

2020 CORPORATE GOVERNANCE STATEMENT

General

The Board of Directors of Orthocell Limited (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

Further information about the Company's corporate governance practices is set out on the Company's website at www.orthocell.com.au.

This Statement was approved by the Board of Directors and is current as at 30 August 2020.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: a listed entity should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board has adopted a formal charter that details the respective board and management functions and responsibilities. A copy of this board charter is available in the corporate governance section of the Company's website at www.orthocell.com.au.

ASX Recommendation 1.2: a listed entity should undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.

The Company carries out appropriate checks prior to the appointment of new Directors. Information in relation to Directors seeking reappointment is set out in the Directors report and Notice of Annual General Meeting.

ASX Recommendation 1.3: a listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company has in place written agreements with each Director.

ASX Recommendation 1.4: the company secretary of a listed company should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Board Charter provides for the Company Secretary to be accountable directly to the board through the Chair.

ASX Recommendation 1.5: a listed entity should:

- have a diversity policy which includes the requirement for the board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;
- disclose the policy or a summary of it;
- disclose the measurable objectives and progress towards achieving them; and
- disclose the respective proportions of men and women on the board and at each level of management and the company as a whole.

The Company has adopted a Diversity Policy which is available in the corporate governance section of the Company's website at www.orthocell.com.au.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

As at 30 June 2020, the Company has 1 (17%) female Board members (2019: nil). The Company has 1 female (33%) in senior management positions, (2019: 1, 33%). Of the balance of the Company's employees 68% are female (2019: 76%). 55% (2019: 59%) of the Company's employees in total, including Directors, are female.

ASX Recommendation 1.6: a listed entity should disclose the process for evaluating the performance of the board, its committees and individual directors and whether a performance evaluation was carried out during the reporting period in accordance with that process.

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

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

The performance of executive Directors, including the Managing Director, is conducted as part of the Board evaluation procedure. Additionally the Remuneration Committee conducts an evaluation of the Managing Director's performance against specific KPIs set for the previous year, and to establish KPIs for the forthcoming year.

A performance review of the Board was undertaken during the reporting period. The Remuneration Committee's evaluation was conducted post year end.

ASX Recommendation 1.7: a listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

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

Performance reviews of executives were not undertaken during the reporting period however were undertaken post year end

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.1: The board of a listed entity should establish a nomination committee:

- with at least three members the majority of which are independent directors
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

Given the present size and complexity of the Company the Board has not constituted a Nomination Committee with the full Board carrying out the role of a Nomination Committee.

ASX Recommendation 2.2: a listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Board has established a skills matrix. On a collective basis the Board has the following skills:

Strategic expertise - ability to identify and critically assess strategic opportunities and threats and develop strategies.

Specific Industry knowledge - Experience in regenerative medicine or other Biotech or related sector.

International experience – members of the Board have an understanding the complexities of operating in foreign jurisdictions, including a basic knowledge of the general corporate, fiscal and labour laws and regulations.

Accounting and finance - members of the Board have experience in accounting and finance or the ability to read and comprehend the company's accounts, financial material presented to the board, financial reporting requirements and an understanding of corporate finance.

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

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

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

Government relations - Experience in dealing with relevant Government authorities and regulators including in respect to product regulatory pathways and re-imburement.

ASX Recommendation 2.3: a listed entity should disclose the names of the directors considered by the board to be independent directors and provide details in relation to the length of service of each Director.

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During the year ended 30 June 2020 Professor Lars Lidgren and Mr Qi Xiao Zhou were considered to be independent Directors of the Company.

Mr Matthew Callahan ceased to be a Director on 23 August 2019 following which the Company announced that Stone Ridge Ventures Pty Ltd, a company Mr Callahan is a founder and director of, had transferred management of a substantial parcel of Orthocell shares to its beneficial owner, AustralianSuper. By reason of Stone Ridge Ventures management of the substantial holding Mr Callahan disclosed his interest in the shares and as such was not considered to be an independent director up to the date he ceased to be a Director. Mr Callahan and was re-appointed a Director on 11 February 2020 and is now considered to be an independent Director.

Dr Stewart Washer and Mr Paul Anderson are Executive Directors and are not considered to be independent Directors as they are employed in an executive capacity. Ms Leslie Wise, appointed as an executive Director on 9 June 2020 is not considered to be an independent Director.

The appointment date of Directors is set out in the Directors Report forming part of the Annual Financial Statements.

ASX Recommendation 2.4: the majority of the board of a listed entity should be independent directors.

While the Board does not have a majority of independent directors at this time it considers that its composition is appropriate for the Company's current size, operations and stage of development.

The Board will review its composition as the Company's circumstances change.

ASX Recommendation 2.5: The Chair of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

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

The Managing Director is Paul Anderson.

ASX Recommendation 2.6: a listed entity should have a program for inducting new directors and provide appropriate professional development opportunities.

The Board is responsible for providing new directors with an induction to the Company and for the program for providing adequate professional development opportunities for directors and management.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1: a listed entity should establish a code of conduct and disclose the code or a summary of the code.

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

A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at www.orthocell.com.au.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should establish an audit committee:

- with at least three members, all of whom are non-executive directors and a majority of which are independent directors
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

Given the present size and complexity of the Company the Board has not constituted an Audit Committee with the full Board carrying out the role of an Audit Committee.

The qualifications of the members of the Board are set out in the Directors report forming part of the Annual Financial Statements.

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ASX Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board has received the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2019 and the full year ended 30 June 2020 from the Managing Director and the Chief Financial Officer. Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.

ASX Recommendation 4.3: a listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: a listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Chairman, Managing Director and Company

Secretary act as the Company's Disclosure Officers who are responsible for implementing and administering this policy. The Disclosure Officers are responsible for all communication with ASX and for making decisions on what should be disclosed publicly under this policy.

In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at www.orthocell.com.au after ASX confirms an announcement has been made.

A copy of the continuous disclosure policy is available in the corporate governance section of the Company's website at www.orthocell.com.au.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

ASX Recommendation 6.1: a listed entity should provide information about itself and its governance to investors via its website.

The Company's website at www.orthocell.com.au contains information about the Company's operations and technologies, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

ASX Recommendation 6.2: a listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company's Managing Director and Chairman are the Company's main contact for investors and potential investors and make themselves available to discuss the Company's activities when requested together with other Directors as required. In addition to announcements made in accordance with its continuous disclosure obligations the Company, from time to time, prepares and releases general investor updates about the Company.

Contact with the Company can be made via email addresses provided on the website.

ASX Recommendation 6.3: a listed entity should disclose the policies and processes it has in place to

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facilitate and encourage participation at meetings of security holders.

The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at www.orthocell.com.au.

ASX Recommendation 6.4: a listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

Contact with the Company can be made via email addresses provided on the website.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 7.1: The Board of a listed entity should have a committee to oversee risk:

- with at least three members, all of whom are non-executive directors and a majority of which are independent directors
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

Given the present size and complexity of the Company the Board has not constituted a Risk Committee with the full Board responsible for risk management.

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director being responsible to the Board for the risk management and control framework.

The Board conducted a review of the risk management and control framework during the reporting period.

ASX Recommendation 7.3: a listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes.

Given the Company's current size and level of operations it does not have an internal audit function.

The Board is responsible for the oversight of the Company's risk management and control framework. Responsibility for control and design of risk management is delegated to the appropriate level of management within the Company with the Managing Director being responsible to the Board for the risk management and control framework.

ASX Recommendation 7.4: a listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle.

There will a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be effected by these economic risks.

The Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

The Board currently considers that the Company does not have any material exposure to environmental risk.

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The Board currently considers that the Company does not have any material exposure to social sustainability risk. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from employees when dealing with stakeholders.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The board of a listed entity should establish a remuneration committee:

- with at least three members the majority of which are independent directors
- chaired by an independent Director; and
- disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.

The Board has established a Remuneration Committee and adopted a charter that sets out the Remuneration Committee's role and responsibilities, composition and membership requirements. Currently, Mr. Matthew Callahan (chair), Dr Stewart Washer and Professor Lars Lidgren serve on the Remuneration Committee.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.orthocell.com.au.

No separate meetings of the committee were held during the year with remuneration issues being dealt with by the full Board.

ASX Recommendation 8.2: a listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The Company remunerates non-executive Directors at a fixed fee for time, commitment and responsibilities. In addition non-executive Directors may be paid fees under consulting arrangements. Remuneration for non-executive Directors is not linked to individual performance. From time to time the Company may, subject to shareholder approval, grant options to non-executive Directors. The maximum aggregate amount of fees (including

superannuation payments) that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting.

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

Executive remuneration consists of a base salary and performance incentives.

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

Long term performance incentives may include options or other equity based products granted at the discretion of the Board subject to obtaining the relevant shareholder approvals, if required. 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.

ASX Recommendation 8.3: a listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

A participant in an equity based remuneration plan operated by the Company must not enter into a transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the equity based remuneration plan.