



PolyNovo Limited
ABN 96 083 866 862

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23 February 2023

ASX Announcement

Half Year Results (audited) for 1H FY23

PolyNovo's ASX release on 16 January 2023 pointed to record sales growth of

67.5%. The half year audited results attached to this release show:

- Record 1H FY23 sales of **A\$27.3m up 67.5% on STLY of A\$16.3m**
- Total revenue including BARDA of **A\$29.5m up 62.2% on STLY of A\$18.2m**
- Strong growth in U.S. achieving 1H FY23 record sales of **A\$22.8m up 61.0% vs. STLY of A\$14.1m**
- ROW sales of **A\$4.5m up by 110.1% vs. STLY A\$2.1m** including new sales in Hong Kong and Canada.
- The Group recorded a net loss after tax of **A\$3.8m** (1H FY22: A\$1.6m profit). The profit in 1H FY22 included the reversal of A\$4.7m in share awards and share options expense forfeited by the previous CEO and COO on their resignations and an unrealised forex gain of A\$0.4m. Excluding these items results in an underlying loss of **A\$2.5m** for the prior period.

During the Period, the Company's other key initiatives and achievements include:

- A \$53,000,000 capital raising
- First \$5 million BTM sales month in September (Sep 2022: \$5,402,454) recurring in October (\$5,263,100) and December (\$5,306,540)
- Appointment of CEO Swami Raote
- Received FDA 510(k) clearance for NovoSorb MTX
- Entered Hong Kong, India, and Canada markets in December
- Leased the adjacent property in Port Melbourne to significantly increase manufacturing capacity
- Commenced SynPath Diabetic Foot Ulcer Clinical Trial
- Awarded Victorian Government grant for manufacturing Diabetic Foot Ulcer product (SynPath)
- Increasing sales teams and customer base globally
- Produced for 1H FY23 the equivalent of 74% of the total devices produced in FY22

This announcement has been authorised by PolyNovo Company Secretary Jan-Marcel Gielen.

Further information:

David Williams	Jan Gielen
Chairman	CFO & Company Secretary
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About PolyNovo®

PolyNovo is a disruptive medical device company, focused on Advanced Wound Care. PolyNovo is an Australian based medical device company that designs, develops, and manufactures dermal regeneration solutions (NovoSorb BTM) using its patented NovoSorb biodegradable polymer technology. Our development program covers Breast Sling, Hernia, and Orthopedic applications. For further information and market presentations see www.polynovo.com

About NovoSorb®

NovoSorb® BTM is a dermal scaffold for the regeneration of the dermis when lost through extensive surgery or burn. NovoSorb® is a novel range of bio-resorbable polymers that can be produced in many formats including, film, fibre, foam, and coatings. NovoSorb's unique properties provide excellent biocompatibility, control over physical properties, and a programmable bio-resorption profile.

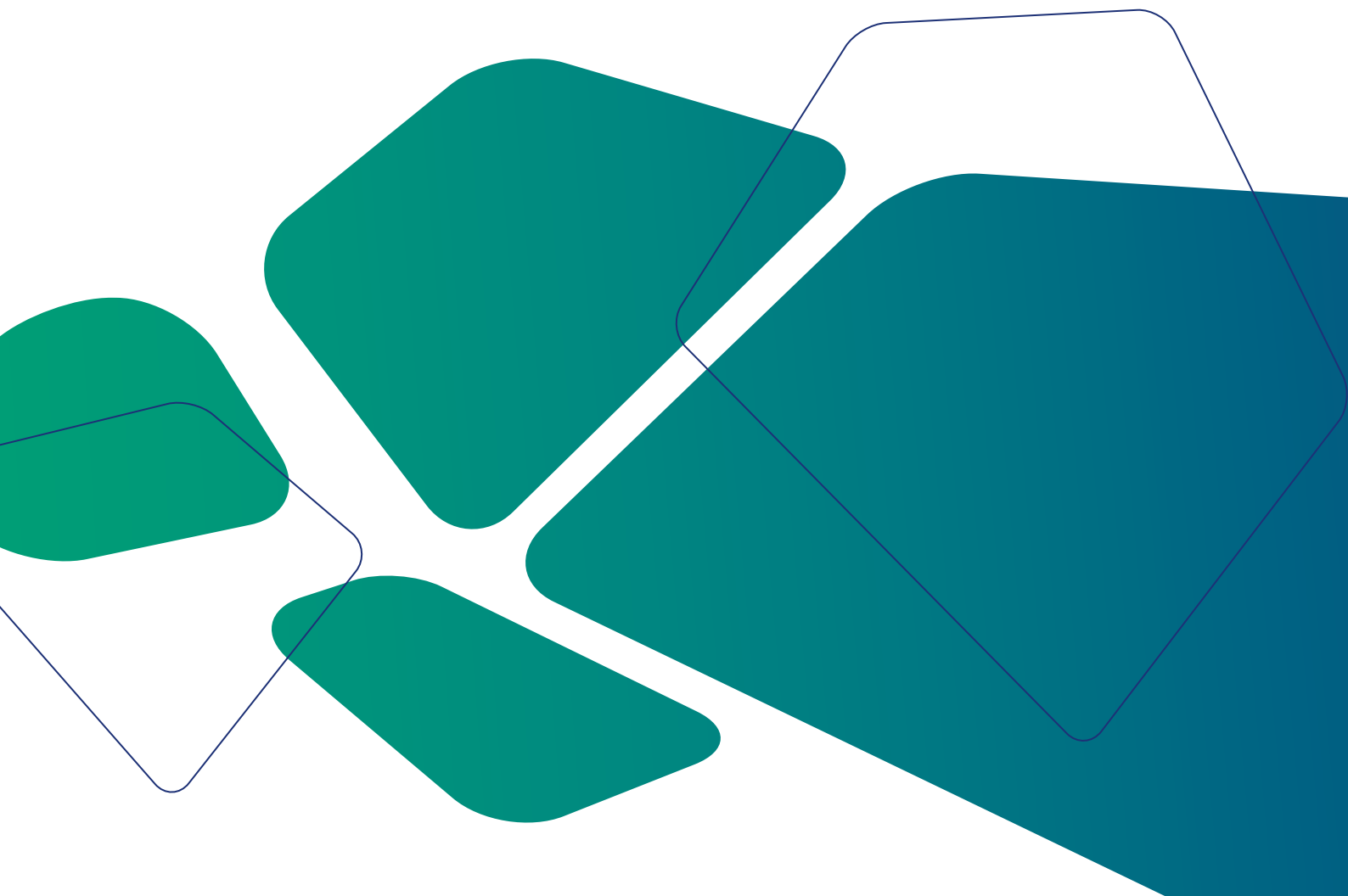
Half-Year Reports

Announcement of Half-Year Results

Appendix 4D

Half-Year Financial Report to 31 December 2022

PolyNovo Limited
ABN 96 083 866 862
23 February 2023



APPENDIX 4D

Half-Year Report

1. Company details

Name of entity: PolyNovo Limited
ABN: 96 083 866 862
Reporting period: For the half-year ended 31 December 2022
Previous period: For the half-year ended 31 December 2021

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	62.2%	to	29,453,856
Loss from ordinary activities after tax attributable to the owners of PolyNovo Limited	up	336.2%	to	(3,823,786)
Loss for the half-year attributable to the owners of PolyNovo Limited	up	336.2%	to	(3,823,786)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax amounted to \$3,823,786 (31 December 2021: profit of \$1,618,550).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	9.00	3.00

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half Year Report.

11. Attachments

Details of attachments (if any):

The Half Year Report of PolyNovo Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Date: 23 February 2023

Jan Gielen

Company Secretary



PolyNovo®

Improving outcomes.
Changing lives.



Healing. Redefined.

Half-Year Financial Report

For the half-year ended
31 December 2022

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VISION

Healing. Redefined.

MISSION

Our mission is to innovate and bring disruptive technologies to market by partnering with the best minds to improve patient outcomes and reimagine the standard of care.



* NovoSorb® technology platform

LOWRI'S STORY - NOVOSORB BTM IN COMPLEX TRAUMA CASE

Shortly after Novosorb BTM first became available in Europe, Lowri Jones suffered a traumatic accident when the tractor she was driving tipped over on her farm.

After being air-lifted to Hospital and stabilised, the surgical team decided to use BTM as they believed this would provide the best possible outcome, due to the risk of infection. From an extremely traumatic incident, BTM was able to help achieve a fantastic outcome in the hands of the dedicated surgical team and the aftercare from the nursing personnel.

Watch a short video on Lowri's journey by scanning this QR code with your smartphone camera or **BY CLICKING [HERE](#)**.





OUR PERFORMANCE



GROUP SALES NOVOSORB BTM



67.5%

2022 **\$27.3m**

2021 **\$16.3m**



NOVOSORB BTM USA SALES



61.0%

2022 **\$22.8m**

2021 **\$14.1m**



BARDA REVENUE



15.4%

2022 **\$2.1m**

2021 **\$1.8m**



TOTAL REVENUE

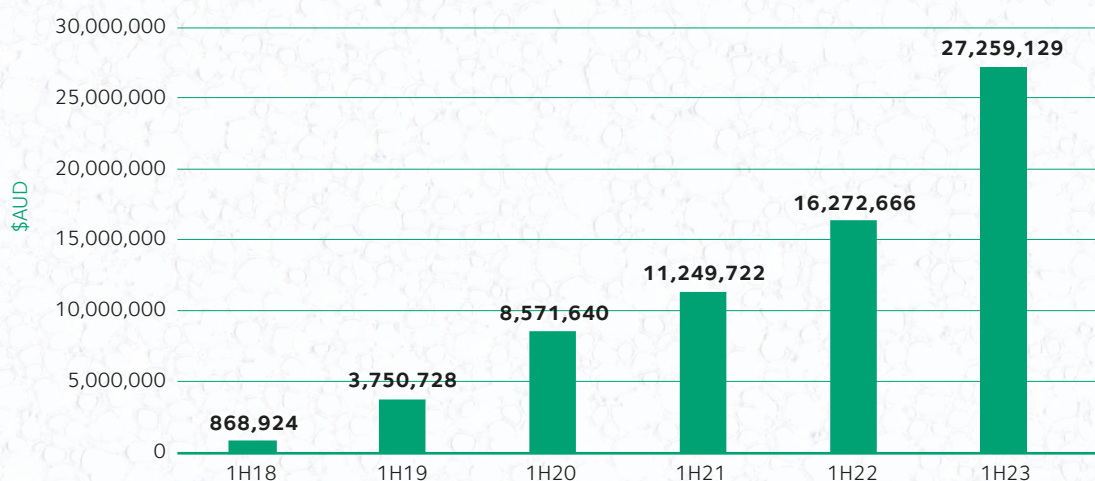


62.2%

2022 **\$29.5m**

2021 **\$18.2m**

1H FY23 BTM Sales



CASH ON HAND

↑ **1435.6%** | 2022 **\$50.5m**
2021 **\$3.3m**

NET CASHFLOW OPERATING ACTIVITIES

↓ **55.4%** | 2022 **-\$2.7m**
2021 **-\$3.3m**

TOTAL EMPLOYEES

↑ **45.9%** | 2022 **173**
2021 **122**

EMPLOYEE RELATED EXPENDITURE

(Excluding Share Based Payments)

↑ **50.2%** | 2022 **\$17.1m**
2021 **\$11.4m**

R&D EXPENDITURE

↑ **27.8%** | 2022 **\$3.0m**
2021 **\$2.4m**

CAPITAL EXPENDITURE

↓ **-78.2%** | 2022 **\$0.2m**
2021 **\$0.8m**

NET PROFIT / (LOSS) AFTER TAX

↑ **336.2%** | 2022 **-\$3.8m**
2021 **\$1.6m**

NET LOSS AFTER TAX

(Excluding Non-Cash Items)

↓ **-32.5%** | 2022 **-\$2.2m**
2021 **-\$1.7m**



DIRECTORS' REPORT

For the half-year ended 31 December 2022

The Board of Directors of PolyNovo Limited ('PolyNovo') present their report, together with the financial statements, on the consolidated entity ('Group') consisting of PolyNovo Limited ('Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022 ('the Period').

Directors

The Company's Directors in office during or since the end of the Period are as detailed below. Directors were in office for the entire reporting period unless otherwise stated.

Mr David Williams

Non-Executive Chairman

Dr Robyn Elliott

Non-Executive Director

Ms Christine Emmanuel-Donnelly

Non-Executive Director

Mr Leon Hoare

Non-Executive Director

Dr David McQuillan

Non-Executive Director
(resigned on 1st September 2022)

Mr Bruce Rathie

Non-Executive Director

Mr Andrew Lumsden

Non-Executive Director

Review of Operations

The Group recorded revenue of \$29,453,856 (2021: \$18,154,456) for the Period and net loss after tax (NLAT) amounted to \$3,823,786 (31 December 2021: profit after tax of \$1,618,550). In the prior period ended 31 December 2021, the profit included the reversal of share awards and share options of \$4,708,151 forfeited by the Chief Executive Officer ('CEO') and Chief Operating Officer ('COO') upon their resignations during the prior Period. Refer to the reconciliation of net profit to underlying loss in Financial Result section.

The Group achieved 67.5% BTM sales growth globally including U.S. revenue up 61.0% and Rest of World by 110.1% in the period to 31 December 2022 when compared with the comparative period.

During the 6-month period to 31 December 2022, the key achievements and initiatives by PolyNovo were:

- 1H23 sales of \$27,259,129 (excluding BARDA) up 67.5% on prior period (1H22: \$16,272,666)
- First \$5 million BTM sales month in September (Sep 2022: \$5,402,454) recurring again in October (\$5,263,100) and December (\$5,306,540)
- Appointment of CEO Swami Raote
- A \$53,000,000 capital raising
- Received FDA 510(k) clearance for NovoSorb MTX
- Successfully entered Hong Kong, India, and Canada markets in December
- Leased an adjacent property in Port Melbourne to significantly increase manufacturing capacity
- Commenced SynPath Diabetic Foot Ulcer Clinical Trial
- Awarded Victorian Government grant for manufacturing Diabetic Foot Ulcer product (SynPath)
- Increased sales teams and customer base globally

The Group achieved 67.5% BTM sales growth globally including U.S. revenue up 61.0% and Rest of World by 110.1% in the period to 31 December 2022 when compared with the comparative period. The Group entered India and Hong Kong direct and Canada with the appointment of a sales agent in December. Plans to recruit sales and marketing staff to drive sales in all direct markets continue, particularly in the U.S. and India. The Company anticipates significant revenue upside in expanding its salesforce in existing and new markets.

The impact of Covid-19 on sales and operating activities has subsided with a return to near normal access to surgeons and hospitals, and there is a significant improvement in logistics capacity.

Except as otherwise set out in this report, the Directors are not aware of any significant changes in the principal activities of PolyNovo during the financial half year ended 31 December 2022.

Financial Result

The Group recorded revenue of \$29,453,856 (2021: \$18,154,456) for the Period. The net loss of the Group attributable to the parent entity for the Period, after income tax was \$3,823,786 (2021: profit of \$1,618,550). Net loss before income tax was \$3,855,349 (2021: profit of \$1,692,599). The net profit for the prior period ended 31 December 2021 includes share-based payments expense of (\$3,751,237) and an unrealised foreign exchange gain of \$376,092. The share-based payments expense of (\$3,751,237) in the prior period includes the reversal of share awards and share options of \$4,708,151 forfeited by the previous CEO and COO on their resignations.

To assist in the evaluation of the financial performance of the Group, certain measures are used that are not recognised under the Australian Accounting Standards or International Financial Reporting Standards ('IFRS') and therefore, these are non-IFRS measures. The underlying loss is reported below to give information to shareholders and to provide a greater understanding of the performance of the Group. Share based payments and unrealised forex gain/(loss) are non-cash expenses excluded to provide the

underlying loss. Refer to the reconciliation of the underlying and reported financial information above.

Non-IFRS financial information has been prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. While not subject to an audit, the information has been extracted from the financial report, which has been subject to review by the Group's external auditors.

The Group increased commercial sales of product locally and overseas with revenue of \$27,259,129 for the Period (2021: \$16,272,666). Product sales continued to grow as the Company gained market penetration predominantly in the U.S. through an expanded sales force and effective marketing activities.

Revenue from the BARDA contract was \$2,107,135 for the Period (2021: \$1,825,736). This increase reflects the increase in recruitment of patients for the pivotal trial.

The Group recorded Other Income of \$15,843 for the Period (2021: \$55,940).

Employee expenses of \$17,671,534 were recognised for the Period (2021: \$7,634,514). The prior period ended 31 December 2021 includes the reversal of historical share-based payments expense of (\$4,708,151). Excluding the impact of the share-based payment award in the current and prior period, the increase in underlying employee expenses is due to headcount increases in sales staff, production, supply chain and R&D to drive sales growth and product development.

Consolidated

	31 December 2022 \$	31 December 2021 \$
Net Profit/(Loss) after Tax	(3,823,786)	1,618,550
Share based payments expense	567,111	956,914
Share based payments forfeiture reversal	–	(4,708,151)
Unrealised forex (gain)/loss	(33,879)	(376,092)
Underlying Loss	(3,290,554)	(2,508,779)

John Weeks' – first NovoSorb BTM patient

Watch a short video on John's journey by scanning this QR code with your smartphone camera or BY CLICKING [HERE](#).



DIRECTORS' REPORT (CONTINUED)

Research and development costs of \$3,037,204 (2021: \$2,376,638) were recognised for the Period in respect of hernia, breast, diabetic foot ulcer and BARDA projects, along with other projects to support new product development.

Corporate, administrative, and overhead expenses recognised for the Period have increased to \$9,653,052 (2021: \$4,690,615). The ending of Covid-19 lockdowns and social restrictions in the second half of 2022 led to a return to normal travel and in-person sales and marketing activities for the Period, and associated increase in expense. Insurance premiums, professional and information technology expenses increased due to the growth in the size of the business. Freight fees remain at elevated levels similar to the peak of the pandemic.

Unrealised exchange gain recognised for the Period was \$33,879 (2021: gain of \$376,092) due to the increase against the Australian Dollar.

Inventory/finished goods on hand was \$1,605,312 (June 2022: \$1,574,886).

Cash and Short-term Investments

As at 31 December 2022, PolyNovo held total cash, including short-term investments, of \$50,479,164 (June 2022: \$6,102,192).

Term deposits exceeding three months term amounting to \$50,000 at 31 December 2022 (June 2022: \$50,000) have been classified as other financial assets in the statement of financial position.

As at 31 December 2022, PolyNovo has secured external borrowings with National Australia Bank consisting of an equipment finance facility of \$3,297,786 (June 2022: \$3,784,513). The equipment finance facility is used to fund capital expenditure over a 5-year period after each capital expenditure item is paid in full. During the Period no additional drawdowns for funding equipment purchases were required.

Biodegradable Temporising Matrix (BTM)

Biodegradable Temporising Matrix (BTM) PolyNovo has a platform technology in NovoSorb Biodegradable Temporising Matrix (BTM) used to regenerate the dermis. NovoSorb BTM has U.S. FDA 510(k), CE Mark, TGA ARTG listing and various other country approvals. It is the first commercial product to be sold by PolyNovo. Research and development (R&D) programs are focused on NovoSorb based hernia, and other tissue regeneration and reinforcement medical devices. Further applications of NovoSorb as a drug elution pellet dermal depot for Beta/Islet cell implantation, device implant coatings and several other applications are in development.

NovoSorb Biodegradable Temporising Matrix (BTM) is used in a fully debrided clean surgical wound to physiologically 'close the wound'. With the BTM scaffold in place the dermal layer is regenerated within the scaffold. Once fully integrated, the outer layer of BTM is delaminated and the wound closes through secondary intention (smaller wounds) or through application of a split skin graft.

NovoSorb BTM is sold directly by PolyNovo in Australia, New Zealand, the U.S., the UK, Ireland, Singapore, Hong Kong and India. PolyNovo utilises a sales agent in Canada and distributors for sales of NovoSorb BTM in Germany, Austria, Switzerland, Belgium, Netherlands, Luxembourg, Sweden, Finland, Poland, Denmark, Greece, Italy, Cyprus, Turkey, South Africa, Saudi Arabia, India, Israel, and Taiwan. The Company is working on obtaining regulatory approvals in other markets to expand our geographical footprint.

Key attributes of the NovoSorb technology include an unparalleled range of mechanical properties and bio absorption times, excellent biocompatibility and safety profile and harmless degradants.

Publications and videos relating to NovoSorb BTM applications can be found on our website: www.polyново.com.

NovoSorb BTM indication for full thickness burns

NovoSorb BTM is indicated for full thickness/ third degree burns in markets outside of the U.S. Full thickness burns treatment for a U.S. FDA regulatory 'indication' requires additional clinical evidence (trials). A pivotal trial is in progress and funded by BARDA. Successful completion of this trial will enable PolyNovo to file a PMA application for full thickness burn use and may lead to BARDA stockpiling NovoSorb BTM for disaster management.

USA Burns Pivotal Trial – BARDA

PolyNovo's Biomedical Advanced Research and Development Authority (BARDA) contract funded by the U.S. Department of Health and Human Services (Office of the Assistant Secretary for Preparedness and Response) commenced on 28 September 2015. The feasibility trial concluded in March 2020 and the Company announced the result for this trial on 21 April 2020.

PolyNovo completed a swine toxicology study mapping the full degradation pathway of NovoSorb BTM during FY20. The data generated in this study will support our Premarket Approval (PMA) application and add to the body of evidence demonstrating the mode of action of NovoSorb BTM.

The pivotal trial is funded by BARDA to USD \$15 million after extending the contract in FY21. The contract is a cost-plus monthly reimbursement arrangement. PolyNovo will also contribute to the trial through provision of product, staff resources and infrastructure support. The first patient was enrolled into the trial in September 2021 and we are currently recruiting patients through 20 U.S. burn centres, and 5 OUS burn centres which are being onboarded. As at late February 2023, 43 patients have been enrolled into the study out of a target 120. PolyNovo is working with BARDA to use burn centres in India to accelerate patient enrolment. Successful completion of the pivotal trial will lead to a PMA application with the U.S. FDA and the use of the BTM scaffold in full thickness acute burns.

Dr Marcus Wagstaff is PolyNovo Medical Director overseeing the clinical conduct of PolyNovo trials and providing valuable clinical support for our global medical teams. Dr Tina Palmieri, UC Davis Sacramento, and Dr. Sigrid Blome Eberwein, Lehigh Valley, are the co-principal investigators for the pivotal trial study.

NovoSorb BTM already has the CE Mark, a requirement for the EU market, which includes an indication for use in full thickness burns as well as other surgical wounds and reconstructive procedures.

NovoSorb BTM continues to feature in major clinical conference presentations around the world. Many new clinical papers have been published in peer review journals and the surgeon-to-surgeon referral of the benefits of NovoSorb BTM is very strong.

NovoSorb SynPath

Our SynPath product is being used in a randomised controlled trial (RCT) of 138 patients compared to the Standard of Care in the treatment of non-healing diabetic foot ulcers (DFU). The trial commenced on 21 June 2022 and enrollment is expected to be completed by early 2H CY23. Twenty-five patients have been enrolled into the study and randomized to either SynPath or the Standard of Care. A review of the first 25 patients is being completed to confirm the study protocol and we anticipate making an amendment. The RCT follows the successful pilot study on 10 patients.

The purpose of the study and RCT is to assess the safety and clinical efficacy of SynPath to promote wound closure in non-healing DFU. The data from this study will also be used to submit for insurance reimbursement coverage for chronic wound applications in the U.S. outpatient setting. The market segment has a total addressable market of USD \$400 million with market entry anticipated in 2024.

NovoSorb MTX

MTX has broad applicability for single stage grafting in burns, chronic, surgical and deep tunnelling wounds to provide increased treatment options and better outcomes. MTX and BTM are complementary, and it is expected clinicians will use both products for the treatment of soft tissue defects. MTX comprises of BTM foam only without the temporising film. It is supplied in various sizes. PolyNovo announced on 19 September 2022 it had received FDA 510(k) clearance for NovoSorb® MTX with a 2mm thickness. Total addressable U.S. market comprising in and out-patient settings is estimated at AUD \$500 million with market entry anticipated in the second half of FY2023.

Hernia Products

PolyNovo has expanded its approach to hernia and is developing targeted solutions to a range of hernia repair options from simple inguinal to ventral hernia and complex abdominal wall reconstruction.

Plastics and Reconstructive Device Products

PolyNovo previously announced that it has taken the breast development program in-house. We envisage this program will leverage the experience and processes developed for the hernia devices. The hernia product development models serve as effective building blocks for other tissue reinforcement products in breast, orthopaedics, and other applications. We anticipate that manufacturing processes, technology and equipment will be shared across a range of new products.

NovoSorb Dermal BetaCell Implant

PolyNovo is supplying NovoSorb BTM in modified sizes to BetaCell Technologies, an unrelated third-party R&D group. BetaCell is working with a global supplier of stem cell derived Islet cells for use in this program. PolyNovo is supplying NovoSorb BTM in unique shapes and sizes for the trial and BetaCell will explore the potential of integrated NovoSorb BTM to host pancreatic Islet cells in the skin. This treatment holds significant promise for treating Type I diabetes with reduced reliance on a donor pancreas. BetaCell has funding support from the Juvenile Diabetes Research Foundation.

Significant Events after the Balance Date

As part of the capital raising comprising of a placement to institutions completed on 23 November 2022 and Share Purchase Plan completed on 16 December 2022, the Directors applied for a 1,578,948 Ordinary shares at an issue price of \$1.90. The application was a Conditional Placement requiring shareholder approval which was granted by shareholders at a General Meeting held on the 17 January 2023. The monies raised from the Directors totalling \$3,000,000 has been received and the shares have been issued.

DIRECTORS' REPORT (CONTINUED)

The Directors are not aware of any other matters or circumstances since the end of the Period other than those described above, or otherwise dealt with in this report, which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Announcements released by the Company after 31 December 2022 include:

- 10 January 2023 – Presentation to J.P. Morgan Healthcare Conference
- 11 January 2023 – Presentation slides – J.P. Morgan Healthcare Conference
- 16 January 2023 – 1H23 Indicative Trading Result (unaudited)
- 17 January 2023 – Results of General Meeting
- 14 February 2023 – Webcast details – 1HFY23 Results
- 15 February 2023 – Update – SynPath Diabetic Foot Ulcer Trial
- 15 February 2023 – Application for quotation of securities – PNV
- 16 February 2023 – Cleansing Notice

Inherent Risks of Investment in Biotechnology Companies

There are many inherent risks associated with the development of medical devices and bringing them to market. The clinical trial process is designed to assess the safety and efficacy of a medical device prior to commercialisation and a significant proportion of medical devices fail one or both criteria. Other risks include uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary regulatory authority approvals and uncertainties caused by the rapid advancements in technology.

Companies such as PolyNovo are in part dependent on the success of their research projects and on the ability to attract funding to support these activities. Investment in research and development projects cannot be assessed

on the same fundamentals as trading and manufacturing enterprises. Investment in companies such as PolyNovo must be regarded as risky and highly speculative. PolyNovo strongly recommends that professional investment advice be sought prior to investing in the Company.

The Company recognises it has an impact on the environment, directly through its operations, and indirectly through its value chain. The clinical benefits of PolyNovo's NovoSorb BTM product improves health economics for hospitals, such as a reduction of patient days in hospital. PolyNovo is committed to minimising the environmental impact of its operations and its products.

Forward-looking Statements

Certain statements in this Half Year Report contain forward-looking statements regarding the Company's business and the therapeutic and commercial potential of its technologies and products in development. Any statement describing the Company's goals, expectations, intentions, or beliefs is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of discovering, developing and commercialising drugs and medical devices that can be proven to be safe and effective for use in humans, and in the endeavour of building a business around such products and services. PolyNovo undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events, or otherwise. Actual results could differ materially from those discussed in this report. As a result, readers of this report are cautioned not to rely on forward looking statements. Consideration should be given to these and other risks concerning the Company's research and development program referred to in this report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial half-year other than those included in this Directors' report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors



Mr David Williams
Chairman

23 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of PolyNovo Limited



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's independence declaration to the directors of PolyNovo Limited

As lead auditor for the review of the half-year financial report of PolyNovo Limited for the half-year ended 31 December 2022 I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of PolyNovo Limited and the entities it controlled during the financial period.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley Butler'.

Ashley Butler
Partner
23 February 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	Consolidated	
		31 December 2022 \$	31 December 2021 \$
Revenue			
Revenue from contracts with customers	4	29,366,264	18,098,402
Other income		15,843	55,940
Finance revenue		71,749	114
		29,453,856	18,154,456
Expenses			
Changes in inventories of finished goods and work in progress		(1,612,242)	(867,814)
Employee-related expenses	5	(17,671,534)	(7,634,514)
Research and development expenses		(3,037,204)	(2,376,638)
Depreciation and amortisation expenses		(988,229)	(749,026)
Corporate, administrative and overhead expenses		(9,653,052)	(4,690,615)
Lease liability interest expenses		(250,724)	(30,270)
Finance costs		(96,220)	(112,980)
Profit/(loss) before income tax expense		(3,855,349)	1,692,599
Income tax (expense)/benefit	6	31,563	(74,049)
Profit/(loss) after income tax expense for the half-year attributable to the owners of PolyNovo Limited		(3,823,786)	1,618,550
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Loss on translation of foreign operation		(151,541)	(150,592)
Other comprehensive income for the half-year, net of tax		(151,541)	(150,592)
Total comprehensive income for the half-year attributable to the owners of PolyNovo Limited		(3,975,327)	1,467,958
		Cents	Cents
Basic earnings per share	23	(0.58)	0.24
Diluted earnings per share	23	(0.58)	0.24

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Consolidated	
		31 December 2022	30 June 2022
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	50,479,164	6,102,192
Trade and other receivables	8	8,487,193	6,089,442
Contract assets	9	146,315	146,315
Inventories	10	2,648,133	2,535,293
Prepayments	12	3,036,124	1,261,988
Other financial assets		50,000	50,000
Income tax receivable		48,105	4,279
Total current assets		64,895,034	16,189,509
Non-current assets			
Contract assets	9	256,051	329,208
Property, plant and equipment	13	9,589,593	9,946,085
Right-of-use assets	11	12,651,469	6,805,460
Intangibles		1,280,548	1,404,472
Prepayments	12	562,393	296,796
Total non-current assets		24,340,054	18,782,021
Total assets		89,235,088	34,971,530
Liabilities			
Current liabilities			
Trade and other payables	14	6,717,047	4,967,879
Borrowings	15	2,660,451	1,330,058
Lease liabilities	16	419,455	457,750
Provisions		1,301,304	1,000,606
Total current liabilities		11,098,257	7,756,293
Non-current liabilities			
Borrowings	15	2,299,945	2,802,940
Lease liabilities	16	12,508,952	6,403,721
Provisions		432,037	293,490
Total non-current liabilities		15,240,934	9,500,151
Total liabilities		26,339,191	17,256,444
Net assets		62,895,897	17,715,086
Equity			
Issued capital	17	188,019,529	139,430,502
Reserves		(4,846,073)	(5,261,643)
Accumulated losses		(120,277,559)	(116,453,773)
Total equity		62,895,897	17,715,086

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

	Contributed Equity \$	Other Reserves (Note 5) \$	Acquisition of non-interest controlling Reserve \$	Accumulated Losses \$	Total equity \$
Consolidated					
Balance at 1 July 2021	139,250,502	7,656,740	(9,293,956)	(115,261,241)	22,352,045
Profit after income tax expense for the half-year	–	–	–	1,618,550	1,618,550
Other comprehensive income for the half-year, net of tax	–	(150,592)	–	–	(150,592)
Total comprehensive income for the half-year	–	(150,592)	–	1,618,550	1,467,958
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	–	(3,751,237)	–	–	(3,751,237)
Balance at 31 December 2021	139,250,502	3,754,911	(9,293,956)	(113,642,691)	20,068,766

	Contributed Equity \$	Other Reserves (Note 5) \$	Acquisition of non-interest controlling Reserve \$	Accumulated Losses \$	Total equity \$
Consolidated					
Balance at 1 July 2022	139,430,502	4,032,313	(9,293,956)	(116,453,773)	17,715,086
Loss after income tax expense for the half-year	–	–	–	(3,823,786)	(3,823,786)
Other comprehensive income for the half-year, net of tax	–	(151,541)	–	–	(151,541)
Total comprehensive income for the half-year	–	(151,541)	–	(3,823,786)	(3,975,327)
Issue of share capital	50,000,834	–	–	–	50,000,834
Capital costs	(1,411,807)	–	–	–	(1,411,807)
Share-based payments	–	567,111	–	–	567,111
Balance at 31 December 2022	188,019,529	4,447,883	(9,293,956)	(120,277,559)	62,895,897

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	Note	Consolidated	
		31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Receipts from customers		25,684,939	15,877,189
Receipts from BARDA reimbursements and advances		1,696,873	1,630,439
Payment of interest on debt facility		(90,583)	(112,980)
Payments of interest on lease liabilities		(250,724)	(30,270)
Payments to suppliers and employees		(29,764,871)	(20,633,651)
Net cash used in operating activities		(2,724,366)	(3,269,273)
Cash flows from investing activities			
Payments for property, plant and equipment		(53,749)	(231,013)
Interest received		16,676	24
Net cash used in investing activities		(37,073)	(230,989)
Cash flows from financing activities			
Proceeds from issue of shares (net of equity raising costs)		48,764,034	–
Repayment of principal on lease liabilities		(363,764)	(193,616)
Drawdown on equipment finance facility		–	1,444,231
Repayment of principal on borrowings		(1,430,966)	(2,289,068)
Net cash from/(used in) financing activities		46,969,305	(1,038,453)
Net increase/(decrease) in cash and cash equivalents		44,207,865	(4,538,715)
Cash and cash equivalents at the beginning of the financial half-year		6,102,192	7,688,554
Net effects of foreign exchange rate changes		169,107	137,372
Cash and cash equivalents at the end of the financial half-year		50,479,164	3,287,211

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

Note 1. Corporate Information

The financial statements cover PolyNovo Limited as a Group consisting of PolyNovo Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is PolyNovo Limited's functional and presentation currency.

PolyNovo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

320 Lorimer Street, Port Melbourne, VIC, 3207

Principal place of business

320 Lorimer Street, Port Melbourne, VIC, 3207

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2023.

Note 2. Basis of Preparation of the Half-Year Financial Report

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

It is also recommended that the interim financial report be considered together with any public announcements made by PolyNovo Limited during the half-year ended 31 December 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

(a) Basis of accounting

This half-year financial report for the period ended 31 December 2022 is a condensed set of financial statements, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements.

The half-year financial report has been prepared on an historical cost basis. The half-year financial report is presented in Australian dollars.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) New or amended Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022. A number of amendments and interpretations were applied for the first time in this half-year reporting period but did not have a material impact on the interim consolidated financial statements of the Group.

(c) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgement, estimates and assumptions applied in the Half-Year Financial Report, including the key sources of estimation uncertainty, are the same as those applied in the annual report for the year ended 30 June 2022.

Note 3. Operating segments

PolyNovo Limited has only one operating segment being the development, manufacturing and commercialisation of the NovoSorb™ technology for use in a range of biodegradable medical devices.

The chief operating decision-maker is the Chief Executive Officer of PolyNovo Limited.

The chief operating decision-maker reviews the results of the business on a single entity basis.

For financial results refer to the Statement of Comprehensive Income and Statement of Financial Position.

The chief operating decision-maker monitors the operating results of the Group for the purpose of making decisions about resource allocation in order to progress the commercialisation of the PolyNovo technology.

During the Period, one customer (BARDA) in the U.S., represented 7% of total sales revenue from contracts with customers.

	31 December 2022 \$	31 December 2021 \$
Revenue from contracts with customers		
<i>Geographical areas</i>		
United States of America and Canada	25,162,835	16,025,725
Australia and New Zealand	1,977,702	1,221,798
Other countries	2,225,727	850,879
	29,366,264	18,098,402
	31 December 2022 \$	31 December 2021 \$
Non-current assets		
<i>Geographical areas</i>		
United States of America and Canada	570,180	427,721
Australia and New Zealand	19,830,026	21,512,851
Other countries	–	19,522
	20,400,206	21,960,094

Note 4. Revenue from contracts with customers

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
BARDA revenue	2,107,135	1,825,736
Commercial product sales	27,259,129	16,272,666
	29,366,264	18,098,402

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 5. Employee-related expenses

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Wages and salaries (including sales commission)	14,252,495	9,357,231
Superannuation	607,833	449,010
Share-based payments expense	567,111	(3,751,237)
Other	2,244,095	1,579,510
	17,671,534	7,634,514

The Group reversed share awards and options in the half year ended 31 December 2021, due to the resignations of the Managing Director (MD) and Chief Operating Officer (COO) during the period. The MD and COO were offered 3,300,300 share awards and 500,000 share options respectively under certain vesting conditions (for vesting conditions details refer to PolyNovo 2021 Annual Report). Accumulated share option expenses recognised for the MD and COO during the Period were \$4,412,918 and \$295,233 respectively, and in total \$4,708,151. The share awards and options were forfeited when they resigned, thus the total expenses were reversed accordingly. As a result of the forfeitures, a net share-based income of \$3,751,237 was recognised in the half year ended 31 December 2021.

Other expenses includes directors' fees of \$304,088 (2021: \$247,088), payroll taxes of \$243,102 (2021: \$197,400), recruitment fees of \$371,266 (2021: \$441,801) and health insurance contributions of \$576,498 (2021: \$278,909).

Note 6. Income tax expense/(benefit)

(a) Income tax expense/(benefit)

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Profit/(loss) before income tax (expense)/benefit	(3,855,349)	1,692,599
Tax at the statutory tax rate of 25%	(963,837)	423,150
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development	(426,430)	(199,106)
Entertainment expenses	79,559	27,608
Share-based payments	141,778	(937,809)
	(1,168,930)	(686,157)
Current half-year tax losses not recognised	344,423	753,136
Current half-year temporary differences not recognised	792,944	7,070
Income tax expense/(benefit)	(31,563)	74,049

(b) Deferred tax assets and liabilities

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Deferred tax assets	864,187	863,075
Deferred tax liabilities	(864,187)	(863,075)
Net deferred tax assets/(liabilities)	–	–
Deferred tax balances reflects temporary differences attributable to:		
Amounts recognised in profit and loss		
Recognised tax losses	864,187	863,075
Recognised on temporary differences	(864,187)	(863,075)
Net deferred tax assets/(liabilities)	–	–

(c) Deferred tax assets not brought to account

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Unrecognised, unconfirmed tax losses for which no deferred tax asset has been recognised	94,196,827	96,166,284
Deductible temporary differences – no deferred tax asset has been recognised	1,657,131	870,145
Unrecognised, unconfirmed R&D offsets for which no deferred tax asset has been recognised	146,288	–
	96,000,246	97,036,429
Potential tax benefit at 25% (31 December 2021: 25%)	24,109,777	27,202,747

The availability of the tax losses in future periods is uncertain and will be dependent on the Group satisfying strict requirements with respect to continuity of ownership and the same business test, imposed by income tax legislation. The recoupment of available tax losses as at 31 December 2022 is contingent upon the following:

- the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- there being no changes in tax legislation that would adversely affect the Group from realising the benefit from the losses.

Given the Group's history of recent losses, the Group has not recognised a net deferred tax asset with regard to unused tax losses, as it has not been determined that the Group will generate sufficient future taxable profit against which the unused tax losses can be utilised.

(d) Current tax liability

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Provision for Income Tax	(48,105)	22,904

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 7. Cash and cash equivalents

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current assets</i>		
Cash at bank	50,479,164	6,102,192

During the half year ended 31 December 2022, the Group successfully completed an institutional placement (\$30 million) and share purchase plan (\$20 million).

As at 31 December 2022, the Group holds a term deposit of \$24,000,000 with a maturity date within 90 days, which is classified as cash and cash equivalents. In addition, the Group holds \$50,000 (June 2022: \$50,000) in term deposit with a maturity date exceeding 90 days. This deposit is classified in the Statement of Financial Position as other financial assets.

Note 8. Trade and other receivables

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current assets</i>		
Trade receivables	7,872,030	5,527,852
BARDA trade receivables	401,052	248,174
Sundry receivables	158,803	313,093
	559,855	561,267
Interest receivable	55,308	323
	8,487,193	6,089,442

Trade receivables relates to invoices to customers for sale of goods and PolyNovo's BARDA project representing invoiced and un-invoiced services for labour and sub-contractor expenses.

Note 9. Contract assets

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current assets</i>		
Contract assets	146,315	146,315
<i>Non-current assets</i>		
Contract assets	256,051	329,208

In financial year 2021, the Group engaged a subcontractor to fulfill specific performance obligations with regards to the Group's BARDA arrangement. The Group was required to prepay a specific amount to the subcontractor to support the delivery of the Group's responsibilities under the BARDA contract. Amortisation is calculated on a straight-line basis over the life of the contract.

Note 10. Inventories

Inventories are comprised of the following:

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current assets</i>		
Raw materials	111,446	106,218
Work in progress	931,375	854,189
Finished goods	1,653,711	1,605,737
Provision for finished goods	(48,399)	(30,851)
	1,605,312	1,574,886
	2,648,133	2,535,293

Note 11. Right-of-use assets

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Non-current assets</i>		
Right-of-use assets	14,291,081	8,002,374
Accumulated Depreciation – Right of use assets	(1,639,612)	(1,196,914)
	12,651,469	6,805,460

The Group has lease contracts for various items of property, office equipment and lease equipment used in its operations. Leases of property generally have lease terms between 10 and 20 years, while office and manufacturing equipment generally have lease terms between 3 and 5 years.

On 1st September 2022, the Group leased the building located at 322-326 Lorimer Street, Port Melbourne with a lease term of 9.5 years, plus four 5-year renewal options. It is expected that the Group will renew the lease in line with Group strategy, thus lease term is expected to be 20 years. A right-of-use asset of \$6,624,681 was recognised on 1st September 2022 and it will be amortised on straight line basis over the next 20 years.

Note 12. Prepayments

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current assets</i>		
Prepayments	3,036,124	1,261,988
<i>Non-current assets</i>		
Security deposits	562,393	296,796

Current portion of the prepayments mainly includes the prepaid annual insurance premiums of \$2,188,601 (June 2022: \$715,053). Non-current portion mainly includes the security deposits for the lease of Unit 1, 320 Lorimer Street and for the lease of 322-326 Lorimer Street, Port Melbourne.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 13. Property, plant and equipment

Acquisitions and disposals

During the Period, the Group acquired plant and equipment with a cost of \$93,771 excluding any costs capitalised related to construction in progress. No asset was disposed or sold.

Construction in Progress

Construction in Progress of \$2,322,979 (30 June 2022: \$2,294,406) comprises of manufacturing equipment and R&D equipment yet to be validated internally.

Impairment

Impairment expenses of \$nil were recognised by the Group during the Period (June 2022: \$nil).

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Non-current assets</i>		
Leasehold improvements – at cost	5,884,094	5,884,094
Accum Depn – Leasehold improvements	(1,811,443)	(1,691,749)
	4,072,651	4,192,345
Furniture and fittings – at cost	618,695	617,120
Accum Depn – Furniture and fittings	(246,691)	(209,660)
	372,004	407,460
Computer hardware – at cost	901,558	814,990
Accum Depn – Computer hardware	(554,115)	(454,367)
	347,443	360,623
Office equipment – at cost	191,872	191,872
Accum Depn – Office equipment	(136,916)	(133,279)
	54,956	58,593
Manufacturing equipment – at cost	825,059	768,138
Accum Depn – Manufacturing equipment	(485,292)	(434,515)
	339,767	333,623
R&D equipment – at cost	3,763,570	3,762,115
Accum Depn – R&D equipment	(1,723,512)	(1,515,729)
	2,040,058	2,246,386
Computer software – at cost	184,981	183,144
Accum Depn – Computer software	(145,246)	(130,495)
	39,735	52,649
Construction in progress – at cost	2,322,979	2,294,406
	9,589,593	9,946,085

Note 14. Trade and other payables

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Trade payables	2,082,343	1,870,809
Other payables	4,634,704	3,097,070
	6,717,047	4,967,879

Note 15. Borrowings

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Equipment Finance (a)	997,841	981,573
Short term loan(b)	1,662,610	348,485
	2,660,451	1,330,058
<i>Non-current liabilities</i>		
Equipment Finance(a)	2,299,945	2,802,940

(a) Equipment finance facility

The purpose of this facility is to fund the capital expenditure items such as manufacturing equipment and R&D equipment.

As a requirement from NAB, due to the sale and leaseback of Unit 1/320 Lorimer Street, Port Melbourne, which was previously used as security for the debt facilities, NAB required \$3,052,890 in the sale proceeds to be applied against the outstanding equipment finance facility. The new arrangement was effective when the settlement of the sale transaction took place on 14 June 2022. The facility is a \$5.2 million revolving equipment finance facility with repayments over 5 years on each tranche drawn at an interest rate between 2.5% to 6.0% (average rate of 3.24%). Currently a total of \$5,038,093 has been drawn down. Interest is calculated daily and payable on the last business day of each month.

The security over Unit 1/320 Lorimer Street, Port Melbourne was released on settlement of the sale transaction in return for a General Security Agreement over PolyNovo Ltd, PolyNovo Biomaterials Pty Ltd, NovoSkin Pty Ltd and Novowound Pty Ltd.

No additional covenant requirements, except that PolyNovo needs to maintain a minimum cash balance of \$1,285,000 at all times, reflective of 12 months interest payable and principal repayments of the facility.

(b) Short term loan

The purpose of this short-term loan is to fund repayment cost of the FY22/23 insurances for PolyNovo Biomaterials Pty Ltd ('PNB') and PolyNovo Limited ('PNV').

Total funding amount with PNB for FY22/23 is \$1,334,062. During the Period, \$400,218 has been paid. Repayments are monthly instalment over 10 months and comprise of principal and interest. The interest rate is 2.35% p.a.

Total funding amount with PNV for FY22/23 is \$1,012,588. During the Period, \$253,147 has been paid. Repayments are monthly instalment over 12 months and comprise of principal and interest. The interest rate is 2.65% p.a.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Note 16. Lease liabilities

	Consolidated	
	31 December 2022 \$	30 June 2022 \$
<i>Current liabilities</i>		
Lease liability – current	419,455	457,750
<i>Non-current liabilities</i>		
Lease liability – non current	12,508,952	6,403,721

The Group leased the building located at 322–326 Lorimer Street, Port Melbourne on 1st September 2022. Further details please refer to note 11.

Note 17. Issued capital

	Consolidated			
	31 December 2022 Number of Shares	30 June 2022 Number of Shares	31 December 2022 \$	30 June 2022 \$
Ordinary shares – fully paid	688,003,803	661,688,044	188,019,529	139,430,502

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Opening balance	1 July 2022	661,688,044		139,430,502
Ordinary shares issued and fully paid – Institutional placement	29 November 2022	15,789,474	\$1.90	30,000,001
Ordinary shares issued and fully paid – Share purchase plan	20 December 2022	10,526,285	\$1.90	20,000,833
Equity raising costs				(1,411,807)
Balance	31 December 2022	688,003,803		188,019,529

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

On 29 November 2022, the Group successfully completed the institutional placement, followed by the completion of the Share Purchase Plan (SPP) on 20 December 2022.

In accordance with the SPP terms, the issue price of new fully paid ordinary shares (New Shares) under the SPP is \$1.90 per New Share, being the same issue price paid by investors under the November completed institutional placement. The total funds raised amounts to \$50m, comprising of the Institutional Placement (\$30m) and SPP (\$20m).

Equity raising costs incurred in issuing shares include registration and other regulatory fees, amounts paid to legal and other professional advisors.

Share buy-back

There is no current on-market share buy-back.

Note 18. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 19. Contingent liabilities and Contingent assets

The Directors are not aware of any contingent liabilities or contingent assets as at 31 December 2022.

Note 20. Capital Commitments

In December 2022, the Group has engaged a commercial interior design and project management company to design and refurbish the office space of the leased building located at 322-326 Lorimer Street, Port Melbourne, VIC. The contracted project cost is \$1,129,932 (GST included).

Note 21. Related party transactions

Parent entity

PolyNovo Limited is the parent entity.

Transactions with related parties

Kidder Williams Ltd, an entity associated with David Williams, received payment in the amount of \$110,000, GST inclusive (2021: nil). The payment was in respect to consulting service provided to PolyNovo Limited in relation to the capital raising.

Other than as noted above, there were no transactions with related parties during the half year ended 31 December 2022.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 22. Events after the reporting period

On 17th January 2023, a Director placement of \$3,000,000 was approved at the General Meeting. The monies raised from the Directors has been received and the shares allotted.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 23. Earnings per share

	Consolidated	
	31 December 2022 \$	31 December 2021 \$
Profit/(loss) after income tax attributable to the owners of PolyNovo Limited	(3,823,786)	1,618,550
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	664,268,134	661,388,044
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	—	1,959,455
Weighted average number of ordinary shares used in calculating diluted earnings per share	664,268,134	663,347,499
	Cents	Cents
Basic earnings per share	(0.58)	0.24
Diluted earnings per share	(0.58)	0.24

DIRECTORS' DECLARATION

31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Mr David Williams
Chairman

23 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of PolyNovo Limited



**Building a better
working world**

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Independent auditor's review report to the members of PolyNovo Limited

Conclusion

We have reviewed the accompanying half-year financial report of PolyNovo Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Ashley Butler' in black ink.

Ashley Butler
Partner
Melbourne
23 February 2023

CORPORATE DIRECTORY

Non-executive Chairman	Mr David Williams
Non-executive Directors	Dr Robyn Elliott Ms Christine Emmanuel-Donnelly Mr Leon Hoare Dr David McQuillan (resigned on 1 st September 2022) Mr Bruce Rathie Mr Andrew Lumsden
Chief Executive Officer	Mr Swami Raote
Company secretary	Mr Jan Gielen
Registered office	Unit 2/320 Lorimer Street Port Melbourne Victoria 3207 T (03) 8681 4050 F (03) 8681 4099
Share register	Computershare Investor Services Pty Ltd Yarra Falls 452 Johnson Street Abbotsford Victoria 3067 T 1300 850 505
Auditor	Ernst & Young 8 Exhibition Street Melbourne Victoria 3000
Stock exchange listing	PolyNovo Limited shares are listed on the Australian Securities Exchange (ASX code: PNV)
Website	www.polynovo.com



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