22 February 2018

Financial Report 31 December 2017

I am pleased to present Allegra Orthopaedics Limited's ('Allegra') Appendix 4D and Financial Statements for the 6 months to 31 December 2017.

Allegra continues to make progress on its previously stated strategy which is to pursue two primary objectives.

The first objective being the improvement of sales and distribution of its medical device product range which operates within the company's **Orthopaedics Division**. This division continues to trade profitably with an EBITDA for the 6 months to 31 December 2017 of $153,310. This result is despite the Federal Government's mandated 7.5% 'benefits reduction' on large joint (hip and knee) prosthesis rebates from private health insurers which took effect from February 2017 that has had a materially negative impact on revenues and profits of this division.

Furthermore, in December 2017, this division entered an agreement to exclusively distribute the complete range of medical device implants of German based manufacturer, Waldermar LINK GmBH & Co which we believe will have a significantly positive impact on the performance of this division.

The second objective being pursued is occurring within the company's **Innovation Division**. It is the ongoing investment in product development to commercialise the exciting SrHT Gahnite bone substitute. The investment in expenditure within this division resulted in a negative EBITDA of $195,771 (net of R&D tax offset) for the 6 months to 31 December 2017. This result is in line with the project's progress.

Allegra Orthopaedics Limited

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I would point out, that as noted in the company's Business Update presented at the company's AGM on 25 October 2017, this division previously benefited from a NSW Government Grant which was recognised as income as and when development expenditure was incurred in this division.

This grant has been fully utilised and the company does not capitalise development expenditure until all accounting standard requirements are met. As a result, the negative EBITDA for this division in line with our projections.

Lastly, I would like to say thank you to my fellow Directors, Allegra management and staff. I would also like to thank our shareholders for their continued support of the company.

Sincerely

Peter Kazacos
Non-Executive Chairman

1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	11.1%	to	2,357,418
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	109.9%	to	(42,461)
Loss from ordinary activities after tax attributable to the owners of Allegra Orthopaedics Limited	down	210.5%	to	(198,057)
Loss for the half-year attributable to the owners of Allegra Orthopaedics Limited	down	210.5%	to	(198,057)

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

Comments
The consolidated entity continues to operate as two distinctly different business segments, namely the Orthopaedics Division which sells and distributes its portfolio of medical device products and the second segment being the Innovation Division, which invests resources into the development and commercialisation of new products to take to market.

The Orthopaedics Division generated a profit of $3,433 (31 December 2016: profit of $112,094) and the continuing investment in product development within the Innovation Division resulted in a loss for that division of $201,490 (31 December 2016: profit of $67,183). The loss for the consolidated entity after providing for income tax amounted to $198,057 (31 December 2016: profit of $179,277).

On 8 September 2017, the company announced that it has secured commitments from individuals for a placement of 8,666,667 ordinary shares at an issue price of $0.15 (15 cents) per share to raise $1.3 million. The funds raised will be used for ongoing working capital required to continue investment in the commercialisation of the Sr-HT Garnite bone substitute project.

On 25 October 2017, the company's Employee Share Option Plan ('ESOP') was approved at the Annual General Meeting.

On 9 November 2017, the company announced that it has secured commitments from individuals for a placement of 8,000,000 ordinary shares at an issue price of $0.15 (15 cents) per share to raise $1.2 million. The funds raised will be used for ongoing working capital required to continue investment in the commercialisation of the Sr-HT Garnite bone substitute project.

On 14 December 2017, the company entered into an agreement with German based Waldemar LINK GmBH & Co ('LINK') to exclusively distribute their complete range of medical device implant products within Australia. The term of the agreement is three years with an option to extend to five years.

Further information on the review of operations, financial position and future strategies is detailed in the Review of operations section of the Directors' report which is part of the Interim Report.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was a loss of $42,461 (31 December 2016: profit of $430,347).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS'). The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The following table summarises key reconciling items between statutory profit/(loss) after tax attributable to the shareholders of the company and EBITDA.

	Consolidated	
	31 Dec 2017 $	31 Dec 2016 $
Profit/(loss) after income tax	(198,057)	179,277
Add: Depreciation and amortisation	153,273	147,846
Add: Finance cost	6,222	105,580
Less: Interest income	(3,899)	(2,356)
EBITDA	(42,461)	430,347

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	6.78	5.33

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. 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 Interim Report.

10. Attachments

Details of attachments (if any):

The Interim Report of Allegra Orthopaedics Limited for the half-year ended 31 December 2017 is attached.

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11. Signed

Signed ____________________________ Date: 22 February 2018

Peter Kazacos
Chairman
Sydney

Allegra Orthopaedics Limited

ABN 71 066 281 132

Interim Report - 31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allegra Orthopaedics Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were directors of Allegra Orthopaedics Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Kazacos
Anthony Hartnell
Sean Mulhearn

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of two distinct areas:
- The sale, design and distribution of its medical device product range within its Orthopaedic Division; and
- Within the Innovation Division, advancing the development and commercialisation of innovative technologies into products which can be taken to market. The current major project being a ceramic bone substitute which is both load bearing and biocompatible under an exclusive global license from the University of Sydney.

Review of operations

Revenue
Total revenue from ordinary activities for the half year ended 31 December 2017 was $2,357,418 (31 December 2016: $2,650,671).

A comparison of half year on half year revenue is as follows:

	31 Dec 2017 $	31 Dec 2016 $	Change $	Change %
Sale of goods	2,125,658	2,263,498	(137,840)	(6%)
Commissions revenue	227,861	384,817	(156,956)	(41%)
Interest received	3,899	2,356	1,543	65%

The major driver behind the revenue reduction in ‘Sale of goods’ for the six months to 31 December 2017 was the impact of the Federal Governments mandated ‘benefit reduction’ of 7.5% on prosthesis rebates from private health insurers which took effect in February 2017. The impact of this rebate reduction on the company’s ‘Sale of Goods’ of its hip and knee implants for the six months to 31 December 2017 was approximately $116,220.

'Commissions revenue' for the six months to 31 December 2017 is lower primarily due to the loss of a sub-distribution product range as the vendor moved to an alternate distribution model in Australia.

Net Profit after Amortisation, Depreciation and Tax (‘NPAT’)
The Orthopaedics Division generated a profit of $3,433 (31 December 2016: profit of $112,094). This division was impacted by the Federal Government’s mandated ‘benefit reduction’ of 7.5% on prosthesis rebates from private health insurers which took effect in February 2017.

The continuing investment in product development within the Innovation Division resulted in a loss for that division of $201,490 (31 December 2016: profit of $67,183).

The loss for the consolidated entity after providing for income tax amounted to $198,057 (31 December 2016: profit of $179,277).

Earnings before interest, tax, depreciation and amortisation ('EBITDA')
EBITDA is a financial measure which is not prescribed by Australian Accounting Standards (‘AAS’). The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The following table summarises key reconciling items between statutory profit/(loss) after tax attributable to the shareholders of the company and EBITDA.

	Consolidated	
	31 Dec 2017 $	31 Dec 2016 $
Profit/(loss) after income tax	(198,057)	179,277
Add: Depreciation and amortisation	153,273	147,846
Add: Finance cost	6,222	105,580
Less: Interest income	(3,899)	(2,356)
EBITDA	(42,461)	430,347

Expenses
A comparison of half year on half year expenses is as follows:

	31 Dec 2017 $	31 Dec 2016 $	Change $	Change %
Cost of sales and purchases of consumables	739,869	828,479	(88,610)	(11%)
Corporate and administration expenses	872,097	953,397	(81,300)	(9%)
Quality and research and development expenses	475,533	284,822	190,711	67%
Sales and marketing expenses	731,846	642,970	88,876	14%
Finance costs	6,222	105,580	(99,358)	(94%)

Cost of sales and purchases of consumables is lower in line with reduced product sales revenues.

Corporate and administration expenses decreased $81,300 due to targeted cost reductions from various service providers including audit, IT, telecoms and insurance costs.

Quality and research and development expenses have increased $190,711 due to the planned increase in engineering staff and external consultants providing services to assist with product development of the SrHT Gahnite bone substitute project which operates within the company's Innovation Division.

Sales and marketing expense has increased by $88,876 primarily due to the expansion of direct sales and support headcount and their associated costs.

Cash position
The cash balance as at 31 December 2017 was $2,251,183 which is an increase of $403,536 when compared with the cash balance as at 30 June 2017 of $1,847,647.

Outlook
The consolidated entity will continue to focus on two major objectives. The first being the improvement of sales and distribution of its medical device product range which operates within the company's Orthopaedics Division. This is to be achieved by continuing to seek innovative revenue channels and products including the recent addition of products from Waldermar LINK GmbH & Co, coupled with the ongoing development of its highly trained and skilled medical device workforce. The second objective being pursued is the ongoing investment in product development to commercialise the exciting SrHT Gahnite bone substitute project which operates within the company's Innovation Division.

Significant changes in the state of affairs
On 8 September 2017, the company announced that it has secured commitments from individuals for a placement of 8,666,667 ordinary shares at an issue price of $0.15 (15 cents) per share to raise $1.3 million. The funds raised will be used for ongoing working capital required to continue investment in the commercialisation of the Sr-HT Garnite bone substitute project.

On 25 October 2017, the company's Employee Share Option Plan ('ESOP') was approved at the Annual General Meeting.

On 9 November 2017, the company announced that it has secured commitments from individuals for a placement of 8,000,000 ordinary shares at an issue price of $0.15 (15 cents) per share to raise $1.2 million. The funds raised will be used for ongoing working capital required to continue investment in the commercialisation of the Sr-HT Garnite bone substitute project.

On 14 December 2017, the company entered into an agreement with German based Waldemar LINK GmBH & Co ('LINK') to exclusively distribute their complete range of medical device implant products within Australia. The term of the agreement is three years with an option to extend to five years.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

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

Peter Kazacos
Chairman

22 February 2018
Sydney

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

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22 February 2018

The Board of Directors
Allegra Orthopaedics Limited
Level 8, 18-20 Orion Road
Lane Cove West NSW 2066

Dear Board Members

Re: Allegra Orthopaedics Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Allegra Orthopaedics Limited.

As lead audit partner for the review of the half-year financial report of Allegra Orthopaedics Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Horwath Sydney

Crowe Horwath Sydney

JHaydon

John Haydon
Senior Partner

General information

The financial statements cover Allegra Orthopaedics Limited as a consolidated entity consisting of Allegra Orthopaedics 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 Allegra Orthopaedics Limited's functional and presentation currency.

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

Level 8
18-20 Orion Road
Lane Cove West, NSW 2066

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2018.

	Note	Consolidated 31 Dec 2017 $	31 Dec 2016 $
Revenue	3	2,357,418	2,650,671
Other income	4	270,092	343,854
Expenses			
Cost of sales and purchases of consumables		(739,869)	(828,479)
Corporate and administration expenses		(872,097)	(953,397)
Quality and research and development expenses		(475,533)	(284,822)
Sales and marketing expenses		(731,846)	(642,970)
Finance costs		(6,222)	(105,580)
Profit/(loss) before income tax expense		(198,057)	179,277
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Allegra Orthopaedics Limited		(198,057)	179,277
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Allegra Orthopaedics Limited		(198,057)	179,277
		Cents	**Cents**
Basic earnings per share	9	(0.22)	0.28
Diluted earnings per share	9	(0.22)	0.28

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

Allegra Orthopaedics Limited
Statement of financial position
As at 31 December 2017

	Note	Consolidated 31 Dec 2017 $	Consolidated 30 Jun 2017 $
Assets			
Current assets			
Cash and cash equivalents		2,251,183	1,847,647
Trade and other receivables		1,081,765	1,031,332
Inventories		2,645,583	1,776,560
Total current assets		5,978,531	4,655,539
Non-current assets			
Property, plant and equipment	5	1,340,087	567,044
Intangibles		150,369	154,476
Other		-	98,123
Total non-current assets		1,490,456	819,643
Total assets		7,468,987	5,475,182
Liabilities			
Current liabilities			
Trade and other payables		444,643	679,325
Borrowings		19,215	149,987
Provisions		49,070	45,816
Total current liabilities		512,928	875,128
Non-current liabilities			
Provisions		52,606	44,494
Total non-current liabilities		52,606	44,494
Total liabilities		565,534	919,622
Net assets		6,903,453	4,555,560
Equity			
Issued capital	6	14,892,993	12,348,455
Reserves		581,692	580,280
Accumulated losses		(8,571,232)	(8,373,175)
Total equity		6,903,453	4,555,560

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

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2016	10,459,629	565,280	(8,874,223)	2,150,686
Profit after income tax expense for the half-year	-	-	179,277	179,277
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	179,277	179,277
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	740,367	-	-	740,367
Balance at 31 December 2016	11,199,996	565,280	(8,694,946)	3,070,330

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2017	12,348,455	580,280	(8,373,175)	4,555,560
Loss after income tax expense for the half-year	-	-	(198,057)	(198,057)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(198,057)	(198,057)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 6)	2,544,538	-	-	2,544,538
Share-based payments	-	1,412	-	1,412
Balance at 31 December 2017	14,892,993	581,692	(8,571,232)	6,903,453

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

	Consolidated 31 Dec 2017 $	Consolidated 31 Dec 2016 $
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,550,997	3,457,928
Payments to suppliers (inclusive of GST)	(4,020,777)	(3,677,854)
	(1,469,780)	(219,926)
Interest received	4,720	2,356
Other revenue	3,136	43,262
Interest and other finance costs paid	(3,783)	(105,580)
Income taxes refunded relating to research and development	277,834	472,080
Net cash from/(used in) operating activities	(1,187,873)	192,192
Cash flows from investing activities		
Payments for property, plant and equipment	(903,067)	(87,662)
Proceeds from disposal of property, plant and equipment	8,250	-
Net cash used in investing activities	(894,817)	(87,662)
Cash flows from financing activities		
Proceeds from issue of shares	2,511,590	755,117
Share issue transaction costs	-	(14,750)
Repayment of lease liabilities	(25,364)	(45,720)
Repayment of debtor finance facility	-	(178,634)
Repayment of borrowings - related party	-	(700,000)
Net cash from/(used in) financing activities	2,486,226	(183,987)
Net increase/(decrease) in cash and cash equivalents	403,536	(79,457)
Cash and cash equivalents at the beginning of the financial half-year	1,847,647	1,154,590
Cash and cash equivalents at the end of the financial half-year	2,251,183	1,075,133

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 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.

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised in two operating segments based on an orthopaedics division and an innovation division. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. For the innovation division, net cash flow information is reported to the CODM as a measure of EBITDA.

The information reported to the CODM is on a monthly basis.

The consolidated entity operates predominantly in one geographical region being Australia.

Orthopaedics division	This division has an extensive and well established range of orthopaedic implant products and surgical instrumentation from Australian and international suppliers covering all specialities from foot and ankle, knee and hip to upper limb. The division is constantly seeking out leading edge products to include in its product offering for its customers and their patients.
Innovation division	The company has formed an Innovation Division containing a dedicated engineering team with a mandate to explore and develop innovative early stage technologies into commercially viable products available for manufacture by the company. Currently, the major project underway is the development and commercialisation of a load bearing biocompatible ceramic material known as ‘Sr-HT Gahnite’. Other potential projects in the pipeline include xenographs and synthetic tendon projects.

Intersegment transactions

Intersegment transactions were made at market rates. The orthopaedics division allocates a percentage of its overhead salaries to the innovation division. Intersegment transactions are eliminated on consolidation.

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2017	Orthopaedics division $	Innovation division $	Total $
Revenue			
Sale of goods	2,125,658	-	2,125,658
Commissions revenue	227,861	-	227,861
Total sales revenue	2,353,519	-	2,353,519
Other income	4,594	-	4,594
Research and development tax offset	-	265,498	265,498
Interest revenue	3,899	-	3,899
Total revenue	2,362,012	265,498	2,627,510
EBITDA	153,310	(195,771)	(42,461)
Depreciation and amortisation	(147,554)	(5,719)	(153,273)
Interest revenue	3,899	-	3,899
Finance costs	(6,222)	-	(6,222)
Profit/(loss) before income tax expense	3,433	(201,490)	(198,057)
Income tax expense			-
Loss after income tax expense			(198,057)

Consolidated - 31 Dec 2016	Orthopaedics division $	Innovation division $	Total $
Revenue			
Sale of goods	2,263,498	-	2,263,498
Commissions revenue	384,817	-	384,817
Total sales revenue	2,648,315	-	2,648,315
Government grants	-	237,331	237,331
Other income	39,340	-	39,340
Research and development tax offset	-	67,183	67,183
Interest revenue	2,356	-	2,356
Total revenue	2,690,011	304,514	2,994,525
EBITDA	363,164	67,183	430,347
Depreciation and amortisation	(147,846)	-	(147,846)
Interest revenue	2,356	-	2,356
Finance costs	(105,580)	-	(105,580)
Profit before income tax expense	112,094	67,183	179,277
Income tax expense			-
Profit after income tax expense			179,277

Note 3. Revenue

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$	$
Sales revenue		
Sale of goods	2,125,658	2,263,498
Commissions revenue	227,861	384,817
	2,353,519	2,648,315
Other revenue		
Interest	3,899	2,356
Revenue	2,357,418	2,650,671

Note 4. Other income

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$	$
Government grants	-	237,331
Other income	4,594	39,340
Research and development tax offset	265,498	67,183
Other income	270,092	343,854

Note 5. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2017	30 Jun 2017
	$	$
Plant and equipment - at cost	545,860	498,992
Less: Accumulated depreciation	(435,364)	(427,922)
	110,496	71,070
Fixtures and fittings - at cost	1,178,256	1,202,887
Less: Accumulated depreciation	(1,142,444)	(1,155,017)
	35,812	47,870
Leasehold improvements - at cost	59,870	13,230
Less: Accumulated depreciation	(6,450)	(4,227)
	53,420	9,003
Instrument sets - at cost	3,623,410	2,805,011
Less: Accumulated depreciation	(2,483,051)	(2,365,910)
	1,140,359	439,101
	1,340,087	567,044

Note 5. Non-current assets - property, plant and equipment (continued)

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

Consolidated	Plant and equipment $	Fixtures and fittings $	Leasehold improvements $	Instrument sets $	Total $
Balance at 1 July 2017	71,070	47,870	9,003	439,101	567,044
Additions	46,868	12,170	46,640	818,400	924,078
Disposals	-	(3,956)	-	-	(3,956)
Depreciation expense	(7,442)	(20,272)	(2,223)	(117,142)	(147,079)
Balance at 31 December 2017	110,496	35,812	53,420	1,140,359	1,340,087

Note 6. Equity - issued capital

	Consolidated			
	31 Dec 2017 Shares	30 Jun 2017 Shares	31 Dec 2017 $	30 Jun 2017 $
Ordinary shares - fully paid	99,559,052	82,528,474	14,892,993	12,348,455

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	82,528,474		12,348,455
Shares issued	13 September 2017	5,333,334	$0.150	800,000
Shares issued	9 November 2017	11,333,332	$0.150	1,700,000
Shares issued	9 November 2017	363,912	$0.125	45,489
Share issue transaction costs				(951)
Balance	31 December 2017	99,559,052		14,892,993

Note 7. Equity - dividends

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

Note 8. Contingent liabilities

The consolidated entity previously announced it had entered into an agreement with German based Waldemar LINK GmbH & Co. ('LINK') to exclusively distribute their complete product range within Australia (refer ASX announcement on 14 December 2017). As part of that agreement, the consolidated entity would receive assistance from LINK to transition the existing Australian LINK customer base and provide historic customer sales data. As a result of these benefits, the consolidated entity would pay LINK a fee based on an agreed sliding scale of LINK product sales achieved by the consolidated entity during the period 1 January 2018 to 30 June 2018. The fee payable is between zero and $487,000. Any fee payable is due to paid by 31 July 2018.

Note 9. Earnings per share

	Consolidated	
	31 Dec 2017	31 Dec 2016
	$	$
Profit/(loss) after income tax attributable to the owners of Allegra Orthopaedics Limited	(198,057)	179,277
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	89,231,123	64,631,901
Weighted average number of ordinary shares used in calculating diluted earnings per share	89,231,123	64,631,901
	Cents	Cents
Basic earnings per share	(0.22)	0.28
Diluted earnings per share	(0.22)	0.28

Options issued during the year have been excluded from the above calculation of diluted earnings per share as their inclusion would be anti-dilutive.

Note 10. Share-based payments

Unlisted options

An Employee Share Option Plan ('ESOP') was approved at the Annual General Meeting on 25 October 2017. The options are awarded to certain employees ('participant') at the discretion of the Board. The options will not be listed.

The options are governed by the Rules of the Allegra Orthopaedics Limited Option Plan which can be found in detail at www.allegraorthopaedics.com. A summary of the terms of issue of the options are below.

Exercise

Under the option rules, the options may be exercised for the exercise price specified on grant of the option. The options may be exercised at any time between the date the vest and the last date before their expiry date. To exercise an option the participant must complete and lodge, along with payment of the exercise price, with the Company Secretary of the company, or other role nominated by the Board, an exercise election in such form as the Board may from time to time prescribe. On exercise, the participant will be issued one ordinary share for each option exercised.

Vesting

Vesting conditions will be specified in the letter of invitation to the participant, along with the relationship between various potential levels of performance and levels of vesting that may occur. Performance conditions may vary between different invitations and between different tranches of options described in an invitation.

Following the end of the measurement period, the Board will determine for each tranche of options to which the measurement period applies, the extent to which they each vest and notify participants in writing of both the extent of vesting and the date of vesting which will be the date of the notification, unless otherwise determined by the Board.

Prior to the end of a measurement period the Board may determine that some or all of the options held by a participant will vest in which case the Board will notify participants in writing of both the extent of vesting and the date of vesting which will be the date of the notification, unless otherwise determined by the Board. In such circumstances the Board may also determine that any remaining options will be forfeited and lapse in which case the Board shall notify participants in writing, in a form determined by the Board in its absolute discretion.

Note 10. Share-based payments (continued)

Lapse
The options lapse automatically:
- the participant ceases to be to be employed by the company; or
- at the end of the designated exercise period for the options, unless extended in accordance with the option rules; or
- in the event that the Board forms the opinion that a participant has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the participant will forfeit all unvested options. The Company may also recover damages from vested options and restricted shares held by or for the benefit of the participant; or
- if any other incident occurs as disclosed in the Rules of the Allegra Orthopaedics Limited Option Plan.

Transfer/Dealing
The participant cannot dispose, encumber or otherwise deal with its options without the prior written approval of the Board.

Set out below are summaries of options granted under the plan:

31 Dec 2017

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the half-year
09/11/2017	09/11/2023	$0.125	-	247,356	-	-	247,356
08/12/2017	08/12/2023	$0.125	-	1,472,538	-	-	1,472,538
			-	1,719,894	-	-	1,719,894
Weighted average exercise price			$0.000	$0.125	$0.000	$0.000	$0.125

The weighted average share price during the financial half-year was $0.15.

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 5.90 years.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 consolidated entity's financial position as at 31 December 2017 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

Peter Kazacos
Chairman

22 February 2018
Sydney

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Independent Auditor's Review Report to the members of Allegra Orthopaedics Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Allegra Orthopaedics Limited and its controlled entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity, 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.

Directors' Responsibility 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 (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2017 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*. As the auditor of Allegra Orthopaedics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

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 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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 Allegra Orthopaedics Limited is not in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(ii) complying with AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Crowe Horwath Sydney

John Haydon
Senior Partner

Dated this 22nd day of February 2018