic membrane perforation is a common problem caused by either infection or physical external trauma to the middle ear. The complications associated with chronic membrane perforations are vast, with hearing loss among the most common result. While most acute tympanic membrane perforations heal spontaneously, large chronic tympanic membrane perforations require surgical intervention and represent a significant cause of morbidity worldwide, particularly amongst indigenous Australians. Current surgical practice largely utilises sources of the patient's own tissues including cartilage from behind the ear. However, there is now growing support for the use of absorbable scaffolds for on-lay tympanic membrane grafts.

Scaffolds offer clear advantages over classical autologous tissue harvesting by eliminating the potential morbidity of graft harvest, offering quicker healing, the absence of a scar from tissue harvest, reduced pain and a lower the risk of infection. There is also a time and cost saving benefit when a scaffold is used, because an autologous tissue graft does not need to be harvested.

At present, several commercial allografts have been trialled including paper-patches, absorbable gelatine sponge (Gelfoam™) and AlloDerm™, an a-cellular allograft dermal matrix derived from human cadaver donor skin. Of these, AlloDerm™ has shown the most promising results for reconstruction of the ear drum, but supplies are limited to cadaver tissue donations, making production expensive and impractical for routine use. As a result, the growing demand for cost-effective and safe alternatives make collagen-based scaffolds like CelGro™ a viable solution for on-lay tympanic membrane reconstruction.

3.6.3 CelGro™ manufacturing

CelGro™ is manufactured using a proprietary technology developed by Orthocell that gives it unique properties including:

a. significant mechanical strength – enables the scaffold to repair and mechanically support high load tendons and bridge critical damaged tissue;

b. pliability - enables the scaffold to wrap around existing tendons, ligaments and other tissue or flex in the body to avoid discomfort and rigidity;

c. high purity – ensures the scaffold does not cause inflammatory responses which can create scar tissue, infection or rejection of the implanted scaffold;

d. good porosity - promotes cell growth and infiltration of regenerating tissue onto and into the collagen scaffold; and

e. natural – because the scaffold is derived from collagen tissue, issues of toxicity, scaffold deterioration and cell incompatibility often associated with synthetic scaffolds are avoided.

Some of these technological innovations and processes are the subject of pending and granted patent and patent applications filed by Orthocell. The manufacturing for clinical trials is undertaken at Orthocell's cGMP facility in Perth and following regulatory approval, commercial manufacturing is intended to be undertaken at the same facility.

3.6.4 CelGro™ clinical development

Orthocell has conducted several animal trials of various types of CelGro™ scaffolds for orthopaedic, general surgical and tympanic membrane repairs and Orthocell has recently initiated the first human trial of a CelGro™ scaffold in Australia, for tympanic membrane (ear drum) in chronic rupture patients.

The study aims to examine a new approach for closure of perforations requiring minimal surgery. The study is using CelGro™ scaffolds in treating chronic tympanic membrane perforations and is expected in be completed in Q4 2014.

Subsequent human trials in an orthopaedic application (in combination with Ortho-ACI™ for treatment of cartilage defects) will follow and part of the funds raised from the IPO will fund the completion of the tympanic membrane trial and the subsequent combination with Ortho-ACI™ trial.

3.6.5 CelGro™ regulatory approval

CelGro™ is classified as a Class III medical device according to the Therapeutic Goods Act 1989 and Regulation 3.2 of the Therapeutic Goods (Medical Devices) Regulations 2002. All medical devices intended to be marketed in Australia are required to be registered on the ARTG. To be included on the ARTG, Class III devices require regulatory approval of the quality system, design / type control and product (non-clinical and clinical data) through assessment of a design dossier.

Orthocell expects to complete a dossier for registration of CelGro™ with the TGA in Q2 2015, and once approved, Orthocell may sell and distribute CelGro™ in Australia. Review of the application and issuance of the approval is expected to take 12 to 18 months from the date of lodgement. Orthocell intends to also follow a successful ARTG registration with an application to register CelGro™ as a medical device in either of Japan, the USA or Europe and a portion of the funds raised from the IPO will be used to fund the Australian development and registration, as well as the first planned international application for regulatory approval.

3.6.6 CelGro™ commercialisation plans

Once the CelGro™ product has been registered on the ARTG, Orthocell plans to use this data to support application for reimbursement with the Australian Government Department of Health and Aging. This application will rely on the clinical data and patient treatment data generated up until that time and so the success of the tympanic membrane trial and subsequent orthopaedic clinical trial is critical to that success. The allowance of this reimbursement application will depend in part on a cost - benefit and economic analysis and is subject to the discretion of the Department of Health and Aging, so while there is some risk associated with the application, Orthocell is confident that such an application has good prospects of being successful.

Orthocell plans to sell CelGro™ directly to patients in Australia using its existing direct and indirect sales force utilised currently for sale of Ortho-ATI™ and Ortho-ACI™ and plans to partner with third party medical device companies to distribute the product internationally, following relevant regulatory approvals. If successful, Orthocell is likely to receive milestone and royalty payments from partners attributable to the sale of the CelGro™ product in relevant jurisdictions.

3.7 Ortho-ACI™ cartilage repair and regeneration

3.7.1 Overview

Like Ortho-ATI™, Autologous Chondrocyte Implantation or Ortho-ACI™, is a therapy that utilises a patient's own cartilage stem cells (or 'chondrocytes') to assist in the regeneration of damaged cartilage, most often in the knee. The therapy comprises:

a. extracting a minute piece of cartilage tissue usually from the patient's knee;

b. culturing and expanding the number of chondrocyte cells harvested from the cartilage tissue in a quality controlled laboratory, until the number of cells present is approximately ten million cells;

c. packaging the cells in a delivery container and couriering the product to a medical professional under controlled temperature conditions; and

d. having the medical professional seed the increased number of chondrocyte cells onto a collagen scaffold in a hospital theatre as part of a surgical intervention, and securing the collagen scaffold in place to stimulate new repair and regeneration.

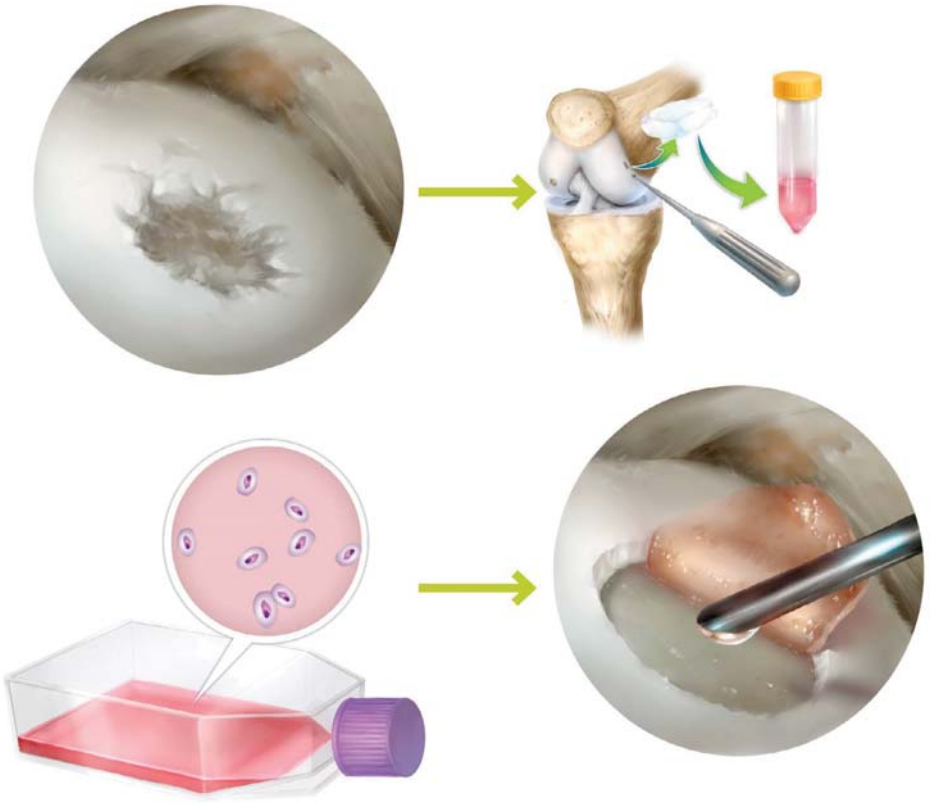
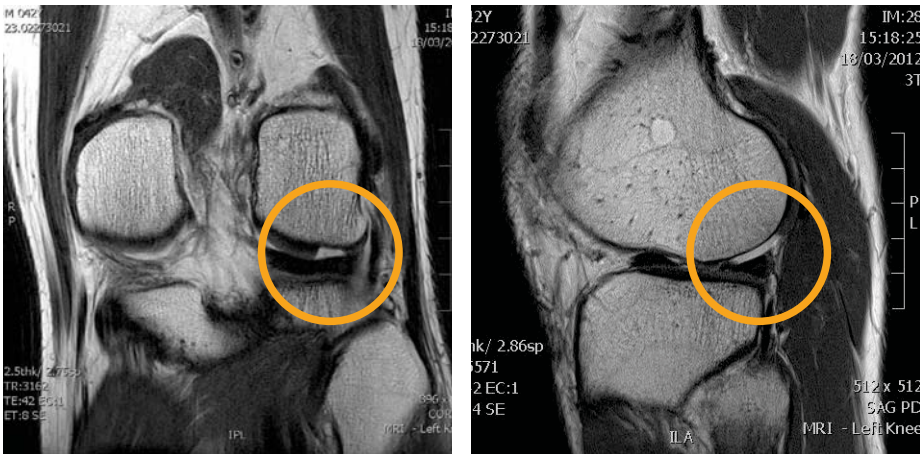


Figure 13 - Overview of process - A small piece of healthy cartilage is biopsied from the knee and sent to Orthocell's facility for cell isolation and expansion. Following the expansion process over of 4-5 weeks the cells are prepared for surgical implantation by combining with a collagen scaffold and finally positioned by the surgeon into the cartilage defect

Orthocell has developed the specific culture conditions and processes that allow the extracted chondrocyte cells to remain viable and avoid differentiation and has validated the surgical and rehabilitation techniques required to deliver the therapy. Orthocell has also been able to validate the processes that ensure there is no lingering substantial damage to the cartilage donor site, while achieving relief of patient pain, improvements in joint function and MRI supported visual regeneration and repair of the target cartilage area. Some of these technological innovations and processes are the subject of pending and granted patent and patent applications filed by Orthocell.

Pre Ortho-ATI™ treatment



Post Ortho-ATI™ treatment

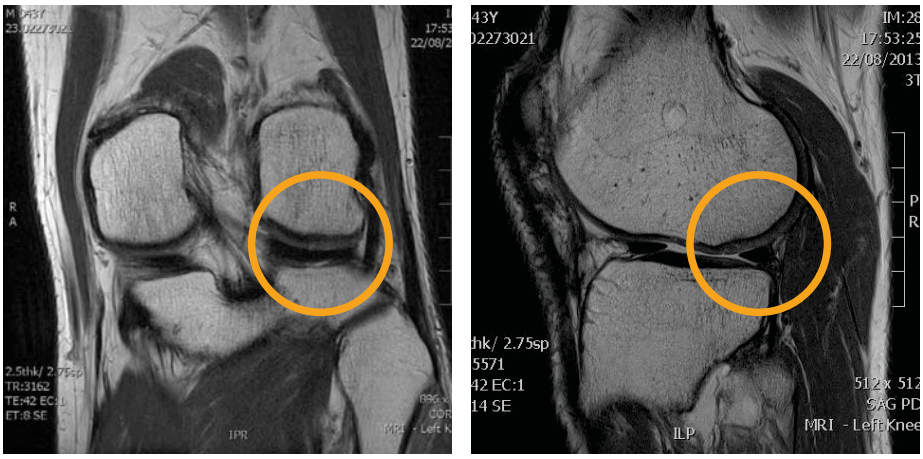


Figure 14 - A large cartilage and bone defect is evident on the pre treatment MRI Following ACI treatment the MRI demonstrated remodelling of the bone and infill of the cartilage defect. Reduced bone bruising is also evident

Because Ortho-ACI™ therapy is an improvement on other chondrocyte implantation therapies which have a long clinical and patient history of success, Orthocell has not been required to conduct new clinical trials for Ortho-ACI™ therapy in order to market the therapy in Australia. The benefits of the Ortho-ACI™ therapy come from the decrease in time required to culture chondrocytes and to deliver the therapy back to the patient other similar therapies, as well as the lower cost and better efficiency of treatment delivery of Ortho-ACI™ compared to other similar therapies.

Specifically, the Ortho-ACI™ therapy can be made available for surgical intervention within 4 weeks of patient biopsy, while traditional ACI generally takes 8 weeks to provide chondrocyte cells seeded on the required collagen scaffold back to the patient. This not only provides faster treatment, but also lower cost to the patient and the wider health system.

3.7.2 Ortho-ACI™ regulatory approval

Like Ortho-ATI™ therapy, Ortho-ACI™ therapy is also classified as a biological within the framework of the Therapeutic Goods Administration Act 1989. Ortho-ACI™ therapy was formerly regulated through the TGA's cGMP manufacturing licence regulations. As a result, it was exempt from being required to be listed on the ARTG, which is the Federal Government register which records which therapeutic goods can be lawfully supplied within Australia. As a consequence, Ortho-ACI™ has been manufactured and commercialised pursuant to the Orthocell's TGA manufacturing licence.

The transitional arrangements contained in the Australian Regulatory Guidelines for Biologicals now provide that Ortho-ACI™ must be entered onto the ARTG. To gain entry, Orthocell has submitted a design dossier for regulation as a Class III Biological which addresses various aspects of the product's quality and manufacturing processes, non-clinical and clinical development, as well as various other risk related information.

Orthocell has received confirmation that the Ortho-ACI™ application has been accepted for review by TGA. Subject to certain review related issues, the TGA is expected to either approve registration of Ortho-ACI™ on the ARTG, or fail to approve it within 12 months of the acceptance of the application. Orthocell can, however, continue to provide the Ortho-ACI™ therapy to patients pending evaluation of the application by the TGA pursuant to the terms of its current cGMP manufacturing licence.

Successful assessment of Orthocell's Class III Biological application will result in the registering of the product on the ARTG. Registration allows for full marketing approvals and a reimbursement application to the Australian Government Department of Health and Aging to begin. In the meantime, patients continue to pay for the therapy directly, and via workers compensation. If the Class III Biological application is not ultimately approved by the TGA for registration on the ARTG, Orthocell will not be permitted to continue to supply the Ortho-ACI™ therapy to patients.

At this stage, Orthocell has no plans to seek approval of Ortho-ACI™ outside Australia. Orthocell's partner, Grandhope, has been granted a license to manufacture and sell Ortho-ACI™ in China, and any other license that Orthocell may grant to future partners will require the partner to secure regulatory approval to market the therapy in the relevant jurisdiction.

3.7.3 Ortho-ACI™ commercialisation plans

To date Orthocell has provided the Ortho-ACI™ therapy to more than 250 patients in Australia that have paid for the therapy.

Orthocell is currently marketing Ortho-ACI™ in Australia utilising direct sales and distributorship models. Since 2011 the number of patients per annum has grown at a yearly rate of over 30%. Upon successful inclusion of Ortho-ATI on the ARTG as outlined above, a reimbursement application will be filed with the Australian Government, Department of Health and Aging. This application will rely on the clinical data and patient treatment data generated up until that time. The allowance of this reimbursement application will depend in part on a cost - benefit and economic analysis and is subject to the discretion of the Department of Health and Aging. Whilst there is some risk associated with the application, Orthocell is confident that such an application has good prospects of being successful.

3.8 Intellectual property

The Company maintains an active program of patenting and has ownership of 11 granted patents and 19 patent applications covering the Ortho-ATI™, Ortho-ACI™ and CelGro™ therapies and related methods of treatment and manufacture. Investors should refer to the Patent Attorney's Report contained in Section 5 of this Prospectus for full details of these patents and applications.

4 DIRECTORS, SENIOR MANAGEMENT AND CORPORATE GOVERNANCE

4.1 Board

Director	Role & experience
Dr Stewart Washer (Executive Chairman) **Appointed 17 April 2014** **Age - 44**	Dr Washer has 20 years of CEO and Board experience in medical technology, biotech and agrifood companies. He is currently the Chairman of Cynata Therapeutics Ltd (ASX:CYP), a company developing stem cell therapies and Chairman of Minomic International Ltd who have an accurate non-invasive test for prostate cancer. Dr Washer was previously the CEO of Calzada Ltd (ASX:CZD), the founding CEO of Phylogica Ltd (ASX:PYC) and before this, he was CEO of Celentis and managed the commercialisation of intellectual property from AgResearch in New Zealand with 650 Scientists and $130m revenues. He was also a founder of a NZ$120m New Zealand based life science fund and Venture Partner with the Swiss based Inventages Nestlé Fund. He is currently Investment Director with Bioscience Managers. Dr Washer has held a number of Board positions in the past as the Chairman of iSonea Ltd (ASX:ISN), Resonance Health Ltd (ASX:RHT) and Hatchtech Pty Ltd, a Director of iCeutica Inc, Immuron Ltd (ASX:IMC) and AusBiotech Ltd. He was also a Senator with Murdoch University.
Mr Paul Anderson (Managing Director) **Appointed 21 March 2006** **Age – 48**	Mr Anderson has over 15 years experience in the medical device and cellular therapeutic fields with expertise in bridging the gap between research and clinical practice in the development of emerging medical technologies. Mr Anderson has a strong track record in his previous board position as Managing Director with Verigen Australia Pty Ltd a human cell therapies company. Mr Anderson has extensive experience in the establishment of GMP manufacturing facilities for cell therapies, sales of orthopaedic and other medical devices and therapies and associated regulatory filings.
Professor Lars Lidgren (Non-Executive Director) **Appointed 17 December 2007** **Age – 70**	Professor Lidgren has authored and co-authored over 250 original publications, has more than 200 patents/applications and was spokesman for Biomaterials in the Nordic Orthopaedic Society, Chairman for the Swedish National Knee Register, Director of the National Board of Health and Welfare, Musculoskeletal Competence Centre and Member of several Editorial Boards. Professor Lidgren is also chairman of the UN ratified Bone and Joint Decade and a previous successful start-up founder and board member.
Mr Matthew Callahan (Non-Executive Director) **Appointed 30 May 2006** **Age - 41**	Mr Callahan is a founding director of Orthocell. He is also the founding CEO of iCeutica and a co-inventor of some of the technologies that comprise the SoluMatrix Fine Particle Technology™ for improving the bioavailability of pharmaceuticals. iCeutica and its partner Iroka Pharmaceuticals have successfully secured the approval of two drugs by US FDA and has 6 separate clinical programs underway using the technology. A further 4 FDA approvals are planned to be filed in the next three years by iCeutica and its partners. He has more than 20 years legal, licensing and investment management experience and was also the founding CEO of Dimerix Bioscience Pty Ltd and is a director of Glycan Bioscience LLC. Mr Callahan has worked as an investment director for two venture capital firms investing in life sciences, clean technology and other sectors. He was also General Manager and General Counsel with an ASX listed patent licensing company where he was responsible for the licensing programs that have generated more than $100 million in revenue.

Mr Qi Xiao Zhou (Non-Executive Director) **Appointed 2 November 2012** **Age - 44**	Mr Zhou has 15 years' experience within China as a senior business manager and executive. Mr Zhou is the founding CEO of Shenzhen Lightning Digital Technology Co Ltd, a company focused on the manufacture and distribution of electronic semiconductor and integrated circuit products since 2001. Mr Zhou has experience within the public markets in Hong Kong, China and Taiwan and brings to the Board a wealth of business management and business development experience within the Asian regions. In particular Mr Zhou has broad connections and experience in the licensing of technologies into China and licensing into the Asian region.

4.2 Company Secretary

Mr Simon Robertson **Appointed 8 November 2012** **Age - 54**	Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and Chartered Secretaries Australia. Mr Robertson currently holds the position of Company Secretary for a number of publicly listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

4.3 Senior Management

Professor Ming Hao Zheng (Chief Scientific Officer)	Professor Zheng is a pathologist and the inventor of the Ortho-ATI™ and CelGro™ technologies and brings a strong track record of innovation. Professor Zheng led the first TGA approval of autologous chondrocyte implantation (ACI) therapy. He is currently the Associate Dean (International), Faculty of Medicine, Winthrop Professor and Director of Centre for Translational Orthopaedic Research at UWA. He has published 150 papers and holds seven patents. Professor Zheng's research focus involves finding new ways of treatment for osteoporosis, osteoarthritis and tendon injuries using cutting edge cellular and molecular biology techniques.
Nicole Telford (Chief Financial Officer)	Ms Telford is a chartered accountant with over 12 years' commercial experience in financial controller/group accountant roles including a publicly listed mining company. Ms Telford's background provides her with a broad range of experience having achieved her professional qualifications whilst employed with a global accounting firm in the audit division. She has commercial experience in financial and management reporting, office administration and staff management.

4.4 Corporate governance

The Board is responsible for establishing the Company's corporate governance framework, the key features of which are set out in this Section. In establishing its corporate governance framework, the Board has referred to the 3rd edition of the ASX Corporate Governance Councils' Corporate Governance Principles & Recommendations.

In accordance with ASX Listing Rule 1.1 Condition 13, the corporate governance statement set out in this Section 4.4 discloses the extent to which the Company intends to follow the recommendations as at the date of admission of the Company to the ASX. The Company will follow each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices will follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices will not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company will adopt instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.orthocell.com.au, under the Section marked "Corporate Governance":

Charters

Board

Codes Policies and Procedures

Code of Conduct
Continuous Disclosure Policy
Shareholder Communications Policy
Risk Management and Internal Compliance and Control Policy
Performance Evaluations Policy
Diversity Policy
Securities Trading Policy

Board

Roles and responsibilities of the Board, Company Secretary and Senior Executives (Recommendations: 1.1, 4.1)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company Secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are followed, and by coordinating the completion and dispatch of Board agendas, minutes, appropriate registers and briefing papers. The Company Secretary is accountable to the Board via the Chairperson.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is disclosed on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.2)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in Section 4.1 of this Prospectus. The Company will also include this information in its Annual Report.

The mix of skills and diversity for which the Board is looking to achieve in its membership is represented by the current Board. The Board comprises directors with significant experience as non-executive directors of public companies; marketing experience; accounting and financial expertise; experience in the management and growth of businesses and extensive experience in the industry in which Orthocell operates. The Board considers that these skills and experience are appropriate for Orthocell.

Director independence (Recommendations: 2.3, 2.4, 2.5)

The Board does not have a majority of directors who are independent.

As noted above, the Board considers that the composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. These skills include members with significant experience as non-executive directors of public companies, relevant experience in the management and growth of businesses together with extensive experience in the industry in which Orthocell operates.

The Board will review its composition as the Company's circumstances change. The Board will have regard to the Company's Diversity Policy and the balance of independence on the Board in identifying appropriate candidates for any appointments for the Board.

The independent director of the Company is Professor Lars Lidgren. Professor Lidgren is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

The non-independent director of the Company is Dr Lars Lidgren.

The Executive Chair of the Board is Dr Stewart Washer. The board considers that given its stage of development it is beneficial that Dr Washer is an Executive. The Board will consider the appointment of an independent chairman as the Company increases in size and complexity.

The Managing Director is Paul Anderson who is not Chair of the Board.

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice. Where it is the Chair who is seeking the independent professional advice, the role of the Chair to consider and provide approval as set out above will be carried out by the independent directors.

Selection and (Re)Appointment of Directors
(Recommendation: 1.2, 1.3, 2.2)

In determining candidates for the Board the board will evaluate the mix of skills, experience, expertise and diversity of the existing Board. In particular, the board will seek to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration will also be given to the balance of independent directors. Any appointment made by the Board will be subject to ratification by shareholders at the next general meeting.

Prior to the appointment of a new director the Board will undertake appropriate checks to ensure that the person's character, experience and education is appropriate for the position which will include criminal history and bankruptcy checks.

Each Board member will have a written letter of appointment or executive contract setting out the terms of their appointment.

Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Board committees
Nomination Committee (Recommendations: 2.1)
Audit Committee (Recommendations: 4.1)
Remuneration Committee (Recommendations: 8.1)
Risk Committee (Recommendation (7.1)

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time preferring at this stage to manage the Company through the full board of Directors.

If the Company's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Remuneration of Directors and Executives
(Recommendation 8.1, 8.2, 8.3)

Details of remuneration, including the Company's policy on remuneration, will be contained in the "Remuneration Report" which will form part of the Company's Annual Report. The Company's policy is to remunerate non-executive directors at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant performance rights or to non-executive directors. The grant of performance rights or options is designed to attract and retain suitably qualified non-executive Directors. The maximum aggregate amount of fees (including superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

Executive remuneration consists of a base salary and performance incentives.

Short term performance incentives may be paid in cash and may be subject to the successful completion of performance hurdles agreed by the board.

Long term performance incentives may include options, performance rights, or other equity based products granted at the discretion of the Board subject to obtaining the relevant approvals. The grant of equity based products is designed to recognise and reward efforts as well as to provide additional incentive to continue those efforts for the benefit of the Company, and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies), which are reviewed at least annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Securities Trading Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Performance evaluation

Senior executives
(Recommendations: 1.7)

The Managing Director will review the performance of the senior executives. The Managing Director will conduct a performance evaluation of the senior executives by meeting individually with each senior executive on a yearly basis to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against KPI's set for the senior executive set by the Managing Director or the Board.

The performance of executive Directors, including the Managing Director, will be reviewed by the Board. The Board (or Directors nominated by the board) will conduct a formal performance evaluation of the Executive Directors annually to review performance against KPIs set for the previous year, and to establish KPIs for the forthcoming year.

Board, its committees and individual directors
(Recommendations: 1.6)

The Chairperson has the overall responsibility for evaluating the Board, any committees established and, when appropriate, individual directors on an annual basis.

The method and scope of the performance evaluation will be set by the Chair and which may include a Board self-assessment checklist to be completed by each Director. The Chairperson may also use an independent adviser to assist in the review.

Ethical and responsible decision making

Code of Conduct
(Recommendations: 3.1)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Diversity
(Recommendation: 1.5)

The Company has established a Diversity Policy, which provides the Board with objectives for achieving gender diversity that are appropriate for the Company.

The Board considers due to the size of the Company setting of measurable diversity objectives is not appropriate. The company presently has only a small number of full time employees. As the Company increases in size the board will consider setting measurable objectives.

The Company will report on the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board in its Annual Report.

Integrity of Financial Reporting
(Recommendations: 4.1, 4.2, 4.2)

The Company has not established an Audit Committee. The full Board has responsibility for verifying and safeguarding the integrity of its corporate reporting. The full Board will assess any proposal to appoint or remove the auditor and will ensure that the engagement partner rotates in accordance with the Corporations Act.

The Managing Director and the Chief Financial Officer will to provide a declaration to the Board in accordance with section 295A of the Corporations Act and will assure the Board that such declaration is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

A representative of the Company's auditor will be present at the Annual General Meeting and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report

Continuous Disclosure
(Recommendation: 5.1)

The Company has established a written policy designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

Shareholder Communication
(Recommendations: 6.1, 6.2, 6.3, 6.4)

The Company has designed a communications policy for promoting effective communication with shareholders, receive communities from shareholders, including by electronic means, and encouraging shareholder participation at general meetings and at the annual general meeting.

Risk Management
Recommendations: (7.1, 7.2, 7.3, 7.4)

The Company does not have a Risk Committee or a formal internal audit function.

The Board has adopted a Risk Management, Internal Compliance and Control Policy, which sets out the Company's risk management and control framework. Under the policy, the Board is responsible for the oversight of the Company's risk management and control framework and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks.

In fulfilling the duties of risk management, the Managing Director may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board will receive a periodic report from management as to the effectiveness of the Company's management of identified risks, including identified weaknesses or incidents and will review the Company's risk framework, at lease annually to satisfy itself that it continues to be sound and appropriate for the Company's size and levels of operations.

ASX Corporate Governance Council recommendations checklist

CGC's Principles and Recommendations		Comply (Yes/ No)
Principle 1: Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	Yes
1.2	Background checks and information to be given for elections	Yes
1.3	Written contracts of engagement	Yes
1.4	Company Secretary accountable to board through Chairperson	Yes
1.5 (a)(b)(d)	Diversity Policy	Yes
1.5 (c)	Measurable Objectives in Diversity Policy	No
1.6	Evaluation of Board	Yes
Principle 2: Structure the Board to add value		
2.1	The Board should establish a nomination committee	No
2.2	Skills Matrix	Yes
2.3	Disclose independence and length of service	Yes
2.4	A majority of the Board should be independent directors	No
2.5	The chair should be an independent director	No
2.5	The roles of chair and chief executive officer should not be exercised by the same individual	Yes
2.6	Induction and professional development of directors	Yes
Principle 3: Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct	Yes
Principle 4: Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee	No
4.2	Declaration from chief executive officer and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act	Yes
4.3	External Auditor to be available at AGM	Yes
Principle 5: Make timely and balanced disclosure		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements	Yes
Principle 6: Respect the rights of shareholders		
6.1	Information of website	Yes
6.2	Investor relations program	Yes
6.3	Facilitate participation at general meetings	Yes
6.4	Facilitate electronic communications	Yes
Principle 7: Recognise and manage risk		
7.1	The Board should establish a risk committee	No
7.2	Conduct annual risk review	Yes
7.3	Internal audit function	No
7.4	Disclose exposure to sustainability risks	Yes
Principle 8: Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee	No
8.2	Disclose remuneration policy	Yes
8.3	Disclose policy on hedging equity incentive schemes	Yes

5 PATENT ATTORNEY'S REPORT

GRIFFITH HACK PATENTS TRADE MARKS IP LAW

The Directors
Orthocell Limited
Building 191 Murdoch University
South Street
Murdoch WA 6150

2 May 2014

Dear Sirs

Orthocell Limited: Intellectual Property Report
Our Ref: SJB:RAB:KAA:L72460/G75937

1. EXECUTIVE SUMMARY

We provide below our report (the "Report") detailing the current status of the patents and patent applications being handled by this firm on behalf of Orthocell Limited ("Orthocell") for inclusion in a Prospectus to be lodged at the Australian Securities & Investments Commission.

The Report sets out details of the various patents and pending patent applications shown in Schedule 1, as well as their status as at the date indicated in the Report. The Report is correct to the best of our knowledge as at the date of the Report, subject to the limitations and qualifications set out in Section 5 of the Report (in particular, subject to the limited sources of information described in Section 5.1 of the Report).

2. INTELLECTUAL PROPERTY

2.1. Meaning of Intellectual Property

The term "intellectual property" refers to the collection of registrable and non-registrable rights, including rights in patents, designs, trade marks, plant varieties, copyright, confidential information and trade secrets. Intellectual property shares many of the characteristics associated with real and personal property. For example, intellectual property is an asset, and as such it can be bought, sold, licensed, exchanged, or gratuitously given away like any other form of property. Further, the intellectual property owner, in this instance Orthocell, has the right to prevent the unauthorised use or sale of the property.

This Report deals only with intellectual property in the form of patents and patent applications.

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2.2. Patents

Patent rights constitute an important component of intellectual property. Patents cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. A patent provides protection for novel (new), inventive (non-obvious) and useful inventions for a limited period, typically 20 years (subject to the payment of renewal fees). Patents may be granted in respect of new or improved products and methods in almost all areas of current scientific, commercial and industrial activities. However, as there is no such thing as a worldwide patent, patents must be obtained in every country where protection is required. In many countries the test for patentability is different from that in Australia.

Commercialisation of patented products and processes may require any party other than the patent owner wishing to use such developments to obtain a licence, subject to payment of royalties.

2.3. Inventorship and Ownership

Typically, a patent for an invention may only be granted to the inventor(s), or to a person who has entitlement to the invention by way of assignment or other means. The ownership and entitlement of Orthocell to the patents and applications in Schedule 1 is discussed in more detail below in Section 4.1.

2.4. Process for Obtaining Patent Protection

In most countries of the world the process of protecting patent rights begins with the submission of a patent application comprising a patent specification describing the invention. Filing an Australian patent application (provisional or complete) or other initial patent application in an overseas country, which permits such a filing, satisfies this requirement. Countries that allow Australian applicants to file such applications include the United Kingdom and the United States.

A fundamental requirement of the patent system is that the invention is novel and inventive at the time of filing, relative to what was publicly known or used at the date of the application. Accordingly, it is imperative that the specification contains a full disclosure of the invention. A patent specification generally consists of a description of the invention and so-called "claim(s)", which define the scope of the invention. The description also typically provides background information, such as a description of existing products, manufacturing or testing methods or processes and related problems, which enables an Examiner and others to assess the application for inventiveness.

Once the initial application has been filed, further applications in other overseas countries must be filed within twelve (12) months, pursuant to an International Treaty called the Paris Convention, otherwise rights to the invention may be lost in these countries. In this regard, the Paris Convention provides that the filing of an initial

patent application establishes a priority date for the invention in all other countries which are party to this Convention, including countries such as the United States, Japan and Australia, as well as jurisdictions such as the European Union and Eurasia.

The filing of further patent applications in overseas countries may be pursued individually or in some instances by filing an application with a regional patent office that does the work for a number of countries, such as the European Patent Office and the African Regional Industrial Property Organisation. Under such regional systems, an applicant requests protection for the invention in one or more countries, and each country decides as to whether to offer patent protection within its borders. The WIPO-administered Patent Cooperation Treaty ("PCT") provides for the filing of a single international patent application which has the same effect as national applications filed in the designated countries. An applicant seeking protection may file one application and request protection in as many signatory states as needed.

It should be noted that at present there are only 148 countries that are party to the PCT and if patent protection is required in a country that is not party to the PCT then individual applications must be filed in these countries by the twelve (12) month anniversary of the initially filed application. Countries that are not party to the PCT include Taiwan and Argentina.

Applications filed individually in countries rather than via the PCT are examined under the national laws of those countries. However, a PCT application is considered under the terms of the PCT. Once the PCT application has been filed it is subjected to what is called an "international search", carried out by one of the major patent offices. The search results are then communicated to the patent applicant in an "international search report", which is a listing of published documents that might affect the patentability of the invention claimed in the international application. On the basis of the international search report the applicant may decide to withdraw the application. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau.

If the applicant decides to continue with the international application, then within thirty (30) months of the provisional patent application filing date, national patent applications need to be filed. The applicant can also request preliminary examination, which is a report prepared by one of the major patent offices that gives a preliminary and non-binding opinion on the patentability of the claimed invention.

Once the PCT process has been completed then the national or regional phase is undertaken, as the PCT application itself does not mature into patents. The applicant may choose to enter one or more of the countries designated in the original PCT application. Entry into the national phase is essentially the same as filing a national application in the first instance. Thus, the standard documentation and fee requirements will need to be satisfied in each country, and for non-English speaking countries that will include translating the PCT specification into the language of the

relevant country. Failure to enter the national phase within the thirty (30) month period will result in abandonment of the ability to secure patent protection in most PCT countries.

The national or regional applications progress under the jurisprudence and legislation of each country or region. In most jurisdictions, such as Australia, Europe, United States and Japan, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. This examination establishes what is referred to as the "state of the art". The patent application is measured against the state of the art and an assessment is made regarding whether the invention described in the application is novel, inventive and useful. Therefore, the time required to complete the process of examination differs from country-to-country and the scope or protection may differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is actually granted.

With respect to regional applications, like the European application, this involves filing a single application designating any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to the grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

2.5. Granted Patents: Renewal fees, validity, exploitation and enforcement

Once a patent has been granted renewal fees will need to be paid, otherwise the patent will cease. It should also be noted that grant of a patent does not guarantee that the patent is valid or enforceable, and Griffith Hack provides no assurance that Orthocell's pending patent applications will be granted or will be held valid and enforceable following grant.

Notwithstanding the issue regarding guaranteed enforceability, once a patent has been granted and throughout the lifetime of a patent, the proprietor has the exclusive rights to use the patented technology. This means that they can decide to exclusively use it for their own benefit (for instance, by means of application in their own products) and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement. The terms of the license agreement generally define the limited scope of the use of the patent and the consideration to be paid for the use of it.

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.

3. ORTHOCELL PATENT PORTFOLIO AS AT 17 APRIL 2014

Orthocell has recognised that patents are a valuable asset and have sought use of the Paris Convention described above by filing the patents and patent applications listed in Schedule 1 attached hereto.

3.1. Tenocyte Cell Culturing Method (PCT/AU2007/000362)

This patent family is from a PCT application, namely PCT/AU2007/000362, which was filed on 23 March 2007. It claimed an earliest priority date of 23 March 2006, from an Australian provisional patent application (AU2006901495). This application proceeded through the International Phase and entered the Regional/National Phase in Australia, Canada, China, Europe, Hong Kong, New Zealand, Singapore and the United States. Patents have granted in Australia, New Zealand, Singapore and the United States. In addition, patent applications are pending and awaiting grant in Canada, China and Europe. Grant in Hong Kong will follow grant in China or Europe.

The patents and/or applications are all directed to a method for culturing tenocytes to produce a substantially pure culture of tenocytes using a selective medium. In particular, this patent family provides broad protection for a tissue culture medium comprising insulin and betamethasone; a method of culturing tenocytes in the medium; and a tenocyte seeded support matrix comprising a substantially pure culture of tenocytes produced by the culturing method. This means anyone producing a medium comprising insulin and betamethasone or a support matrix with tenocytes cultured by the method would infringe these claims.

Claims of this scope have been granted in the United States and given this we have no reason to believe that patents of a similar scope will not generate in due course in all remaining jurisdictions. In this regard, we note that once grant has been affected in Europe, Orthocell will be asked to validate the patent in those European countries where it would like patent protection. Hong Kong examination often follows closely the examination process in China or Europe. Accordingly, once grant has been affected in China or Europe acceptance in Hong Kong should be reasonably routine. Further, as noted above, patents in all countries require the payment of renewal fees. Depending on the jurisdiction these renewal fees are either annual fees or periodic fees, for example, every 3 years or so.

3.2. Tenocyte Containing Bioscaffolds and Treatment Using the Same (PCT/AU2008/000583)

This family consists of a PCT application, namely PCT/AU2008/000583 which was filed on 24 April 2008 and claims an earliest priority date of 24 April 2007 from an Australian provisional patent application. The application proceeded through the International Phase and entered the Regional/National Phase in Australia, Canada, China, Europe, New Zealand, Singapore and the United States. Patents have

granted in China, Singapore and New Zealand. Patent applications have been accepted and are awaiting grant in Australia, Canada, Europe and the United States.

The invention described in this family relates to methods for preparing bioscaffolds useful in the repair of tears. More specifically, the invention relates to a method of treating rotator cuff tear in a mammalian subject comprising the steps of: (i) selectively expanding tenocytes in vitro in culture medium comprising insulin or a functional derivative and a glucocorticoid or a glucocorticoid-like molecule to produce a culture of expanded tenocytes; (ii) seeding a biocaffold with said expanded tenocytes to produce a tenocyte seeded bioscaffold; and (iii) implanting tenocyte seeded bioscaffold proximal to the rotator cuff tear. The invention also relates to a bioscaffold comprising cells, wherein more than 80% of said cells are tenocytes.

This patent family extends the protection provided by PCT/AU2007/000362, in that it specifically protects the use of tenocytes produced in a tissue culture medium comprising insulin and a glucocorticoid for repairing rotator cuff tear. The scope of protection is relatively narrow; however, this patent protects and extends the life of protection of the methodology of producing tenocytes for therapy.

3.3. A Collagen Scaffold for Cell Growth and a Method for Producing Same (PCT/AU2009/000946)

The invention described in this patent family is a bioscaffold and method of manufacture. The bioscaffold comprises greater than 80% type I collagen fibers or bundles, having a knitted structure providing tensile load strength. The method of manufacture comprises the steps of: (a) isolating collagen fibers or bundles; (b) incubating said fibers or bundles in a mixture of NaOH, alcohol, acetone, HCl and ascorbic acid; and (c) mechanical manipulation of said fibers or bundles to produce a knitted structure.

This family consists of a PCT application, namely PCT/AU2009/000946, which was filed on 24 July 2009 and claims an earliest priority date of 24 July 2008 from an Australian provisional patent application. The application proceeded through the International Phase and entered the Regional/National Phase in Australia, Canada, China, Europe, New Zealand, Singapore and the United States. Patents have granted in Singapore and New Zealand. Patent applications are still pending in Australia, China, the United States and Canada. The European application has been abandoned.

This patent family protects a specific type of bioscaffold, namely, one comprising greater than 80% type I collagen fibers or bundles, having a knitted structure and a modulus of greater than 300 MPa. The patent family also protects a method of manufacturing the bioscaffold. The specification provides support for a novel methodology of producing a bioscaffold that overcomes or alleviates some of the problems associated with currently available bioscaffolds. These problems include poor surface chemistry which provides suboptimal attachment of cells; acidic by-

products which degraded reduce the local pH such that cell microenvironments are disrupted; immune reactions due to presence of residual foreign cells from the host; lack of suitable pore size and structure and lack of sufficient mechanical properties required to withstand the harsh environments in which bioscaffolds are regularly used. Claims of the above scope have been granted in New Zealand and Singapore and are expected to progress in other jurisdictions in time.

3.4. Method of Tissue Repair (PCT/AU2010/000360)

This family consists of a PCT application, namely PCT/AU2010/000360 which was filed on 29 March 2010 and claims an earliest priority date of 27 March 2009 from an Australian provisional patent application. The application proceeded through the International Phase and entered the Regional/National Phase in Australia, Canada, China, Europe, New Zealand, Singapore and the United States. Patents have granted in Australia and New Zealand. The patent applications are pending in China, the United States, Canada, Europe and Singapore.

The invention described in this family relates to a method of repairing tissue. It relates to methods of using cells and an implantable support for the repair of tissue defects, where the implantable support and cells are implanted into the tissue defect less than two (2) hours after the cells are applied to the support.

More specifically, the specification provides a method of repairing tissue which comprises applying a sample of cells to an implantable support and allowing the cells to adhere between 5 minutes to about 1 hour and 50 minutes and then implanting the cells. As such, this method protects the use of any membrane or scaffold with any cell type, where the cells are applied to the support and then implanted within the time frame specified. As the methodology is purported to provide superior results, it is possible that the technique will be used more frequently over time. One issue might be policing the use of the method and obtaining licence fees.

3.5. Method for Producing a Collagen Membrane and Uses Thereof (PCT/AU2013/000621)

This family consists of a PCT application, namely PCT/AU2013/000621 which was filed on 12 June 2013 and claims an earliest priority date of 12 June 2012 from an Australian application (AU2012902458). The invention described in this family relates to a method of producing a collagen membrane that has particular mechanical properties.

As far as the International application is concerned, per standard PCT procedures, an International Search Report ("ISR") and Written Opinion was issued on 19 August 2013. The ISR identified three (3) documents, which the Written Opinion concluded did not affect novelty or inventiveness. The invention was also considered to meet the requirements of industrial applicability.

It should be noted that neither the ISR nor the Written Opinion are binding on any jurisdiction. However, we consider that based upon the favourable view of the International Examiner that claims commensurate to the claims pending will be accepted in foreign jurisdictions.

The PCT application designates all available countries and jurisdictions, which means that at the end of the International Phase on 12 December 2014 Orthocell will be able to select one or more of 148 designated countries in which to seek National Phase entry. In addition, a national patent application is currently pending the United States under the application number 14/219,555.

4. FURTHER ISSUES

4.1. Patent Ownership / Entitlement: Third Party Rights

Our investigations of the records of the various patent offices indicate that Professor Ming-Hao Zheng is the inventor of all of the patents in Orthocell's patent portfolio. Orthocell is recorded as the applicant for all of patents and applications in the patent family titled 'Method of Tissue Repair' (PCT/AU2010/000360), with the exception of the US patent which also lists Professor Zheng as an applicant. The University of Western Australia ("UWA") is currently listed as the applicant for rest of the patents and applications referred to in this Report, with the exception of any other US national patents and applications which also list Professor Zheng as an applicant.

We understand that this is because the inventor, Professor Zheng, was employed by UWA when he developed the inventions. Ownership of a patent application in the name of any entity other than the inventor is derived either by contract of employment or assignment. UWA recently assigned all of its rights in the patents to Orthocell. We have reviewed the assignment documentation and although the assignments are yet to be recorded by the various patent offices, we are satisfied that Orthocell is now the owner of all the patents and patent applications in Schedule 1.

Further, it is important to note is that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention. Apart from UWA, we are unaware of the existence of any such third party in relation to the patents and applications set out in Schedule 1.

It is possible that the technology in respect of which the patent applications have been filed falls within the scope of, and may thus infringe, a patent of a third party. We have not conducted any searches or taking any further steps to identify any patents which may be infringed by the exploitation of the products referred to in the applications included in this Report.

To the best of our knowledge, to date, there has been no third party challenge to the validity or ownership of the patent applications.

4.2. Enforceability

Once a patent has been granted the owner may initiate infringement proceedings against an alleged infringer of the property. Patent infringement proceedings cannot be initiated on the basis of a pending application. Filing an application does not mean that the applicant is free to commercialise the invention, as it is possible that the intellectual property rights or common law rights of another party may be infringed by doing so.

As at 17 April2014 we are not aware of an application referred to in this report being the subject of any opposition or litigation. We have not, however, conducted an infringement search in order to attempt to identify rights of any other parties.

4.3. Validity of Patent Applications

The ultimate validity of the claims of patent can be guaranteed and can be challenged:

(a) during examination;
(b) in opposition proceedings once the application has been examined and found allowable;
(c) in court during revocation proceedings brought by a third party; or
(d) during infringement proceedings initiated against an alleged infringer by the patentee.

As some of patent rights set out in section 3 are still pending patent applications and likely to undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the claims of the patent applications may be restricted during examination of the application.

5. LIMITATIONS AND QUALIFICATIONS

5.1. Information sources

In preparing this report, in addition to reviewing our internal databases, we relied upon information contained in relevant publicly available databases and the searches conducted by the appropriate national and international patent offices with respect to the patents and patent applications in Schedule 1. Griffith Hack is not responsible for the accuracy of the information available in public databases and accordingly cannot guarantee the accuracy of this information.

5.2. Jurisdictional requirements

Each jurisdiction has its own laws and particular requirements that need to be met for the grant and maintenance of patent. Accordingly, the assessment patentability varies from jurisdiction-to-jurisdiction, and inventions which may be granted and registrable in one jurisdiction may be excluded from grant and registration in another. Moreover, the different jurisdictional requirements may result in variation of the scope of patent protection obtained for the same patent in different jurisdictions.

The outcome of examination of the patent application by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, international PCT searches and examination reports are not binding on national patent applications during examination in the national phase. Examination of patent applications often occurs at different times in different jurisdictions. This means there is also a risk that a patent may be granted on application one jurisdiction, and that a third party patent may subsequently be cited during examination of another patent application that has been filed elsewhere.

In some jurisdictions there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information may adversely affect the validity and/or enforceability of the patent.

We further note that there may be changes to patent law in a particular jurisdiction from time-to-time which may have an impact on patents in the relevant country. For example, the Australian Government recently enacted the *Intellectual Property Law Amendments (Raising the Bar) Act* 2012 (Cth), which represents a significant amendment to patent law. In particular, the Act raises the requirement for patentability and the description requirements for patent specifications. It applies to all Australian patent applications for which a request for examination is filed after 15 April 2013. If Orthocell makes a national Australian patent application for the 'Method for Producing a Collagen Membrane and Uses Thereof' (PCT/AU2013/000621) this is the only patent in its current portfolio that will be considered under these new provisions.

5.3. Patentability search limitations

A patentability search, such as international searches carried out by various patent offices under the PCT procedure, cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Such searches are generally computer-based searches and are dependent on the database search strategy and the coverage provided by the databases used. For example, the databases may not cover older published documents and/or certain jurisdictions. Further, all patentability searches are subject to the accuracy of records, as well as the indexing and classification of the subject

matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the keyword(s) selected for the search. Accordingly, although patentability searches provide a reasonable indication of patentability, it is not possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent based on patent office searches should be regarded as indicative rather than conclusive.

Further, non-provisional patent applications are not normally published until at least 18 months from the earliest acceptable priority date. Accordingly, a patentability search would not normally identify any third party patent application that is potentially relevant to the assessment of patentability that have a priority date which is less than 18 months prior to the date of the patentability search. Delays between official publication and the incorporation of information into the relevant database can also occur, which means that some documents may not be located in a patentability search.

5.4. Patentability of an invention

Besides documentary prior art, public use of an invention and non-confidential oral disclosures before the priority date of a patent application may also be relevant to the assessment of patentability of invention to which the patent application relates. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Commercialisation or secret use of an invention in a jurisdiction by, or with the authority of, a patent applicant (or their predecessor in title) before the priority date of a patent application that has been filed in the jurisdiction by the applicant in respect of the invention, can also be relevant to the patentability of intervention and the validity of any patents that may ultimately be granted on the application. Such commercial exploitation or secret use would not normally be identified by documentary patentability searches of publicly accessible databases.

5.5. Opposition Proceedings

Some jurisdictions, such as Australia, allow for accepted patent applications to be opposed by a third party. Others, for example Europe, have post-grant opposition. Successful opposition proceedings may result in some or all of the claims of an application being refused. Successful opposition proceedings to a granted patent may result in some or all of the claims being held in valid or restricted in breadth.

5.6. Entitlement to claimed priority date

In Australia, for subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application or provisional patent application there must be a “real and reasonably clear

disclosure" of the subject matter in the priority application. Similar provisions apply in other jurisdictions. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

5.7. Renewal fees

Orthocell recognizes that renewal fees must be paid in order to maintain its patents. At the time of preparing this Report, no renewal fees are currently overdue.

5.8. Qualifications & Independence

Griffith Hack is a firm of patent and trade mark attorneys and lawyers that provide advice in relation to all aspects of intellectual property. Griffith Hack has extensive experience protecting and defending intellectual property rights and commercialising products and services. Griffith Hack provides a comprehensive intellectual property service through its patent and trade mark attorney practices, law firm, consultancy arm and through its partnership with a major international renewal service.

Griffith Hack has no interest in Orthocell, other than fees for professional work done. Griffith Hack has no involvement in the preparation of the Prospectus by Orthocell, other than the preparation of this Report. Griffith Hack is therefore considered independent of Orthocell for the purpose of preparing this Report and gives its consent for inclusion of this Report in the Prospectus.

The person responsible for preparing this Report is Dr Stuart Boyer, Principal of Griffith Hack Patent & Trade Mark Attorneys and Claire Ramsay, Associate of Griffith Hack Lawyers.

Yours faithfully
GRIFFITH HACK

Dr Stuart Boyer
Principal
stuart.boyer@griffithhack.com.au

Enc Schedule 1

SCHEDULE 1

Tenocyte Cell Culturing Method (PCT/AU2007/000362)

Official No.		Country
2007229273	Granted	Australia
2641063	Awaiting Grant	Canada
201210135419.9	Awaiting Grant	China
07718609.6	Awaiting Grant	Europe
13106135.8	Awaiting Grant in China or Europe	Hong Kong
571913	Granted	New Zealand
146284	Granted	Singapore
7985408	Granted	USA

Tenocyte Containing Bioscaffolds (PCT/AU2008/000583)

Official No.	Case Status	Country
2008241379	Awaiting Grant	Australia
2685146	Awaiting Grant	Canada
ZL200880021481.7	Granted	China
08733409.0	Awaiting Grant	Europe
580786	Granted	New Zealand
156389	Granted	Singapore
12/597127	Awaiting Grant	USA

A Collagen Scaffold for Cell Growth and a Method for Producing Same (PCT/AU2009/000946)

Official No.	Case Status	Country
2009273766	Awaiting Grant	Australia
2731237	Awaiting Examination	Canada
200980128993.8	Awaiting Grant	China
09799869.4	Abandoned	Europe
591006	Granted	New Zealand
168250	Granted	Singapore
13/055234	Awaiting Grant	USA

Method Of Tissue Repair (PCT/AU2010/000360)

Official No.	Case Status	Country
2010228132	Granted	Australia
2756818	Awaiting Examination	Canada
201080014123.0	Awaiting Grant	China
10755333.1	Awaiting Examination	Europe
595534	Granted	New Zealand
201106725-3	Awaiting Examination	Singapore
13/260644	Awaiting Grant	USA

Method for Producing A Collagen Membrane And Uses Thereof (PCT/AU2013/000621)

Official No.	Case Status	Country
WO2013185173	Int'l Search Report & Written Opinion Received	International
14/219555	Awaiting Examination	USA

6 RISK FACTORS

6.1 General

This Section describes potential risks associated with the Orthocell's business. It does not list every risk that may be associated with the Company, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of Orthocell, its Directors and senior management.

Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in Orthocell and whether it is a suitable investment, having regard to their own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant or other independent and qualified professional adviser before deciding whether to invest.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of Orthocell and the Directors. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and the impact if it did occur. This assessment is based on the knowledge of the Directors as at the date of this Prospectus. There is no guarantee or assurance that the risks will not change or that other risks will not emerge.

There can be no guarantee that the Company will deliver on its business strategy, or that the forecasts or any forward looking statement contained in this Prospectus will be achieved or realised. Investors should note that past performance is not a reliable indicator of future performance.

6.2 Specific risks

Market adoption	The success of the Orthocell's commercialisation strategy relies on medical specialists and patients accepting its products for routine use. Take up of the products will involve education of medical specialists, marketing to raise the profile of the Company and its products and ongoing clinical studies to provide further evidence of the medical benefits of the products in order to overcome any market resistance. Orthocell's ability to generate revenues from its currently marketed products Ortho-ATI™ and Ortho-ACI™, and its CelGro™ product (if approved by the TGA in Australia), will depend on its ability to successfully market and sell its products in the Australian market. Long term generation of revenues will also depend to some extent on the Company's ability to sell directly or partner with distributors in international markets to sell its products.
Clinical trials	While both Ortho-ATI™ and Ortho-ACI™ are already approved for sale in Australia, Orthocell is undertaking ongoing clinical development for Ortho-ATI™ to maintain regulatory approval in Australia and support future reimbursement applications to the Federal Government's Department of Health and Aging. The Company is also undertaking clinical trials of the CelGro™ collagen medical device and plans to lodge an application for Australian Register of Therapeutic Goods (ARTG) registration with the TGA in Q2 2015. Clinical trials of the Company's Ortho-ATI™ product and the CelGro™ collagen medical device may take several years to complete and clinical development of the Company's products may fail for a number of reasons including unexpected outcomes and failure to reach desired end points, or adverse side effects. Failure can occur at any stage of the trials, requiring the Company to abandon or repeat clinical trials.

Regulatory risks	Ortho-ATI™ and Ortho-ACI™ are already approved by the TGA for sale in Australia pursuant to a manufacturing license issued to the Company. In order to maintain regulatory approval in Australia for the commercial sale of Ortho-ATI™ and Ortho-ACI™, Orthocell has lodged an application with the TGA for registration on the ARTG in respect of each product, as is now required for most biological products intended to be marketed in Australia. Orthocell must demonstrate and continue to maintain an evidence base that these products are both safe and effective for use and comply with the regulatory framework in Australia. Failure to maintain regulatory approval may mean that the Company will be unable to continue to sell the relevant product which will affect the Company's ability to generate revenue. The applications for regulatory approval for Ortho-ATI™ and Ortho-ACI™, have been lodged with the TGA and Orthocell expects to receive feedback from the TGA regarding its applications by Q3 2015. In order to market the CelGro™ collagen scaffold, the Company also needs to apply for ARTG registration of the product with the TGA. Orthocell must demonstrate that this product is both safe and effective for use and comply with the regulatory framework in Australia. Failure to obtain regulatory approval may mean that the Company will be unable to sell the product which will affect the Company's ability to generate revenue. An application for approval of the CelGro™ product is planned to be made in Q2 2015.
Manufacturing / production risks	The Company's manufacturing process for the CelGro™ collagen scaffold product has not yet been scaled up to commercial scale. Therefore production of commercial products using the Company's production technology has an element of risk as the technology is scaled up from the current capacity of supplying clinical trial material. The Company also maintains a manufacturing licence from the TGA which allows it to manufacture and distribute human tissue required for the Ortho-ATI™ and Ortho-ACI™, product sales as well as manufacture CelGro™ for clinical trials. If there is a contamination or if Orthocell fails to maintain its manufacturing licence following a regular audit, then it may be required to temporarily or permanently interrupt or cease production. Any interruption or cessation of production at Orthocell's facility will have a material impact on its revenues and the value of the Company.
Reliance on key personnel	The Company currently employs or engages as consultants a number of key management and scientific personnel, and the Company's future depends on retaining and attracting suitable qualified personnel. The Company has structured its employment and consultancy practices aimed at providing incentives and assisting in the recruitment and retention of key personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, there is no guarantee that the Company will be able to attract and retain suitable qualified personnel, and a failure to do so could materially adversely affect the business, operating results and financial prospects.
Dependence on service providers	The Company operates a significant amount of its key clinical activities through a series of contractual relationships with third party service providers and intends to continue to operate in this manner. All of the Company's contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's product development efforts.
Third party collaborations	The Company has established collaborative relationships and intends to continue to establish additional collaborative relationships to achieve its product development objectives. The Company does not have all the resources that it needs to internally develop its product candidates through full clinical development and to launch marketable products and relies on its ability to maintain and enter into collaborative and licensing relationships to achieve this objective, and also relies on its collaborators to fulfil their contractual responsibilities. Any failure by the Company's collaborators to fulfil their responsibilities could adversely impact the value of the Company.

Competition	The biologics industry is competitive and includes companies with significantly greater financial, technical, human, research and development, and marketing resources than the Company. Numerous entities around the world may compete with the Company's efforts to commercialise products that may compete with the Company's products. The Company's competitors may develop products in advance of the Company and/or products that are more effective than those developed by the Company. As a consequence, the Company's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.
Sufficiency of funding	The Company's growth through product development and commercialisation activities will require substantial expenditure and may not result in profitability being achieved. There can be no guarantees that the Company's cash reserves together with the funds raised by the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer and existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.
Product liability	As with all therapeutic products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.
Healthcare insurers and reimbursement	In both domestic and foreign markets, sales of products are likely to depend in part upon the availability and amounts of reimbursement from third party health care payer organisations, including government agencies, private health care insurers and other health care payers such as health maintenance organisations and self-insured employee plans. None of Orthocell's products are currently reimbursed, although the Company plans to lodge applications with the Australian Government Department of Health and Aging for each of Ortho-ATI™, Ortho-ACI™ and CelGro™ following successful registration for each product on the ARTG. There is considerable pressure to reduce the cost of therapeutic products, and government and other third party payers are increasingly attempting to contain health care costs by limiting both coverage and the level of reimbursement for therapeutic products, and by refusing, in some cases, to provide any coverage for uses of approved products for disease indications for which the relevant regulatory authority has not granted marketing approval. No assurance can be given that reimbursement will be provided by such payers at all or without substantial delay, or, if such reimbursement is provided, that the approved reimbursement amounts will be sufficient to enable the Company to sell products developed on a profitable basis.
Trade secrets	The Company relies on its trade secrets, which includes some of its method of manufacture that it has and may develop before filing any respective patent applications. The protective measures that the Company employs may not provide adequate protection for its trade secrets. This could erode the Company's competitive advantage and materially harm its business. The Company cannot be certain that others will not independently develop the same or similar technologies on their own or gain access to trade secrets or disclose such technology, or that the Company will be able to meaningfully protect its trade secrets and unpatented know-how and keep them secret.

Patent rights	The Company relies heavily for its success on its ability to obtain and maintain patent protection for its Ortho-ATI™, Ortho-ACI™ and CelGro™ technology. The Company owns granted and pending patent applications covering major markets which present commercialisation opportunities. The prospect of attaining patent protection for products and the technology such as those proposed is highly uncertain and involves complex and continually evolving factual and legal questions. These include: • legislative and judicial changes, or changes in the examination guidelines of governmental patent offices, which may negatively affect the Company's ability to obtain patents for its products and technologies. In addition, the scope of patent applications can be significantly reduced during prosecution of the patent applications, with the result that the scope of protection in the issued patent being significantly less than the scope of protection sought by the Company. As a result, the Company's patent application may not proceed to issued patents and, if issued, may not be of commercial benefit to the Company, or may not afford the Company adequate protection from competing products; and • since most patent applications remain secret for eighteen months from the time of filing, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, the Company cannot be certain that it is the first to make the inventions covered by the pending patent applications or that its patent applications for such inventions was the first to be filed. Even if the Company succeeds in obtaining patent protection for its products, its patents could be partially or wholly invalidated following challenges by third parties.
Intellectual property rights licensed in by the Company	Insofar as the Company may rely in the future on rights derived from licensing agreements with third parties, there is no guarantee that such rights will be fully secured for the benefit of Orthocell. If third party patents or patent applications contain claims infringed by the Company's technology and these claims are valid, the Company may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted. Licensors may cancel the Company's licenses or convert them to non-exclusive licenses if it fails to use the relevant technology or otherwise breach licensing agreements. Loss of such licenses could expose the Company to the risks of third party patents and/or technology. No assurance can be given that any of these licenses will provide effective protection against competitors.
Infringement of third party intellectual property	If a third party accuses the Company of infringing its intellectual property rights or if a third party commences litigation against the Company for the infringement of patent or other intellectual property rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Typically, patent litigation in the pharmaceutical industry is expensive. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Company from commercialising available products and could cause it to incur substantial expenditure.

Reputational damage	The reputation of Orthocell and its products is important in attracting medical specialists, hospitals and patients and key employees. Reputational damage could arise due to a number of circumstances, including: • inadequate services or unsatisfactory clinical outcomes for patients; • error, malpractice or negligence of Orthocell's employees; or • error, malpractice or negligence of the medical specialists performing the treatments. Negative publicity could adversely impact Orthocell's reputation which may potentially result in a fall in the number of patients seeking Orthocell's products or medical specialists willing to provide them.
Existing Shareholders' shares	Following listing the existing Shareholders will continue to hold a significant stake in the Company. A number of the existing Shares are the subject of restriction agreements and escrow arrangements set out in Section 1.7. The potential future sale of such existing Shares or the perception of that possibility could adversely impact the price of Shares. Alternatively, the absence of such a sale by Existing Shareholders may diminish or contribute to a diminution in the liquidity of the market for the Shares.
Litigation	Orthocell is exposed to the risk of actual or threatened litigation or legal disputes in the form of customer claims, intellectual property claims, personal injury claims, employee claims and other litigation and disputes. If any claim was successfully pursued it may adversely impact the financial performance, financial position, cash flow and share price of the Company.

6.3 General risks

Economic risks	General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Share price and the Company's activities, as well as on its ability to fund those activities.
Market conditions	Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as: a. general economic outlook; b. interest rates and inflation rates; c. currency fluctuations; d. changes in investor sentiment toward particular market sectors; e. short selling and other trading activities; f. the demand for, and supply of, capital; and g. terrorism or other hostilities. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.
Force majeure events	Events may occur within or outside Australia that could impact up on the global and Australian economies, the operations of the Company and the price of the Shares. These events include but are not limited to acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events or occurrences that can have an adverse effect on the demand for the Company's products and its ability to conduct business.

Risk of Shareholder dilution	In the future, the Company may elect to issue Shares in connection with fundraisings, including to raise proceeds. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a results of such issues of Shares and fundraisings.
Product liability insurance	The Company is exposed to potential product liability risks that are inherent in the research and development, manufacturing, marketing and use of its products. The Company seeks to limit exposure to product liability and other claims, however those limitation of liability provisions may not be effective in certainjurisdictions, so the Company may be subject to such claims. The Company has product liability and professional indemnity insurance which the Directors consider is currently adequate. However, there can be no assurance that adequate or necessary insurance coverage will continue to be available at an acceptable cost or in sufficient amounts, if at all, or that product liability or other claims would not materially and adversely affect the business or financial condition of the Company (including because the amount of such claims exceeds the level of insurance).
Taxation risk	Tax rules or their interpretation in relation to equity investments may change. Both the level and basis of taxation may change. The treatment of dividends and franking credits may also change particularly if tax rates change. Furthermore, an investment in the Shares involves tax considerations which may differ for you depending on your personal financial circumstances. You are therefore encouraged to seek professional tax advice in connection with any investment in the Company.

7 INVESTIGATING ACCOUNTANT'S REPORT

PKF MACK & CO

Chartered Accountants & Business Advisers

27 May 2014

The Directors
Orthocell Limited
Building 191 Murdoch University
90 South Street
MURDOCH WA 6150

Dear Sirs,

INVESTIGATING ACCOUNTANT'S REPORT ON HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

1. Introduction

This Investigating Accountant's Report (Report) has been prepared at your request to report on certain historical and pro forma financial information in respect of Orthocell Limited ("Orthocell" or "the Company") and its controlled entities (Group). The Report has been prepared for inclusion in a prospectus ("the Prospectus") to be dated on or about 27 May 2014 relating to the proposed issue by the Company of up to 20,000,000 post-split ordinary shares at an issue price of $0.40 each to raise up to a total of $8,000,000. The directors of the Company are seeking to raise a minimum of $6,000,000 from the issue of 15,000,000 post-split at an issue price of $0.40 (Offer).

2. Basis of Preparation

This Report has been prepared to provide investors with information on the historical performance and position of the Group, and pro forma financial information of the Group. The historical and pro forma financial information is presented in an abbreviated form and does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports and general purpose financial reports in accordance with the Corporations Act 2001. The financial information has been prepared in accordance with the Australian Equivalents to International Financial Reporting Standards (AIFRS) relating to measurement and recognition.

This Report does not address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with an investment in the Company. PKF Mack & Co has not been requested to consider the merits and risks associated with becoming a shareholder of the Company, and have not done so or purport to do so. PKF Mack & Co accordingly takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report.

We disclaim any assumption of responsibility for any reliance on this Report or on the historical financial information or the pro forma financial information to which it relates for any purpose other than for the purpose for which it was prepared.

The historical information in the consolidated statement of profit or loss and other comprehensive income has been prepared for the years ended 30 June 2012 and 30 June 2013 and half year period commencing 1 July 2013 and ending 31 December 2013. Pro forma financial information has been prepared as at 31 December 2013 assuming completion of the Offer and including pro forma adjustments as set out in note 2.

Readers of this Report must note that past performance is not a guide to future performance.

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PO Box 609 | West Perth | Western Australia 6872 | Australia

3. Background

Orthocell was incorporated in Australia as a public company on 21 March 2006. The Group's primary focus is the development of products in the area of regenerative medicine. As at 31 December 2013, the Group consists of Orthocell and a subsidiary Ausbiomedical Pty Ltd, a company incorporated in Australia. The purpose of the Prospectus is as follows:

- Raise up to $8,000,000 and at a minimum of $6,000,000 before costs by way of an Initial Public Offering that will allow the Company to list on the Australian Securities Exchange (ASX).

As at 31 December 2013 Orthocell's pre-split share structure consisted of the following:

	Number Issued	Total $
Fully paid ordinary shares	2,138,526	3,162,553
Redeemable preference shares series A fully paid	960,714	1,325,000
Redeemable preference shares series A2 fully paid	338,600	1,500,000
Total	3,437,840	5,987,553

As at 31 December 2013 the following options were on issue with an expiry date of 15 August 2015 and an exercise price of $2.39:

	Number Issued	Total $
Options over unissued share capital	27,500	85,148
Total	27,500	85,148

There were no partly paid ordinary shares on issue at 31 December 2013.

4. Scope

We have been asked to prepare this Report on the financial information listed below. We have been requested to conduct a review of the following information:

4.1. The consolidated statement of profit or loss and other comprehensive income for the Group (Orthocell and its controlled entity, Ausbiomedical Pty Ltd) for the period 1 July 2013 to 31 December 2013.
4.2. The consolidated statement of financial position for the Group as at 31 December 2013.
4.3. The consolidated pro forma statement of financial position for the Group as at 31 December 2013 adjusted to include the financial effects of the transactions set out in Note 2 to the financial information.
4.4. Applicable notes to the above statements.

The directors of the Company are responsible for the preparation and presentation of the historical and pro forma financial information including the determination of the pro forma transactions.

5. Review of Historical and Pro Forma Financial Information

Our review has been conducted in accordance with applicable Australian Auditing Standards for Review Engagements and was limited to inquiries and discussions with the directors of the Company, reading of directors' minutes and reviewing the accounting records.

Our review also determined whether the pro forma transactions formed a reasonable basis for the preparation of the pro forma statement of financial position as at 31 December 2013.

These review procedures do not provide all the evidence that would be required for an audit. Therefore the level of assurance provided is less than that given in an audit. We have not performed an audit on the historical financial information and the pro forma statement of financial position and accordingly we do not express an audit opinion on the historical financial information and the pro forma statement of financial information.

Review Conclusion
Based on the scope of our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical and pro forma financial information, referred to in this Report, does not present fairly:

(a) the consolidated statement of financial position of Orthocell Limited and it's controlled entity at 31 December 2013 and the consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2013, together with the notes to those financial statements for the period; and
(b) the pro forma consolidated statement of financial position (minimum and maximum) of Orthocell Limited and it's controlled entity at 31 December 2013 together with the pro forma notes to the financial statements for that period had the transactions as set out in Note 2 of this Report taken place on 31 December 2013,

in accordance with the recognition and measurement requirements, but not all of the disclosure requirements, of applicable accounting standards and other mandatory professional reporting requirements in Australia.

6. Subsequent Events
There have been no material transactions or events subsequent 31 December 2013 which would require comment on or adjustment to the financial information referred to above or that would cause the information referred to above to be misleading other than:

a) The proposed issue of 5,912,500 options exercisable at $0.50 at a deemed value of $993,300 to members of key management personnel as follows:
   1. Mr. Paul Anderson 1,250,000;
   2. Mr. Stewart Washer 1,250,000;
   3. Mr. Matthew Callahan 1,250,000;
   4. Professor Ming Hao Zheng 1,250,000;
   5. Ms. Nicole Telford 500,000; &
   6. Mr. Simon Robertson 412,500.

   It is proposed that the options will be issued pursuant to the Prospectus.
b) The pre-split issue of 339,517 redeemable preference shares series A for total consideration of $2,093,469 before costs of $120,000.
c) The issue of 1,000 redeemable preference shares series A for total consideration of $5,240.
d) The exercise of 27,500 options at an exercise price of $2.39 per share.

7. Disclosure
At the date of this Report PKF Mack & Co does not have any pecuniary interest in the Company or Group that would reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in this matter. PKF Mack & Co will receive a professional fee for the preparation of this Report. In addition, PKF Mack & Co confirm that there are no conflicts of interest and are independent for the purposes of this Report.

PKF Mack & Co consents to the inclusion of this Report in the Prospectus in the form and content in which it is included. At the date of this Report this consent has not been withdrawn.

Yours sincerely

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

27 MAY 2014
WEST PERTH,
WESTERN AUSTRALIA

INVESTIGATING ACCOUNTANT'S REPORT

ORTHOCELL LIMITED AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2013

	Reviewed Half-year Ended 31 Dec 2013 $	Audited Year Ended 30 June 2013 $	Reviewed Year Ended 30 June 2012 $
Sales revenue	401,715	524,281	457,991
Cost of goods sold	(350,730)	(482,169)	(323,734)
Gross profit	50,985	42,112	134,257
Other revenue	309,533	718,154	413,550
Expenses			
Administration and general expenses	(164,875)	(415,860)	(336,574)
Marketing and sales expenses	(99,651)	(132,076)	(105,652)
Orthopaedic distributor costs	(159,506)	(392,567)	(283,110)
Human resources expenses	(624,704)	(1,208,548)	(1,098,463)
Laboratory / research & development costs	(181,474)	(450,751)	(344,031)
Other expenses	-	(19,184)	-
Total expenses	(1,230,210)	(2,618,986)	(2,167,830)
Loss before income tax expense	(869,692)	(1,858,720)	(1,620,023)
Income tax benefit	530,426	535,390	421,972
Loss after income tax benefit	(339,266)	(1,323,330)	(1,198,051)
Other comprehensive income:			
Other comprehensive income net of tax	-	-	-
Total comprehensive income	(339,266)	(1,323,330)	(1,198,051)

To be read in conjunction with the notes to the financial information

INVESTIGATING ACCOUNTANT'S REPORT

ORTHOCELL LIMITED AND CONTROLLED ENTITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	Reviewed 31 Dec 2013 $	(Minimum) Reviewed Pro forma 31 Dec 2013 $	(Maximum) Reviewed Pro forma 31 Dec 2013 $	Audited 30 June 2013 $
Assets					
Current assets					
Cash and cash equivalents	3	305,997	6,315,397	8,185,297	591,144
Trade and other receivables		156,480	156,480	156,480	91,208
Inventories	4	176,597	176,597	176,597	185,024
Other current assets		-	-	-	57,077
Total current assets		**639,074**	**6,648,474**	**8,518,374**	**924,453**
Non-current assets					
Property, plant and equipment		287,884	287,884	287,884	302,815
Intangibles	5	614,994	764,994	764,994	537,706
Total non-current assets		**902,878**	**1,052,878**	**1,052,878**	**840,521**
Total assets		**1,541,952**	**7,701,352**	**9,571,252**	**1,764,974**
Liabilities					
Current liabilities					
Trade and other payables	6	516,392	516,392	516,392	303,241
Employee benefits		165,911	165,911	165,911	158,869
Other current liabilities	7	175,156	175,156	175,156	225,130
Total current liabilities		**857,459**	**857,459**	**857,459**	**687,240**
Non-current liabilities					
Other non-current liabilities	8	809,675	809,675	809,675	863,650
Total non-current liabilities		**809,675**	**809,675**	**809,675**	**863,650**
Total liabilities		**1,667,134**	**1,667,134**	**1,667,134**	**1,550,890**
Net assets		**(125,182)**	**6,034,218**	**7,904,118**	**214,084**
Equity					
Issued capital	9	5,921,133	13,380,567	15,250,567	5,921,133
Option reserve	10	85,148	1,078,448	1,078,448	85,148
Accumulated losses		(6,131,463)	(8,424,797)	(8,424,897)	(5,792,197)
Total equity		**(125,182)**	**6,034,218**	**7,904,118**	**214,084**

To be read in conjunction with the notes to the financial information

INVESTIGATING ACCOUNTANT'S REPORT

ORTHOCELL LIMITED AND CONTROLLED ENTITY
NOTES TO THE REVIEWED FINANCIAL INFORMATION
FOR THE 6 MONTH PERIOD ENDED 31 DECEMBER 2013

Note 1 FINANCIAL REPORTING FRAMEWORK
Basis of preparation of pro forma financial information

As at the date of this Report, the Group's financial information, for the 6 month period ended 31 December 2013, has not been subject to an audit and accordingly no audit opinions have been issued.

The audit opinion for the financial year ended 30 June 2013 was unmodified but included an emphasis of matter on going concern.

The Company is an unlisted public company, incorporated and domiciled in Australia.

The financial information has been prepared on an accruals and historical cost basis.

The financial information has been prepared on the basis of a going concern. The ability of the Company to continue as a going concern is dependent on the successful completion of the capital raising detailed in this Report.

The reporting period means the period from 1 July 2013 to 31 December 2013.

The pro forma financial information of the Group has been prepared in accordance with the recognition and measurement requirements, but not all of the disclosure requirements, of applicable accounting standards and other mandatory professional reporting requirements in Australia.

Significant Accounting Policies

(a) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(b) Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(c) Inventories and work-in-progress

Inventory consists of consumables and other raw materials used in the manufacturing process and work in progress which consists of the costs of patients' cells being held in the laboratory awaiting delivery and implantation into the patient. Inventory items are stated at the lower of cost and net realisable value on a 'first in first out' basis. Work in progress comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity.

When making the decision whether work in progress 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 work in progress 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.

(d) 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 using diminishing value and straight-line methods to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	straight line	40 years
Plant and equipment	diminishing value	3-7 years
Computer software	straight line	2-3 years
Furniture & fittings	diminishing value	10-15 years

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

An item of 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.

(e) 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.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(e) Intangible assets (continued)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are recognised at cost less any impairment. Patents granted are amortised over the life of the patent.

(f) 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 to sell 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.

(h) 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.

(l) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual 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.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The liability is measured at current value and is not discounted if the effect of discounting is immaterial.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(l) Employee benefits (continued)

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, shareholders and directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or 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 cost of equity-settled transactions is 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.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(j) Provisions

Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(k) Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on bank overdrafts
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

(l) Issued capital

Ordinary and redeemable preference 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.

(m) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

(n) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(o) 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 investments in subsidiaries, associates or interests in 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.

Orthocell Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

1. FINANCIAL REPORTING FRAMEWORK (continued)

(p) 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 amount of 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 the amount of GST recoverable from, or payable to, the tax authority.

INVESTIGATING ACCOUNTANT'S REPORT

ORTHOCELL LIMITED AND CONTROLLED ENTITY
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Note 2 PRO FORMA TRANSACTIONS

Minimum subscriptions:

Pro forma reviewed figures represent the actual reviewed figures of Orthocell as at 31 December 2013 adjusted to reflect the following assumptions and subsequent events:-

- ASX conditionally confirms that it will admit the Company to the Official List.
- The proposed issue of 15,000,000 ordinary shares at $0.40 each under the Prospectus to raise $6,000,000.
- Payments associated with the Prospectus and listing on the ASX totalling $585,000 recognised in equity comprising:
  a. Payment of brokers fees totalling $360,000;
  b. Payment of legal fees totalling $110,000; and
  c. Payment of other expenses totalling $115,000.
- Administrative costs between the period 1 January 2014 to date of lodgement of the prospectus totalling $1,300,034.
- Acquisition of patent for a cost of $150,000.
- The proposed issue of 5,912,500 options exercisable at $0.50 at a deemed value of $993,300 (see note 13).
- Issue of 339,517 redeemable preference shares series A for total consideration of $2,093,469 before costs of $120,000 (see note 13).
- Issue of 1,000 redeemable preference shares series A for total consideration of $5,240 (see note 13).
- Exercise of 27,500 options at an exercise price of $2.39 per share totalling $65,725 (see note 13).
- Split of all ordinary shares on issue immediately pre IPO on a 1 for 16.16718 basis*.

Maximum subscriptions:

Pro forma reviewed figures represent the actual reviewed figures of Orthocell as at 31 December 2013 adjusted to reflect the following assumptions and subsequent events:-

- ASX conditionally confirms that it will admit the Company to the Official List.
- The proposed issue of 20,000,000 ordinary shares on a post-consolidation basis at $0.40 each under the Prospectus to raise $8,000,000.
- Payments associated with the Prospectus and listing on the ASX totalling $715,000 recognised in equity comprising:
  a. Payment of brokers fees totalling $480,000;
  b. Payment of legal fees totalling $110,000; and
  c. Payment of other expenses totalling $125,000.
- Administrative costs between the period 1 January 2014 to date of lodgement of the prospectus totalling $1,300,134.
- Acquisition of patent for a cost of $150,000.
- The proposed issue of 5,912,500 options exercisable at $.50c at a deemed value of $993,300 (see note 13).
- Issue of 339,517 fully paid ordinary shares for total consideration of $2,093,469 before costs of $120,000 (see note 13).
- Issue of 1,000 redeemable preference shares series A for total consideration of $5,240 (see note 13).
- Exercise of 27,500 options at an exercise price of $2.39 per share totalling $65,725 (see note 13).
- Split of all ordinary shares on issue immediately pre IPO on a 1 for 16.16718 basis*.

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ORTHOCELL LIMITED AND CONTROLLED ENTITY
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	Reviewed 31 Dec 2013 $	(Minimum) Reviewed Pro forma 31 Dec 2013 $	(Maximum) Reviewed Pro forma 31 Dec 2013 $	Audited 30 June 2013 $
Note 3 CASH AND CASH EQUIVALENTS				
Cash at bank	305,997	6,315,397	8,185,297	591,144
Reconciliation of cash (pro forma reviewed):				
Balance at the beginning of the period		305,997	305,997	
Pre-IPO capital raisings net of associated costs		1,978,709	1,978,709	
Pre- IPO exercise of options		65,725	65,725	
IPO capital raise		6,000,000	8,000,000	
Administrative costs from 1 January 14 to date of IPO		(1,300,034)	(1,300,134)	
Acquisition of patent		(150,000)	(150,000)	
Costs associated with IPO		(585,000)	(715,000)	
Balance at the end of the period		6,315,397	8,185,297	
Note 4 INVENTORIES				
Inventories at cost	40,109	40,109	40,109	37,227
Work-in-progress	136,488	136,488	136,488	147,797
Total	176,597	176,597	176,597	185,024
Note 5 INTANGIBLES				
Patents and trademarks at cost	626,414	776,414	776,414	544,929
Less: Accumulated amortisation	(11,420)	(11,420)	(11,420)	(7,223)
Total	614,994	764,994	764,994	537,706
Reconciliation				
Balance at beginning of period	537,706	537,706	537,706	384,393
Additions	81,485	231,485	231,485	160,536
Amortisation for the period	(4,197)	(4,197)	(4,197)	(7,223)
Balance at period end	614,994	764,994	764,994	537,706
Note 6 TRADE AND OTHER PAYABLES				
Trade payables	330,865	330,865	330,865	303,241
Other payables	185,527	185,527	185,527	-
Total	516,392	516,392	516,392	303,241
Note 7 OTHER CURRENT LIABILITIES				
Accrued expenses	67,206	67,206	67,206	117,180
Revenue received in advance	107,950	107,950	107,950	107,950
Total	175,156	175,156	175,156	225,130
Note 8 OTHER NON-CURRENT LIABILITIES				
Revenue received in advance	809,675	809,675	809,675	863,650

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ORTHOCELL LIMITED AND CONTROLLED ENTITY
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	Reviewed 31 Dec 2013 $	(Minimum) Reviewed Pro forma 31 Dec 2013 $	(Maximum) Reviewed Pro forma 31 Dec 2013 $	Audited 30 June 2013 $
Note 9 ISSUED SHARE CAPITAL				
Ordinary shares – fully paid				
Opening balance – ordinary shares fully paid	3,162,553	3,162,553	3,162,553	3,162,553
Exercise of 27,500 options at $2.39 per option	-	65,725	65,725	-
Conversion of redeemable preference shares into fully paid ordinary shares*	-	4,923,709	4,923,709	-
	3,162,553	8,151,987	8,151,987	3,162,553
Split of ordinary shares on issue on a 1 for 16.16718 per share basis	-	-	-	-
Proposed issue of 15,000,000 ordinary shares at $.40	-	6,000,000	-	-
Proposed issue of 20,000,000 ordinary shares at $.40	-	-	8,000,000	-
Total ordinary shares	3,162,553	14,151,987	16,151,987	3,162,553
Redeemable preference shares				
Opening balance – redeemable preference shares – series A	1,325,000	1,325,000	1,325,000	1,325,000
Opening balance – redeemable preference shares – series A2	1,500,000	1,500,000	1,500,000	1,500,000
Issue of 1,000 redeemable preference shares – series A at $5.24 per share	-	5,240	5,240	-
Issue of 399,517 redeemable preference shares – series A at $5.24 per share	-	2,093,469	2,093,469	-
Conversions of redeemable preference shares into fully paid ordinary shares*	-	(4,923,709)	(4,923,709)	-
Total redeemable preference shares	2,825,000	-	-	2,825,000
Capital raising costs				
Opening balance – capital raising costs	(66,420)	(66,420)	(66,420)	(66,420)
Capital raising costs associated with the issue of 399,517 shares at $5.24 per share	-	(120,000)	(120,000)	-
Costs associated with the prospectus and listing on the ASX as disclosed in note 2	-	(585,000)	(715,000)	-
Total capital raising costs	(66,420)	(771,420)	(901,420)	(66,420)
TOTAL ISSUED SHARE CAPITAL	5,921,133	13,380,567	15,250,567	5,921,133

	Reviewed 31 Dec 2013 No.	(Minimum) Reviewed Pro forma 31 Dec 2013 No.	(Maximum) Reviewed Pro forma 31 Dec 2013 No.	Audited 30 June 2013 No.
Note 9 ISSUED SHARE CAPITAL (CONTINUED)				
Ordinary shares – fully paid				
Opening balance – ordinary shares fully paid	2,138,526	2,138,526	2,138,526	2,138,526
Exercise of 27,500 options at $2.39 per option	-	27,500	27,500	-
Conversion of redeemable preference shares into fully paid ordinary shares	-	1,699,831	1,699,831	-
	2,138,526	3,865,857	3,865,857	2,138,526
Split of ordinary shares on issue on a 1 for 16.16718 per share basis	-	58,634,143	58,634,143	-
Proposed issue of 15,000,000 ordinary shares at $.40	-	15,000,000	-	-
Proposed issue of 20,000,000 ordinary shares at $.40	-	-	20,000,000	-
Total ordinary shares	2,138,526	77,500,000	82,500,000	2,138,526
Redeemable preference shares				
Opening balance – redeemable preference shares – series A	960,714	960,714	960,714	960,714
Opening balance – redeemable preference shares – series A2	338,600	338,600	338,600	338,600
Issue of 1,000 redeemable preference shares – series A at $5.24 per share	-	1,000	1,000	-
Issue of 399,517 redeemable preference shares – series A at $5.24 per share	-	399,517	399,517	-
Conversions of redeemable preference shares into fully paid ordinary shares	-	(1,699,831)	(1,699,831)	-
Total redeemable preference shares	1,299,314	-	-	1,299,314

Note 10 OPTION RESERVE	Reviewed 31 Dec 2013	(Minimum) Reviewed Pro forma 31 Dec 2013	(Maximum) Reviewed Pro forma 31 Dec 2013	Audited 30 June 2013
	$	$	$	$
Opening balance – expiring 15/8/2015 at an exercise price of $2.39 per option	85,148	85,148	85,148	85,148
Issue of 5,912,500 options expiring 3 years from date of grant at an exercise price of $.50 per option *	-	993,300	993,300	-
	85,148	1,078,448	1,078,448	85,148
*Post share-split.				
	No.	No.	No.	No.
Opening balance – expiring 15/8/2015 at an exercise price of $2.39 per option	27,500	27,500	27,500	27,500
Exercise of 27,500 options at $2.39 per option	-	(27,500)	(27,500)	-
Issue of 5,912,500 options expiring 3 years from date of grant at an exercise price of $0.50 per option	-	5,912,500	5,912,500	-
	27,500	5,912,500	5,912,500	27,500

*Post share-split.

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ORTHOCELL LIMITED AND CONTROLLED ENTITY
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Note 11 MATERIAL CONTRACTS

Material contracts are in effect with respect to the following directors/members of key management:

The Company has entered into a contact with Mr. Paul Anderson. The terms of this contract include an agreed salary of $280,000 p.a plus superannuation. 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. The contract is subject to a 6 month notice period.

The Company has entered into a contract with Ms. Nicole Telford. The terms of this contract include an agreed salary of $150,000 p.a. plus superannuation. A bonus of up to 25% of Base Salary may be payable each year subject to achievement of key performance indicators to be agreed by the Board. The contract is subject to a 6 month notice period.

The Company has entered into a consultancy agreement with Ming Hao Zheng and Ying Fan as Trustees for the Zheng Trust (**Zheng Trust**) and Non-Executive Director Mr Ming Hao Zheng under which the Zheng Trust will be paid a rate of $150,000 per annum to provide advisory services to the Company in the area of technology development, manufacturing and quality control, intellectual property and regulatory issues, plus an additional $1,500 per day for any additional services provided by Mr Zheng not contemplated in the agreement. The Zheng Trust will provide the services of Mr Zheng to provide these services. The consultancy agreement can be terminated by the Company on 3 months' notice.

Company has entered into a consultancy agreement with Bocca Consulting Pty Ltd (**Bocca**) and Non-Executive Director Mr Matthew Callahan under which Bocca will be paid a rate of $1,500 per day to provide 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. Bocca will provide the services of Mr Callahan to provide these services. The consultancy agreement can be terminated by the Company on 3 months' notice.

The Company has also entered into a consultancy agreement with Biologica Ventures Pty Ltd (**Biologica**) and Executive Chairman Dr Stewart Washer under which Biologica will be paid a rate of $120.000 per annum to engage Dr Washer to provide services to the Company in relation to acting as Chairman of the Company. Biologica will be entitled to an annual bonus of 20% of the consultancy fee dependent upon achievements of key performance indicators as set by the Board. The Company and Dr Washer acknowledge that Dr Washer will be the Executive Chairman of the Company pursuant to this consultancy agreement. The consultancy agreement can be terminated by the Company on 3 months' notice.

As noted in the prospectus, the following material contracts are also in place:

Joint Lead Manager (JLM) Agreement:

The Company has entered into an agreement with KTM Capital Pty Ltd and Azure Capital Limited to act as Joint Lead Managers (JLMs). This agreement requires the JLMs to exclusively arrange, manage and act as joint book runners for the offer. Under the JLM Agreement, the Company has agreed to pay the JLMs 6% of the total amount raised under the Offer (plus GST)

Grandhope Agreement:

Orthocell has entered into an agreement with Grandhope in which Orthocell agreed to grant Grandhope licenced intellectual property (IP) for the purpose of commercialising the technology within all fields of human application in mainland China (excluding Hong Kong), Taiwan and the Special Administrative Region of Macau (Territory) (Grandhope Agreement).

Under the terms of the agreement Grandhope agrees to pay Orthocell:

- a fixed licence fee of $150,000 per annum for the first ten years of the agreement; and
- royalties equal to 3.3% of net sales.

Other information relating to this agreement is detailed in section 9.6(b) of the prospectus.

Erasmus Agreement:

The Company is party to a clinical trial agreement with Erasmus University Medical Centre Rotterdam (Erasmus) pursuant to which Orthocell appoints Erasmus to conduct a research project on Autologous Tenocyte Therapy, a therapy where a patient is surgically treated with an implantation of their own tenocytes(Erasmus Agreement). The study is designed to compare treatment by autologous tenocytes injection in combination with exercises versus saline injection in combination with exercises in chronic Achilles tendinopathy.

Under the Erasmus Agreement, Orthocell will pay to Erasmus the amount of €115,446. Payments are to be made in three (3) instalments of €38,482. The first and second instalments have been paid. The third instalment is payable after all patients have been included and evaluated by Erasmus and Erasmus has reported the result and data to Orthocell.

Other information relating to this agreement is detailed in section 9.6(c) of the prospectus.

Note 12 CONTINGENT LIABILITIES AND COMMITMENTS

	Reviewed 31 Dec 2013 $	Audited 30 June 2013 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	57,631	74,928
One to five years	32,856	80,199
More than five years	-	-
	90,487	155,127

Operating lease commitments includes contracted amounts for various equipment under non-cancellable operating leases expiring within one to ten years and the current office and lab rental lease.

Patent annuity commitments	Reviewed 31 Dec 2013	Audited 30 June 2013
To maintain patent rights the following commitments will need to be met by the company:		
Within one year	22,189	16,919
One to five years	104,637	103,513
More than five years	312,837	319,230
	439,663	439,663

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Note 13 SUBSEQUENT EVENTS

There have been no material transactions or events subsequent 31 December 2013 which would require comment on or adjustment to the financial information referred to above or that would cause the information referred to above to be misleading other than:

a) The proposed issue of 5,912,500 options exercisable at $0.50 at a deemed value of $993,300 to members of key management personnel as follows:
   1. Mr. Paul Anderson 1,250,000;
   2. Mr. Stewart Washer 1,250,000;
   3. Mr. Matthew Callahan 1,250,000;
   4. Professor Ming Hao Zheng 1,250,000;
   5. Ms. Nicole Telford 500,000; &
   6. Mr. Simon Robertson 412,500.

   The Company has obtained shareholder approval to issue these options to the related parties of the Company. The options have been offered under the Prospectus and it is intended that they will be issued at the same time as shares under the Prospectus.
b) The pre-split issue of 339,517 redeemable preference shares series A for total consideration of $2,093,469 before costs of $120,000.
c) The issue of 1,000 redeemable preference shares series A for total consideration of $5,240.
d) The exercise of 27,500 options at an exercise price of $2.39 per share.

Note 14 CONTROLLED ENTITIES

Name	Country of incorporation	% ownership	Class of shares
Ausbiomedical Pty Ltd	AUD	100	Ordinary

8 DETAILS OF THE OFFER

8.1 Description of the Offer

This Prospectus relates to an initial public offering of 20,000,000 Shares in the Company at a price of $0.40 per Share to raise up to $8,000,000.

The minimum subscription under this Prospectus is $6,000,000. In the event the minimum subscription has not been raised within 4 months of the date of this Prospectus, the Company will either repay all application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application Form and be repaid their application money. No interest will be paid on this money.

The Directors may reject any Application made under the Offer or allocate fewer Shares than the Applicant has applied for.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

8.2 Purpose of the Offer

The purpose of this Offer is to:

a. provide Orthocell with a liquid market for its Shares and an opportunity for others to invest in the Company;

b. enable the Company to progress the development of its CelGro™ product and pursue requisite regulatory approvals for both Ortho-ATI™ and CelGro™ products in Australia and other markets;

c. to expand the sales and marketing capability of Orthocell to increase sales of the Company's products; and

d. raise working capital and to meet the expenses of the Offer.

8.3 Sources and uses of funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, following admission of the Company to the official list of ASX, as follows:

Funds available	Minimum subscription Amount $000		Full subscription Amount $000	
Existing cash reserves[1]	900		900	
Funds raised from the Offer	6,000		8,000	
TOTAL	**6,900**		**8,900**	
Use of funds	**$**	**%**	**$**	**%**
• Progress the CelGro™ product development and lodge an application for approval with the TGA • Advance the development and commercialisation in Australia for Ortho-ATI™ • Maintain requisite regulatory approvals for both Ortho-ATI™ and Ortho-ACI™ products in Australia • Pursue regulatory approval for Ortho-ATI™ in the first international jurisdiction outside Australia, likely to be Europe or Japan	2,660	38.55	3,549	39.87

Expand the sales and marketing capability of the Company to increase sales and exposure of the Company's products	991	14.36	1,783	20.03
Maintenance of patents and intellectual property	520	7.54	520	5.84
Capital expenditure	117	1.69	117	1.31
Working capital and administrative expenses	2,027	29.38	2,216	24.90
Expenses of the Offer	585	8.48	715	8.05
TOTAL	**6,900**	**100**	**8,900**	**100**

1. This is the Company's approximate cash balance as at the date of this Prospectus.
2. Working capital includes wages, bonuses and superannuation of employees and directors, rent and outgoings, insurance, travel expenses and all other items of a general administrative nature.
3. Expenses of the Offer include accounting fees, legal fees, ASX listing fees, corporate advisory fees, brokerage commissions, auditing fees, share registry fees, printing fees and other miscellaneous expenses associated with the Offer.

The table above represents current intentions as at the date of lodgement of this Prospectus with ASIC based on the current business plan and business conditions. The amount and timing of the actual expenditure may vary and will depend upon numerous factors, including the timing and success of the Company's commercialisation activities and revenue from sales. As with any work plan and budget, intervening events (including the success or failure of the development of the Company's products) and new circumstances have the potential to affect the manner in which funds are ultimately applied. Accordingly, the actual expenditures may vary from the above estimates and the Board reserves the right to vary the expenditures dependent on circumstances and other opportunities.

In the event the minimum subscription has not been raised within 4 months of the date of this Prospectus, the Company will either repay all application monies to Applicants or issue a supplementary or replacement prospectus to allow Applicants one month to withdraw their Application Form and be repaid their application money. No interest will be paid on this money.

Where the Company receives funds in excess of the minimum subscription under the Offer but the Offer is not fully subscribed, such funds received in excess of the minimum subscription will be applied to research and development, expanding the sales and marketing capability of the Company and working capital.

8.4 Terms of the Offer

What is the type of security being offered?	Shares (being fully paid ordinary shares in Orthocell).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.4.
What is the consideration payable for each Share?	The Offer Price is $0.40 per Share.
What is the minimum and maximum application size under the Offer?	The minimum application under the Offer is 5,000 Shares and thereafter in multiples of 2,000 Shares. The Joint Lead Managers and Orthocell reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. There is no maximum value of Shares that may be applied for under the Offer.
What is the allocation policy?	The allocation of Shares under the Offer will be determined by the Joint Lead Managers in consultation with Orthocell.

When will I receive confirmation whether my application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 7 July 2014.
Will the Shares be quoted?	Orthocell will apply for admission to the official list of the ASX and quotation of Shares on the ASX under the code OCC. Listing is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. Orthocell will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Orthocell from time to time. The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Orthocell to the official list is not to be taken as an indication of the merits of Orthocell or the Shares offered for subscription.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on the ASX will commence on or about 16 July 2014. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. Orthocell and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or by a broker or otherwise.
Is the Offer underwritten?	No.
Are there any escrow arrangements?	Yes. Details of the escrow arrangements applicable to the Offer are provided in Section 1.7.
Are there any tax considerations?	The Directors are unable to provide advice as to the taxation implications of the Offer or an investment in the Shares in relation to an individual investor and as such investors are encouraged to seek their own professional advice before making an investment in the Shares.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to Orthocell's Company Secretary on 08 9360 2888 (within Australia) or +61 8 9360 2888 (outside Australia) from 8:30am to 5:30pm (WST), Monday to Friday, during the Offer period. If you are unclear in relation to any matter in relation to this Prospectus or are uncertain as to whether Orthocell is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

8.5 How to apply for Shares

Applications for Shares under the Offer must be made using the Application Form accompanying this Prospectus.

Applications for Shares must be for a minimum of 5,000 Shares and thereafter in multiples of 2,000 Shares. Payment for the Shares must be made in full at the issue price of $0.40 per Share.

Completed Application Forms and accompanying cheques must be mailed or delivered to:

Automic Registry Services
PO Box 223
West Perth 6872

Cheques should be made payable to "Orthocell Limited IPO" and crossed "Not Negotiable". Completed Application Forms must reach the address set out above by no later than the Closing Date

All payments must be in Australian dollars. Payment must be submitted with your Application Form. If the correct payment is not included, your Application may be rejected. If you are not issued all of the Shares you apply for, your payment for the unissued Shares will be returned to you (without interest).

The Opening Date for the Offer is 5 June 2014 and the Closing Date for Offer is 5.00pm WST on 27 June 2014, or such later date as the Directors, in their absolute discretion, may determine.

8.6 Allotment of Shares

Subject to the minimum subscription under the Offer being reached, all conditions to the Offer being satisfied and ASX granting conditional approval for quotation on the ASX, the Shares to be issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Shares under the Offer in consultation with the Joint Lead Managers. The Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

8.7 Discretion regarding the Offer

Orthocell may withdraw the Offer at any time before the issue of Shares to successful Applicants or bidders under Offer. If the Offer does not proceed, all relevant Application Monies will be refunded (without interest) in accordance with the requirements of the Corporations Act.

Orthocell and the Joint Lead Managers also reserve the right (subject to the ASX Listing Rules and the Corporations Act) to close the Offer, extend the Offer, accept late Applications either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than the amount applied or bid for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

8.8 ASX Listing, registers and holding statements

a. Application to the ASX for listing of Orthocell and quotation of Shares

Orthocell will apply for admission to the official list of ASX and quotation of the Shares on the ASX within seven days of the date of this Prospectus. Orthocell expects the ASX code to be OCC.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Orthocell to the official list of the ASX is not to be taken as an indication of the merits of Orthocell or the Shares offered under this Prospectus.

If permission is not granted for the official quotation of the Shares on the ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by Orthocell will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Orthocell from time to time), Orthocell will be required to comply with the ASX Listing Rules.

b. CHESS and issuer sponsored holdings

Orthocell will apply to participate in the ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Listing, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number for CHESS holders or, where applicable, the Security Holder Reference Number of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Syndicate Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Orthocell and the Share Registry may charge a fee for these additional issuer sponsored statements.

8.9 Description of Shares

Refer to Section 9.4 for an outline of the Constitution and rights attached to Shares.

9 ADDITIONAL INFORMATION

9.1 Registration

The Company was registered in Victoria, Australia on 21 March 2006 as a proprietary company limited by shares and was converted into a public company limited by shares on 21 September 2012.

9.2 Company tax status

Orthocell is and will be subject to tax at the Australian corporate tax rate.

9.3 Capital structure

The Company currently has the following shares on issue:

Ordinary Shares	2,166,026
Series A Preference Shares	1,361,230
Series A2 Preference Shares	338,600

In preparation for listing, the Company has obtained various shareholder approvals to convert the Series A Preference Shares and Series A2 Preferences Shares into ordinary Shares, and (post these conversions) to effect a division of Shares on the basis that 1 ordinary Share will be divided into 16.16718 new ordinary Shares.

The conversion and Share division will have effect immediately upon ASX conditionally confirming that it will admit the Company to the Official List. Upon this occurring, the Company will have 62,500,000 ordinary Shares on issue.

9.4 Rights attaching to Shares

A shareholder's agreement dated 26 May 2006 (as amended) (**Shareholders Agreement**) and the Company's current constitution govern the rights attaching to shares in the Company.

The Company's shareholders have agreed to terminate the Shareholders Agreement, and have approved the adoption by the Company of a new ASX compliant constitution, which will take effect from the date ASX conditionally confirms that it will admit the Company to the Official List.

The following is a broad summary of the more significant rights, privileges and restrictions attaching to Orthocell's Shares upon listing on ASX. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders in Orthocell. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are:

i. set out in Orthocell's new Constitution to be adopted, a copy of which is available for inspection at Orthocell's registered office during normal business hours; and

ii. in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the general law.

All Shares issued pursuant to this Prospectus will, from the time that they are issued, rank equally with Orthocell's existing issued Shares.

a. Voting

Subject to the Constitution and any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of Shareholders or classes of Shareholders:

i. every Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

ii. on a show of hands every Shareholder who is present in person or by proxy, attorney or representative has one vote; and

iii. on a poll every Shareholder who is present in person or by proxy, attorney or representative has one vote for every Share held, but, in respect of partly-paid shares, shall have a fraction of a vote for each partly-paid share.

A poll may be demanded before a vote for show of hands is taken, or before or immediately after the declaration of the result of the show of hands by the chair of the meeting, by at least five Shareholders present and entitled to vote on the resolution or by any one or more Shareholders representing at least 5% of the votes that may be cast on the resolution on a poll.

b. Dividends

Subject to the Corporations Act, the ASX Listing Rules, the rights of any preference Shareholders and the rights or restrictions attached to a share or class of shares, the Directors may pay a dividend in respect of Shares as, in their judgment, the financial position of Orthocell justifies.

Dividends shall (subject to the rights of any preference shareholders and to the right of the holders of any shares created or raised under any special arrangement as to a dividend), be payable in the proportion which the amounts paid (not credited) on shares bears to the total amounts paid and payable (excluding amounts credited) on the share. Interest is not payable by Orthocell in respect of the dividend.

The Directors may authorise the payment to Shareholders of an interim dividend as the Directors may determine.

c. Transfer of Shares

Subject to the Constitution and to the rights or restrictions attached to any share or class of shares, a Shareholder may transfer Shares by a Proper ASTC Transfer (as defined in the Corporations Regulations 2001 (Cth)); or an instrument in writing in any usual form or in any other form that the Directors approve.

The Directors may ask ASX Settlement to apply a holding lock to prevent a Proper ASTC Transfer or may decline to register an instrument of transfer of Shares received, where permitted or required by the ASX Listing Rules or the ASX Settlement Operating Rules or, except for a Proper ASTC Transfer, under the terms of the issue of the Shares or where the transfer is not in registrable form, where Orthocell has a lien on the Shares transferred, where the transfer may breach a law of Australia, when the holding would be less than a marketable parcel (in the case of paper-based transfers), or where the transfer is not permitted under the terms of an employee incentive scheme.

Orthocell must give written notice of the refusal, or the request for a holding lock, and the precise reasons for it:

i. to the holder of the Shares, if Orthocell asks ASX Settlement to apply a holding lock to prevent a Proper ASTC Transfer; or

ii. to the party lodging the transfer, if Orthocell declines to register any other transfer.

d. General meetings and notice

Each Shareholder is entitled to receive notice of and to attend general meetings for Orthocell and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution.

e. Winding up

Subject to the Constitution and to the rights of Shareholders entitled to Shares with special rights in a winding up, if the Company is wound up and the property of Orthocell is more than sufficient to pay all of the debts and liabilities of Orthocell and the costs, charges and expenses of the winding up, all monies and property to be distributed between Shareholders shall be distributed to them in proportion to the Shares held by them. The amount that would otherwise be distributed to the holder of a partly paid share must be reduced by the amount unpaid on that share at the date of the distribution; and if the effect of the would be to reduce the distribution to the holder of a partly paid share to a negative amount, the holder must contribute that amount to Orthocell.

A liquidator may, with the sanction of special resolution of Orthocell, divide among the Shareholders the whole or any part of the property of Orthocell and may determine how the division is to be carried out between Shareholders or different classes of Shareholders.

f. Restricted securities

In the event of a breach of the ASX Listing Rules or a breach of a restriction agreement entered into by Orthocell under the ASX Listing Rules relating to Restricted Securities (as defined in the ASX Listing Rules), the Shareholder holding the Restricted Shares in question shall cease to be entitled to be paid any dividends, distribution or any voting rights in respect of those Restricted Securities during the period of such breach.

g. Variation of class rights

The rights attached to any class of shares may unless their terms of issue state otherwise, be varied with the written consent of the holder of 75% of the shares of the class or by special resolution passed at a separate meeting of the holder of shares of the class.

The provisions of the Constitution relating to general meetings shall apply so far as they are capable of application and with necessary alterations to every such separate meeting except that a quorum is constituted by two persons who together hold or represent by proxy, attorney or representative, at least 25% of the issued shares of that class.

The rights conferred on the holders of any class of shares are to be taken as not having been varied by the creation or issue of further shares ranking equally with them.

h. Changes to capital structure

Orthocell may by ordinary resolution and subject to the Corporations Act and applicable ASX Listing Rules:

i. consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; and

ii. sub-divide all or any of its shares into shares of smaller amount than is fixed by the Constitution, but so that in the sub-division the proportion between the amount paid and the amount (if any) unpaid on each such share of a smaller amount is the same as it was in the case of the share from which the share of a smaller amount is derived.

i. Shareholder liability

As the Shares issued under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

j. Alteration to the Constitution

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

k. ASX Listing Rules

If Orthocell is admitted to the official list of the ASX, notwithstanding anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the ASX Listing Rules require to be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the ASX Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the ASX Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

9.5 Terms and conditions of Options

As detailed in 9.14, this Prospectus also relates to the offer of 5,912,500 Options to various Directors, the Company Secretary and senior management of the Company. The terms and conditions of these Options are set out below:

a. Entitlement

Subject to these terms and conditions, the Options entitle the holder to subscribe for one fully paid ordinary share in the capital of Orthocell upon the exercise of each Option.

b. Exercise Price

The exercise price of each Option is $0.50 (**Exercise Price**).

c. Expiry Date

3 years from the date of grant (**Expiry Date**).

d. Vesting Date and Exercise Period

The Options vest immediately on issue and are exercisable at any time until the Expiry Date.

e. Notice of exercise

The Options may be exercised by notice in writing to the Company and payment of the Exercise Price for each Option being exercised. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at the date of receipt. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable".

f. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the fully paid ordinary Shares of the Company.

g. Quotation of Shares on exercise

If the Company is listed on ASX application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Options.

h. Timing of issue of Shares

After an Option is validly exercised, the Company must as soon as possible:

i. issue the Share; and

ii. seek quotation of the Shares on ASX, if the Company is listed on ASX at that time.

i. Participation in new issues

There are no participation rights or entitlements inherent in the Options and the holder will not be entitled to participate in new issues of capital offered to Shareholders during the term of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six business days after the issue is announced. This will give the holder of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

j. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

i. the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and

ii. no change will be made to the Exercise Price.

k. Adjustment for rights issue

If the Company makes an issue of Shares pro rata to existing shareholders (other than an issue in lieu of or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E\,[P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one (1) Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one (1) new share.

l. Adjustments for reorganisation

If there is any reconstruction of the issued share capital of the Company, the rights of the Option holder may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

m. Quotation of Options

The Options will be unlisted Options. If listed on ASX no application for quotation of the Options will be made by the Company.

n. Transfer of Options and Shares issued upon exercise of Options

The Option holder must not offer any of the Options, or the Shares issued on exercise of the Options, for sale to any person (Secondary Offer) within 12 months from the respective date of issue of those Options or Shares (as applicable) unless:

i. the Secondary Offer does not require disclosure as a result of sections 707 or 708 of the Corporations Act (excluding section 708(1) of the Corporations Act);

ii. the Secondary Offer does not require disclosure as a result of section 708A or ASIC Class Order 04/671 or any variation or replacement of such Class Order;

iii. the Secondary Offer is made pursuant to a disclosure document in accordance with the Corporations Act; or

iv. the Secondary Offer is received by a person outside Australia.

9.6 Material contracts

a. Joint Lead Managers' Engagement Agreement

The Company has entered into an agreement with the JLMs to exclusively arrange and lead manage and act as joint book runners for the Offer (**JLM Agreement**).

Under the JLM Agreement, the Company has agreed to pay the JLMs 6% of the total amount raised under the Offer (plus GST).

The JLMs are also entitled to reimbursement for all travel, accommodation and other out of pocket expenses incurred on behalf of the Company.

The JLM Agreement contains certain standard representations, warranties and undertakings provided by the Company to the JLMs.

The JLM's have appointed Shaw to co-manage the offer. Shaw will receive a fee of 4% of the amount they raise under the Offer, such fee to be paid by the JLM's.

b. Grandhope Agreement

Overview

Orthocell is party to a licence agreement with Grandhope pursuant to which Orthocell agreed to grant to Grandhope exclusive, non-transferable licences of key patents, patent applications and know-how owned by Orthocell relating to tissue repair (**Licensed IP**) for the purpose of commercialising the technology within all fields of human application in mainland China (excluding Hong Kong), Taiwan and the Special Administrative Region of Macau (**Territory**) (**Grandhope Agreement**).

Fees

Under the Grandhope Agreement, Grandhope must use all reasonable endeavours to pursue the commercialisation of the Licensed IP so as to maximise net sales throughout the Territory. In consideration for providing the Licensed IP, Grandhope must pay Orthocell:

i. a fixed licence fee of $150,000 per annum for the first ten years of the agreement; and

ii. royalties equal to 3.3% of net sales (subject to the below).

In the event that Chinese patent application no. 201080014123.0 is rejected, Grandhope has the right to terminate the Grandhope Agreement entirely, or to terminate its license of the patents and patent applications of the Licensed IP but retain its licence to use the know-how of the Licenced IP, in which case the royalties payable to Orthocell will be reduced to 1.3% of net sales.

If Grandhope is subjected to a final and binding decision of a court of competent jurisdiction that it cannot make and sell any product that fall within the scope of, or are created, supplied or used in accordance with, any patents or patent applications included in the Licenced IP (**IP Product**) in the Territory because the Licenced IP infringes the intellectual property rights of a third party and Grandhope is unable to obtain a licence from that third party, then Orthocell will repay to Grandhope any royalties received from Grandhope in respect of net sales made in the 12 month period after the relevant final and binding decision.

In the event that any regulator issues a recall or takes a similar action in connection with the IP Products, or in the event that either party determines that an event, incident or circumstance that results in the need for a recall, Orthocell must bear the expense of any recall that is attributable to a fundamental failure of the Licenced IP and in any other case Grandhope will bear the expense of the recall.

Term and termination

The Grandhope Agreement was entered into on 10 January 2013 and will continue in force in each area in the Territory until the later of:

i. the expiry or abandonment or final rejection of the patents in that area; or

ii. 18 December 2032.

Orthocell may terminate the Grandhope Agreement by giving 30 days' written notice if the royalties of the half yearly payment for the previous six months are less than AU$1,000. Orthocell may also terminate the agreement if it considers that there is a deviation of at least $30,000 or 10% (whichever is greater) in Grandhope's records of net sales and this is confirmed by an independent auditor and Grandhope fails to remedy that error.

Grandhope may terminate the Grandhope Agreement if Chinese patent application no. 201080014123.0 is rejected.

Either party may terminate where the other party suffers an insolvency event, or where the other party commits a material breach that is not capable of remedy, or where it is capable of being remedied, is not remedied within 10 Business Days of receipt of written notice describe the breach and calling for it to be remedied.

Conversion to non-exclusive licence

Without prejudicing any other right it has under the Grandhope Agreement, Orthocell has the right to convert Grandhope's licence to a non-exclusive licence where Grandhope has failed to recruit and train at least three sales and marketing personnel for the commercialisation of the Licenced IP by 30 June 2014, or is otherwise entitled to terminate the Grandhope Agreement.

Grandhope Developments

Where Grandhope, its affiliates or personnel conceive of an invention, discovery or improvement (**Grandhope Development**) using any of the Licenced IP or confidential information provided by Orthocell, Grandhope must promptly give Orthocell notice of such Grandhope Development and will grant to Orthocell and its affiliates the first option to obtain a worldwide, non-exclusive licence to commercialise any product using that Grandhope Development at an agreed price.

Where Grandhope, its affiliates or personnel conceive a Grandhope Development independently of any Licenced IP or confidential information provided by Orthocell (**Independent Grandhope Development**), Grandhope has granted to Orthocell:

i. a call option to acquire the ownership of that Independent Grandhope Development at a price to be agreed;

ii. a right of first refusal to acquire the ownership of that Independent Grandhope Development on the same terms and conditions that a third party wishes to acquire the ownership of that Independent Grandhope Development;

iii. an exclusive licence to use any and all such Independent Grandhope Developments, including to make, have made, use, sell and market products embodying such Independent Grandhope Developments on a paid-up, perpetual and worldwide basis in jurisdictions and at a price to be agreed.

c. Erasmus clinical trial agreement

Overview

Orthocell is party to a clinical trial agreement with Erasmus University Medical Centre Rotterdam (Erasmus) pursuant to which Orthocell appoints Erasmus to conduct a research project on Autologous Tenocyte Therapy, a therapy where a patient is surgically treated with an implantation of their own tenocytes (Erasmus Agreement). The study is designed to compare treatment by autologous tenocytes injection in combination with exercises versus saline injection in combination with exercises in chronic Achilles tendinopathy.

Term and termination

The Agreement was entered into on 1 September 2010 with an effective term of two years, and contains standard termination terms.

Fees

Under the Erasmus Agreement, Orthocell agreed to pay to Erasmus the amount of €115,446. Payments are to be made in three (3) instalments of €38,482. The first and second instalments have been paid. The third instalment is payable after all patients have been included and evaluated by Erasmus and Erasmus has reported the result and data to Orthocell.

The Erasmus Agreement was entered into on 1 September 2010 with an effective term of two years. Erasmus has continued with the study notwithstanding the expiry of the agreement. It is noted that Erasmus has responsibilities to the Dutch medisch ethische toetsing commissie (Medical Research Ethics Committee) and regulator Centrale Commissie Mensgebonden Onderzoek (Central Committee on Research Involving Human Subjects) (which gave the approval for the study to be conducted) to continue with the study until it is finished. Notwithstanding this, the Company intends to formally extend the Erasmus Agreement in the short term.

9.7 Contracts with related parties and senior executives

a. Executive and senior employee contracts

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

Name	Position	Salary	Short term incentive	Notice period
Mr Paul Anderson	Managing Director	$280,000 per annum plus superannuation	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. Mr Anderson will also be granted 1,250,000 incentive Options with the terms set out in Section 9.5.	6 months
Ms Nicole Telford	Chief Financial Officer	$150,000 per annum plus superannuation	A bonus of up to 25% of Base Salary may be payable each year subject to achievement of key performance indicators to be agreed by the Board. Ms Telford will also be granted 500,000 incentive Options with the terms set out in Section 9.5.	6 months

Under the employment agreements:

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.

b. Consulting arrangments

The Company has entered into the consulting agreements with the parties set out below under which directors Matthew Callahan and Stewart Washer and Chief Scientific Officer Ming Hao Zheng, to provide services to the Company. The key terms of the consulting agreements are as follows:

Contractor	Key employee	Consulting fee	Consulting services
Bocca Consulting Pty Ltd	Mr Callahan	$1,500 per day.	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.
Biologica Ventures Pty Ltd	Dr Washer	$120,000 per annum plus an annual bonus of 20% of the consultancy fee dependent upon achieve of key performance indicators agreed to by the Board	Services to the Company in relation to acting as Chairman of the Company. The Company and Dr Washer acknowledge that Dr Washer will be the Executive Chairman of the Company pursuant to this consultancy agreement.
Ming Hao Zheng and Ying Fan as Trustees for the Zheng Trust	Prof Zheng	$150,000 per annum plus an additional $1,500 per day for any additional services provided by Mr Zheng not contemplated by the agreement	Services to be provided to the Company in the area of technology development, manufacturing and quality control, intellectual property and regulatory issues.

The Company can terminate a consulting agreement on 3 months' notice. The Company may terminate the agreement without notice (and without having to pay the Consultant an amount in lieu of notice) if the Consultant or the Key Employee is guilty of gross misconduct, the Key Employee dies, or becomes permanently incapacitated or incapacitated for a period of 2 months in any 6 month period, the Consultant or the Key Employee breaches the agreement and does not rectify the breach, the Key Employee ceases to be a Director, the Consultant or the Key Employee fails to provide the services under the agreement or breaches the covenants under the agreement. The Consultant may terminate the agreement by 6 months' notice or by notice if the Company breaches the agreement or fails to observe any provision and has not adequately responded to the breach or non-observance within 15 days.

The consultants and the key employees acknowledges that intellectual property created by them in providing services under the agreements will be owned by the Company, and undertakes not to divulge any confidential information except so far as may be necessary in connection with the proper performance of their obligations to the Company under the agreement or with the consent of the Company.

The Company has also agreed to grant Mr Callahan, Mr Washer and Prof Zheng 1,250,000 incentive Options each with the term set out in Section 9.5.

c. Non-Executive Directors letters of appointment

Pursuant to letters of continuing appointment Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou are continuing their appointments to the Board as a Non-Executive Directors following listing. Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou will each be paid a directors fee of $45,000 per annum.

Mr Callahan, Professor Lars Lidgren and Mr Qi Xiao Zhou are also entitled to fees or other amounts as the Board determines where they perform special duties or otherwise perform special duties or otherwise perform services outside the scope of the ordinary duties of a director. They may also be reimbursed for all reasonable and properly documented expenses incurred in performing their duties.

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

Orthocell has entered into a deed of indemnity, access and insurance with each of its Directors and the Company Secretary. Under these deeds, Orthocell 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 Orthocell.

Under the deeds, Orthocell 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 Orthocell for which insurance may be legally obtained. When the policy expires, Orthocell must ensure that it maintains an insurance policy for the officer during the officer's term of appointment that is on terms no less favourable to the officer (subject to the ability of Orthocell to reduce the scope of the insurance to the extent it considers reasonable if it is determined that the cost of maintaining it is such that it is not in the interests of Orthocell to maintain it, or Orthocell is unable to obtain the insurance on reasonable terms). Orthocell must also maintain the insurance for the benefit of the officer for a period of 7 years after the officer's resignation (Post-Appointment Period) which must be on terms no less favourable to the officer in any material respect than insurance in place for Orthocell's then current directors or, if such insurance is not in place, on terms which are typically maintained by other companies that operate a similar business to Orthocell and would have been available to Orthocell immediately before the officer's resignation date.

Under the deeds, an officer is also given access to Orthocell's board papers and files during business hours. During the period of the officer's appointment, this access is given for the purposes of fulfilling the officer's duties. During the Post-Appointment Period, an officer may only request access to copies of board papers (or files) that relate (directly or indirectly) to the officer's conduct in his or her capacity as an officer of the Company during the period of the officer's appointment. Orthocell may deny access if it is sought for reasons contrary to the interests of Orthocell.

e. Payments permitted by the Constitution

The Constitution of Orthocell provides that each director is entitled to the remuneration out of the funds of the Company as the director determine, but the remuneration of non-executive directors may not exceed in total in any year the amount fixed the Company in general meeting for that purpose. The aggregate remuneration for Non-Executive Directors has been set at an amount not to exceed $450,000 per annum.

Directors, companies associated with the Directors or their associates are reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of Orthocell and other miscellaneous expenses.

9.8 Litigation

So far as the Directors are aware, other than as described elsewhere in this Prospectus, there is no current or threatened civil litigation, arbitration, proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company is directly or indirectly concerned or which is likely to have a material adverse impact on the business or financial position of the Company.

9.9 Ownership of subsidiaries

The Company has one subsidiary, Ausbiomedical Pty Limited (ACN 121 230 537). Ausbiomedical Pty Limited is a wholly owned subsidiary of the Company.

9.10 Privacy Act

If you complete an Application Form, you will be providing personal information to Orthocell. Orthocell collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that Orthocell or Orthocell's share registry holds about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application Form, Orthocell may not be able to accept or process your application.

9.11 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

a. person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

b. promoter of Orthocell; or

c. underwriter (but not a sub-underwriter) to the issue of a financial services licensee named in this Prospectus as a financial services licensee involved in the issue, holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

d. the formation or promotion of Orthocell;

e. any property acquired or proposed to be acquired by Orthocell in connection with:

i. its formation or promotion; or

ii. the Offer; or

f. the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

g. the formation or promotion of Orthocell; or

h. the Offer.

KTM Capital has acted as a Joint Lead Manager in relation to the Offer. The Company estimates it will pay KTM Capital a total of approximately $240,000 (excluding GST) for these services, based on the Offer being fully subscribed. Further details of KTM Capital's engagement as Joint Lead Manager is set out in Section 9.6(a). During the 24 months preceding lodgement of this Prospectus with ASIC, KTM Capital has received fees from the Company in the amount of $77,100.

Azure Capital has acted as a Joint Lead Manager in relation to the Offer. The Company estimates it will pay Azure Capital a total of approximately $240,000 (excluding GST) for these services, based on the Offer being fully subscribed. Further details of Azure Capital's engagement as Joint Lead Manager is set out in Section 9.6(a). During the 24 months preceding lodgement of this Prospectus with ASIC, Azure Capital has received fees from the Company in the amount of $43,050.

Shaws has acted as a co-manager to the Offer. The Company will not pay any fees to Shaws for these services, however, the JLMs will pay Shaws a fee of 4% of the amount raised by Shaws under the Offer. Shaws has not received fees from the Company in the 24 months preceding logdement of this Prospectus with ASIC.

PKF Mack and Co has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 7. The Company estimates it will pay PKF Mack and Co a total of $10,000 (excluding GST) for these services. PKF Mack and Co also acts as the Company's Auditors. During the 24 months preceding lodgement of this Prospectus with ASIC, PKF Mack and Co has received fees from the Company in the amount of $24,120.

Gilbert + Tobin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Gilbert + Tobin a total of approximately $110,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Gilbert + Tobin has received fees from the Company in the amount of $113,075.

Griffith Hack has acted as Patent Attorney and has prepared the Patent Report which is included in Section 5. The Company estimates it will pay Griffith Hack a total of $9,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with ASIC, Griffith Hack has received fees from the Company in the amount of $159,800.

9.12 Consents

Each of the parties referred to in this Section:

a. does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

b. to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

KTM Capital has given its written consent to being named as Joint Lead Manager to the Offer in this Prospectus. KTM Capital has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Azure Capital has given its written consent to being named as Joint Lead Manager to the Offer in this Prospectus. Azure Capital has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Shaw has given its written consent to being named as co-managers to the Offer in this Prospectus. Shaw has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

PKF Mack and Co has given its written consent to being named as Auditor and Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 7 in the form and context in which it is included. PKF Mack and Co has not caused or authorised the issue of this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Griffith Hack has given its written consent to being named as patent attorney to the Company in this Prospectus and to the inclusion of the Patent Report in Section 5. Griffith Hack has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Gilbert + Tobin has given its written consent to being named as the solicitors to the Company in this Prospectus. Gilbert + Tobin has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

None of the consenting parties has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. None of the consenting parties has authorised or caused the issue of this Prospectus and does not make any offer of Shares.

9.13 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director holds, or has held within the two years preceding lodgement of this Prospectus with ASIC, any interest in:

a. the formation or promotion of Orthocell;

b. any property acquired or proposed to be acquired by Orthocell in connection with:

   i. its formation or promotion; or

   ii. the Offer; or

c. the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons:

d. as an inducement to become, or to qualify as, a Director; or

e. for services rendered in connection with:

   i. the formation or promotion of Orthocell; or

   ii. the Offer.

9.14 Director and Senior Management Options

This Prospectus also relates to the issue of 5,912,500 Options to the following parties (or their nominees):

a. 1,250,000 Options to Mr Paul Anderson;

b. 1,250,000 Options to Mr Stewart Washer;

c. 1,250,000 Options to Mr Matthew Callahan;

d. 1,250,000 Options to Professor Ming Zheng

e. 500,000 Options to Ms Nicole Telford; and

f. 412,500 Options to Mr Simon Robertson.

(together, **Director and Senior Management Options**).

The Director and Senior Management Options expire 3 years from the date of grant and are otherwise issued on the terms and conditions set out in Section 9.5. The Director and Senior Management Options will be escrowed for a period of 24 months from Listing.

The issue of the Director and Senior Management Options to Mr Washer, Mr Anderson, Mr Callahan and Ms Telford was approved by Shareholders on 2 May 2014.

An application for Director and Senior Management Options can only be made by the parties outlined in items (a) to (e) above (or their nominee/s) on a separate loose leaf application form accompanying this Prospectus entitled "Director and Senior Management Options Application Form".

No consideration is payable for the Director and Senior Management Options.

The completed Director and Senior Management Options Application Form is to be lodged by applicant prior to the Closing Date at the Company registered office:

Building 191 Murdoch University
South Street
Murdoch WA 6150

10 DIRECTORS' CONSENT

This Prospectus is issued by Orthocell and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented in writing to the lodgement of this Prospectus with ASIC.

Stewart Washer
Executive Chairman

FOR AND ON BEHALF OF ORTHOCELL LIMITED

11 DEFINITIONS

Term	Meaning
Accounting Standards	means accounting standards, principles and practices applying by law or otherwise generally accepted and consistently applied in Australia.
Application Monies	the amount accompanying an Application Form submitted by an investor.
Applicant	an investor that applies for Shares using an Application Form pursuant to this Prospectus, and Application has a corresponding meaning.
Application Form	the application form attached to or accompanying this Prospectus relating to the Offer.
ARM	Alliance of Regenerative Medicine.
ARTG	Australian Register of Therapeutic Goods.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691).
ASX Listing Rules	the listing rules of ASX.
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532).
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement as amended from time to time.
AUD$, Dollar or $	Australian dollars.
Azure Capital	Azure Capital Limited (ACN 107 416 106).
Board	means the board of Directors.
Bankruptcy Act	Bankruptcy Act 1966 (Cth).
Business Day	a day on which trading takes place on the stock market of ASX.
Closing Date	the closing date for receipt of Application Forms under this Prospectus being 27 June 2014 (unless extended or closed early by the Company).
Company	Orthocell Limited (ACN 118 897 135) and where the context requires, includes Orthocell's subsidiaries.
Constitution	the Company's Constitution as at the date of this Prospectus.
Corporations Act	the Corporations Act 2001 (Cth).
Directors	directors of the Company at the date of this Prospectus.
Existing Shareholders	the holders of Shares as at the date of this Prospectus.
Expiry Date	the date that is 13 months after the date of this Prospectus.
Exposure Period	the period of 7 days from the date of lodgement of this Prospectus with ASIC. This period may be extended by ASIC for a further period of up to 7 days.
Grandhope	Grandhope Biotech Co. Ltd. a Chinese corporation.
Investigating Accountant's Report or IAR	the Investigating Accountant's Report included in Section 7.
Joint Lead Managers or JLMs	Azure Capital and KTM Capital
Listing	the commencement of trading in Shares on the Official List of the ASX.

KTM Capital	KTM Capital Pty Ltd (ACN 086 281 950)
Offer	the offer under this Prospectus of 20,000,000 Shares to be issued by Orthocell.
Offer Price	$0.40 per Share.
Offer Shares	the Shares being offered pursuant to this Prospectus.
Official Quotation	quotation on the official list of ASX.
Opening Date	the opening date for receipt of Application Forms under this Prospectus being 5 June 2014.
Option	an option to acquire a Share, the terms of which are set out in Section 9.5.
Orthocell	Orthocell Limited (ACN 118 897 135) and where the context requires, includes Orthocell's subsidiaries.
Privacy Act	Privacy Act 1988 (Cth).
Prospectus	this Prospectus.
Public Information	public and other media statements made by, or on behalf and with the knowledge and consent of Orthocell in relation to the business or affairs of Orthocell or the Offer.
Q1	calendar quarter 1
Q2	calendar quarter 2
Q3	calendar quarter 3
Q4	calendar quarter 4
Registry	Automic Registry Services (ABN 27 152 260 814).
Share	a fully paid ordinary share in the capital of the Company and, where the context permits, means the Shares the subject of the Offer.
Shareholders	the holders of Shares.
Shaw	Shaw Stockbroking Limited
TGA	Therapeutic Goods Administration.
WA	Western Australia
WST	Western Standard Time

CORPORATE DIRECTORY

Directors

Dr Stewart Washer

Mr Paul Anderson

Professor Lars Lidgren

Mr Matthew Callahan

Mr Qi Xiao Zhou

Company Secretary

Simon Robertson

SLR Consulting Pty Ltd

Telephone: +61 8 6555 2955

Facsimile: +61 8 6210 1153

Registered Office

Building 191 Murdoch University

South Street

Murdoch WA 6150

Australia

Telephone: + 61 8 9360 2888

Facsimile: +61 8 9360 2899

Website

www.orthocell.com.au

Investigating Accountant

PKF Mack & Co

Telephone: +61 8 9426 8999

Facsimile: +61 8 9426 8900

Joint Lead Managers

KTM Capital Pty Ltd

Azure Capital Limited

Solicitors to the Company

Gilbert + Tobin

1202 Hay Street

WEST PERTH WA 6005

Telephone: +61 8 9413 8400

Facsimile: +61 8 9413 8444

Proposed ASX Code

OCC

Share Registry*

Automic Registry Services

Suite 1a, Level 1

7 Ventnor Avenue

WEST PERTH WA 6005

Telephone: +61 8 9324 2099

Facsimile: +61 8 9321 2337

* This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Their name is included for information purposes only.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

ORTHOCELL LIMITED
ABN 57 118 897 135

APPLICATION FORM

This is an Application Form for Shares in Orthocell Limited under the terms set out in the Prospectus dated 28 May 2014. This Application Form and your cheque must be received by the registry, Automic Registry Services, by the closing date. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. By submitting this Application Form, I/We declare that all details and statements made by me/us in this Application Form are complete and accurate. I/We agree to be bound by the terms and conditions set out in the Prospectus and by the constitution of Orthocell Limited. I/We authorise Orthocell Limited to complete and execute any documentation necessary to effect the issue of Shares to me/us. I/We have received personally a copy of the Prospectus accompanied by or attached to this Application Form. I/We represent, warrant and undertake to Orthocell Limited that my/our subscription for Shares will not cause the company or me/us to violate the laws of Australia or any other jurisdiction which may be applicable to this subscription for Shares in the company. I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Shares In Orthocell Limited and that no notice of acceptance of the application will be provided.

1 Number of Shares you are applying for

, ,

2 Total amount payable

A$, , .

Applications must be for a minimum of 5,000 Shares and thereafter in multiples of 2,000 Shares.

3 Write the name(s) you wish to register the shares in (see reverse for instructions)

Name of Applicant 1

Name of Applicant 2 or <Account Designation>

Name of Applicant 3 or <Account Designation>

4 Write your postal address here – to be registered against your holding

Number/Street

Suburb/Town

State

Postcode

5 CHESS Participants only – Holder Identification Number (HIN)

X

Note: *if the name and address details in sections 3 & 4 above do not match exactly with your registration details held at CHESS, any Shares issued as a result of your Application will be held on the Issuer Sponsored subregister.*

6 TFN/ABN/Exemption Code

Applicant 1

Applicant #2

Applicant #3

If NOT and individual TFN/ABN, please note the type in the box
C = Company; P = Partnership; T = Trust; S = Super Fund

7 PLEASE INSERT CHEQUE DETAILS

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Orthocell Limited IPO** crossed "Not Negotiable" and forwarded to Automic Registry Services to arrive no later than the Closing Date.

Cheque Number

BSB -

Account Number

8 CONTACT DETAILS

Please use details where we can contact you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

Telephone Number

( )

Contact Name (PRINT)

INSTRUCTIONS TO COMPLETION OF THIS APPLICATION FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM

Please complete all relevant sections of this Application Form using BLOCK LETTERS

The below instructions are cross-referenced to each section of the Application Form.

1 Number of Shares

Insert the number of Shares you wish to apply for in section 1. Your application must be for a minimum of 5,000 Shares and in multiples of 2,000 Shares thereafter.

2 Payment Amount

Enter into section 2 the total amount payable. Multiply the number of Shares applied for by $0.40 – the application price per Share.

3 Name(s) in which the Shares are to be registered

Note that ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person.

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Trust
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample < Food Help Club A/C>	Food Help Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

4 Postal Address

Enter into section 4 the postal address to be used for all written correspondence. Only one address can be recorded against a holding. With exception to annual reports, all communications to you from the Company will be mailed to the person(s) and address shown. Annual reports will be made available online when they are released. Should you wish to receive a hard copy of the annual report you must notify the Share Registry. You can notify any change to your communication preferences by visiting the registry website – www.automic.com.au

5 CHESS Holders

If you are sponsored by a stockbroker or other participant and you wish to have your allocation directed into your HIN, please complete the details in section 5.

6 TFN/ABN/Exemption

If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details in section 7. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application Form.

7 Cheque Details

Cheques must be drawn on an Australian branch of a financial institutional in Australian currency, made payable to **Orthocell Limited IPO** and crossed "Not Negotiable". Please complete the relevant details in section 7.

8 Contact Details

Please enter contact details where we may reach you between the hours of 9:00am and 5:00pm should we need to speak to you about your application.

HOW TO LODGE YOUR APPLICATION FORM

Mail or deliver your completed Application Form with your cheque to the following address.

Mailing Address

Orthocell Limited
C/- Automic Registry Services
PO Box 223
WEST PERTH WA 6872

Hand Delivery
(Please do not use this address for mailing purposes)
Orthocell Limited
C/- Automic Registry Services
Level 1, 7 Ventnor Avenue
WEST PERTH WA 6005

It is not necessary to sign or otherwise execute the Application Form.

Application must be received by no later than 5pm (WST) on the Closing Date of 27 June 2014 (which may be changed at the discretion of Orthocell Limited subject to applicable laws).

If you have any question as to how to complete the Application Form, please contact Automic Registry Services on +61 89324 2099

Privacy Statement

Atomic Pty Ltd advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown above.
Our privacy policy is available on our website www.atomic.com.au

ortho cell

Orthocell Limited
Building 191 Murdoch University, South Street
MURDOCH WA 6150
Phone: +61 (0)8 9360 2888
Fax: +61 (0)8 9360 2899
www.orthocell.com.au