

ASX RELEASE | OSTEOPORE LIMITED

DECEMBER 2021 QUARTERLY ACTIVITIES REPORT

Highlights:

- *Osteopore achieved S\$307,220 (A\$310,798) in revenue for Q4 CY21, marking a 70% improvement on Q3 CY21, with improving gross margins at 71% compared to 62% achieved in Q4 CY20.*
- *The Company ended the quarter with A\$4,530,175 cash on hand, securing the continued execution of its growth strategy and to take advantage of the expected increased activity in elective surgeries.*
- *Osteopore secured the lead role in a A\$19m project with the National Dental Centre Singapore and A*STAR research institutes to develop a next generation jaw implant.*
- *Received Hong Kong approval allowing for the free sale of Osteopore products and strong potential for additional regional access.*
- *Granted patent secured for 'Smart' 3D biomimetic scaffolds in China, creating research and development opportunities in the region.*
- *Binding MOU executed with Singular Health to validate their AI model and to conduct a comparative study between Osteopore's existing cranial implant design process and the new design process in a clinical environment.*

28 January 2022: **Osteopore Limited** (ASX: OSX) ("Osteopore" or the "Company"), a revenue-generating Australian and Singapore based global leader in the manufacture of innovative regenerative implants at commercial scale empowering natural tissue regeneration, is pleased to release its quarterly results presentation and Appendix 4C cash flow statement for the three-month period ending 31 December 2021.

Financial Performance

COVID-19 continued to disrupt global healthcare systems in the fourth quarter of 2021. While Q4 CY21 sales increased 70% on Q3 CY21, the Company continued to experience lower demand in its key markets in South Korea and Vietnam which was only partially offset by sales from the USA, Singapore, and Oman. Osteopore achieved S\$307,220 (A\$310,798) in revenue for Q4 CY21 and ended the quarter with A\$4,530,175 cash on hand. Revenue growth in the USA and Europe increasingly provides a commercial foundation on which to build, with a post-COVID strategy in place to scale. As the current pandemic wave eases, Osteopore expects revenue to gradually return to its pre-COVID levels with increased momentum.

During the quarter, the Company continued to work towards maintaining and improving its margins. A gross margin of 71.2% of sales revenue was achieved in Q4 CY21, reflecting an encouraging improvement over the 61.5% achieved in Q4 CY20. The improvement is reflective of the sale of higher-value implants and the Company believes that its cost effective and high margin manufacturing process will ultimately become a major contributor towards the Company achieving profitability as revenue grows.



CY 2019 Pro Forma Quarterly Revenues

Osteopore CEO, Goh Khoo Seng said; “Even though COVID-19 continued to disrupt business activities during the quarter, our global expansion is still underway with regulatory clearance and distribution partners secured in most major markets. We have a fully trained and dedicated sales team expected to drive growth in the near term and are currently witnessing growing sales momentum as the effects of COVID-19 recede in the USA and Europe.”

Osteopore continues to be included as an “essential service” in Singapore, allowing it to remain open and operational while executing its growth strategy.

Osteopore secures A\$19m clinical-industrial partnership

In partnership with the Institute of Molecular and Cell Biology (IMCB), the Singapore Institute of Manufacturing Technology (SIMTech), and the National Dental Centre Singapore (NDCS), Osteopore was nominated as the industry lead on a A\$18.7m project to develop a next generation dental implant technology. Osteopore will commit a total of A\$1.8m in cash towards the study over the over the next three years.

The results of this research are expected to make a significant contribution towards the development of Osteopore’s next-generation dental implants to promote faster bone growth and reduce the need for complex bone harvesting processes, thereby simplifying future dental procedures and applications. The successful conclusion of this translational study will pave the way for Osteopore to access the dental bone graft and membrane market, which has an estimated value of A\$1.26b according to Verified Market Research, with 10% of the global dental implant surgeries conducted in its key markets in APAC.

Hong Kong sales approval and Chinese patent granted

Osteopore products were successfully registered with Hong Kong’s Medical Device Control System (“MDACS”). While the registration for medical devices in Hong Kong is voluntary, registered medical

devices are typically given preference for use. Significantly, an ongoing Osteopore pilot program is providing Hong Kong approved products with expedited access to the prosperous Greater Bay Area.

To qualify for access to the Greater Bay Area, products need to be used and/or purchased by public hospitals in Hong Kong or Macau, meet urgent clinical needs, and contribute to clinical advancements. Access to the mainland Chinese market through the National Medical Product Administration (“NMPA”), the Chinese regulatory body, requires local clinical data which involves conducting clinical trials. Usually, this process would take at least a few years and incurs high costs. Osteopore’s pilot program, allows partial access to this market with clinical data in hand.

During the quarter, Osteopore was also granted Chinese patent protection for its regenerative biomimetic scaffolds made from polycaprolactone and magnesium composite material which is expected to promote faster bone growth and healing. Having secured the patent, the Company is taking the next steps towards expanding Osteopore’s involvement with the Chinese medical research and surgical community which will open a pathway to more collaborative research and development and lucrative commercial opportunities throughout the region. China accounts for 18% of the global craniofacial market.

Collaboration with Singular Health to validate patient-specific AI cranial implant design tool

Osteopore signed a binding memorandum of understanding (MOU) with Singular Health Group Ltd (ASX: SHG) (“Singular Health”) to validate the results of their AI design-engine through a comparative study using a dataset provided by Osteopore. Singular Health has been awarded a Kickstart 2 grant from Australia’s peak science agency, CSIRO, matching \$50,000 of funding to conduct a project with CSIRO’s Data61 division to automatically generate patient specific cranial implants for craniotomies from CT scans.

The purpose of this six-to-twelve-month collaboration is to conduct a comparative study to test and validate the accuracy and efficiency provided by the automated generation of patient specific cranial implant designs. The significance of this cooperative undertaking lies in the potentially significant design and process improvement opportunities afforded by Singular Health’s AI technology and Osteopore looks forward to future collaborations and commercialisation prospects.

Board Renewal

Osteopore has completed its Board renewal process. Mark Leong, who joined Osteopore’s Board as Chairman and Non-Executive Director on 1 August 2021, has taken on the role of Osteopore’s Executive Chairman and Director, effective 28 December 2021. Based in Singapore and actively engaged with the local team, Mr Leong brings a strong background in South-East Asian capital markets.

The Company announced the addition of experienced corporate executive Vlado Bosanac as the Non-Executive Senior Independent Director. Mr Bosanac combines over 30 years’ experience in capital markets, deal origination, negotiation, corporate advisory, strategy, project implementation, leveraged and management buy-outs, as well as private and public investment. Over the past 20 years he has focussed on bio-medical, medical device and pharmaceutical development. Mr Bosanac joins the board of OSX with extensive ASX experience as Chairman and CEO of ASX listed Advanced Human Imaging Limited (ASX: AHI), In addition, in November 2021, Mr. Bosanac successfully dual listed AHI on the NASDAQ Exchange in the USA.

Outlook

The Company's focus remains on growing revenue across its current commercial product line and building upon existing regulatory clearances to develop and strengthen brand recognition and uptake in core bone regeneration applications. As vaccination rates continue to improve, medical trade shows are starting to revert to "in-person" which will help Osteopore engage with healthcare decision makers. We are also experiencing increased access to hospitals and surgeons as the pandemic resides in key markets and have a fully dedicated sales team ready to take advantage of a significant backlog of elective surgeries which have been disrupted by the pandemic.

Following the significant improvement in international travel, Company employees are actively engaged in driving business development and sales in the USA and Europe. Mark Leong, Osteopore Executive Chairman, noted that "The Board and Management are very focussed on driving sales back to and above the 2020 trend through engagement with existing and new distributors as well as exploring opportunities to secure direct sales revenues."

Corporate and Financial Summary

The attached Appendix 4C provides details on the cashflows for the quarter ended 31 December 2021. As at 31 December 2021 the Company had a cash balance of \$4.53m. The Company's net cash used in operating activities for the quarter amounted to \$1.08m and included expenditure on advertising and marketing (\$0.15m), staff costs (\$0.67m) and administration and corporate costs (\$0.56m).

Information Required by Listing Rules

Listing Rule 4.7C.1

During the December 2021 quarter, the Company incurred expenses of \$111,000 for the completion of the 2021 Annual EN ISO13485-2016 and MDR 2017/745 Audit.

Listing Rule 4.7C.3

Payments in the December quarter to related parties of \$74,000 included at Item 6 in the attached Appendix 4C comprised fees paid to non-executive directors, accounting and company secretarial services and reimbursements.

This announcement has been approved for release by the Board of Osteopore.

For more information, please contact:

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About Osteopore Limited

Osteopore Ltd is an Australian and Singapore based medical technology company commercialising a range of bespoke products specifically engineered to facilitate natural bone healing across multiple therapeutic areas. Osteopore's patented technology fabricates specific micro-structured scaffolds for bone regeneration through 3D printing and bioresorbable material.

Osteopore's patent-protected scaffolds are manufactured using a proprietary manufacturing technique with a polymer that naturally dissolve over time to leave only natural, healthy bone tissue, significantly reducing post-surgery complications commonly associated with permanent bone implants. Our 3D printer technology is not available in the market and unique to Osteopore.

Forward-Looking Statements

Statements contained in this release, particularly those regarding possible or assumed future performance, revenue, costs, dividends, production levels or rates, prices, or potential growth of Osteopore Limited, are, or may be, forward-looking statements. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements depending on various factors.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Osteopore Limited

ABN

65 630 538 957

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	287	1,109
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(27)	(179)
(c) advertising and marketing	(146)	(382)
(d) leased assets	-	-
(e) staff costs	(674)	(2,472)
(f) administration and corporate costs	(556)	(2,032)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	37	197
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,077)	(3,758)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(32)	(206)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	(31)	(70)
2.6 Net cash from / (used in) investing activities	(63)	(276)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(285)	(431)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	(285)	(431)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,964	9,027
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,077)	(3,758)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(63)	(276)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(285)	(431)
4.5	Effect of movement in exchange rates on cash held	(9)	(32)
4.6	Cash and cash equivalents at end of period	4,530	4,530

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,530	5,963
5.2	Call deposits	1,000	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,530	5,963

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
74
-

Payments made to Directors and Key Management Personnel related to:

1. Director and executive fees;
2. Company secretarial service;
3. Salary; and
4. Reimbursements

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

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8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,077)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	4,530
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	4,530
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	4.21

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2022

Authorised by: By the Board

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(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.