Calzada Limited
ABN 96 083 866 862
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24 February 2014

Half Year Results

Calzada Limited ("Company" or "Calzada") today announced its half year result for the period ending 31 December 2013.

Key points:

- Total cash and deposits as at 31 December 2013 amounted to $5.32 million.
- Following the $1.25 million Placement to Sophisticated Investors in June Calzada raised a further $2.6 million by way of a Share Purchase Plan.
- The Company reported a net loss after income tax of $1.15 million (2012: $0.58 million). The increase is predominantly a result of a change in the recognition of research and development income.
- Operational highlights for the half year include:
  - Submitted 510(k) regulatory application to the US FDA for clearance to market PolyNovo's NovoSorb™ Topical Negative Pressure ("TNP") wound dressing ("NovoPore™");
  - Successfully completed 10 patient clinical trial of PolyNovo's NovoSorb™ Biodegradable Temporising Matrix ("BTM") where the implant safely and successfully integrated in free flap donor sites (deep full thickness surgical wounds) and supported subsequent skin graft take over the implant;
  - Initiated several investigational programs for potential device applications utilising NovoSorb™ including: a partnership to commercialise in the field of aesthetic facial surgery and a feasibility agreement to evaluate its use in hernia repair;
  - Commenced recruitment for a 5 patient burn trial of NovoSorb™ BTM implanted in significantly injured burn patients (with 3rd degree burns), conducted by Principal Investigator Associate Professor John Greenwood AM, at the Royal Adelaide Hospital; and

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- Metabolic successfully entered a non-exclusive Licence with Australian Custom Pharmaceuticals, Australia's largest compounding pharmacy, for sales of compounded medicines involving AOD9604 thus generating immediate royalties to Metabolic.

A full commentary and analysis of the operations and half year result can be found in the Appendix 4D and 31 December 2013 accounts.

For further information please contact:

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Chief Financial Officer/Company Secretary
Calzada Limited
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About Calzada Ltd
Calzada has 100% ownership of PolyNovo Biomaterials Pty Ltd and Metabolic Pharmaceuticals Pty Ltd. The Company is listed on the Australian Securities Exchange (ASX Code CZD).

About PolyNovo Biomaterials Pty Ltd
PolyNovo owns and develops a suite of state of the art biodegradable polymers that have potential applications across numerous medical fields.

About Metabolic Pharmaceuticals Pty Ltd
Metabolic's asset is the AOD9604 peptide which has potential applications in the treatment of obesity, bone, cartilage and muscle diseases and repair.

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APPENDIX 4D

Name of Company: Calzada Limited

Details of reporting period

Current period: 31 December 2013

Prior corresponding period: 31 December 2012

This report should be read in conjunction with the financial report ended 31 December 2013 and the 30 June 2013 annual report. It is recommended that the financial report be considered with all public announcements made by the Company in respect to its continuous disclosure obligations under the *Corporations Act 2001*.

Results for announcement to the market

Revenues and results from ordinary activities:	**Change compared to 31/12/12**			**31/12/13**
Total revenue:	decreased	22.61%	to	$160,876
Total expenses:	increased	9.46%	to	$1,813,628
*(Loss)/Profit attributable to non controlling interest:	decreased	152.94%	to	$1,881
(Loss)/Profit from ordinary activities after tax attributable to members:	increased	96.58%	to	($1,148,676)
(Loss)/Profit for the period attributable to members:	increased	96.58%	to	($1,148,676)

*Non controlling interest recorded a loss of $3,553 in prior corresponding period and a profit of $1,881 in the current period, refer financial statements.

Dividends

No dividends have been paid or declared by Calzada for the current half year.

No dividends were paid or proposed for the corresponding period.

Explanation of results

Calzada reported a net loss after tax and minority interests (non controlling interests) of $1,148,676 for the six months to 31 December 2013. This was an increase on the $584,320 loss reported in the previous corresponding period.

Revenue
Revenue to 31 December 2013 was down 22.61% to $160,876 from $207,884 for the six months to 31 December 2012.

Finance revenue (representing interest on cash deposits) of $99,458 was recorded for the December 2013 period, remaining consistent with the December 2012 period interest of $102,013. While cash increased during the half year compared to the December 2012 period, interest rates have fallen during the corresponding periods.

PolyNovo received $52,375 in licence revenue in respect to the Hernia repair feasibility agreement. No licence revenue was recognised in the prior corresponding period.

Other income
An amount of $505,957 was recognised as other income in respect to the Research and Development tax incentive. The Group accrued 6 months revenue to December 2013, whereas for the prior corresponding period a full years' Research and Development tax incentive revenue was recorded.

Expenses
Total expenses increased 9.46% to $1,813,628 for the December 2013 half year in comparison to $1,656,929 for the December 2012 half year.

Employee expenses of $652,471 were incurred for the 31 December 2013 half year. The Group incurred employee expenses of $673,414 for the December 2012 half year.

The Group incurred Research and Development costs of $383,682 in progressing its core technology, an increase of 15.13% on the corresponding period expense of $333,256.

Corporate finance and administration expenses totalled $507,827 for the 31 December 2012 half year, for the December 2012 period corporate finance and administration expenses were $385,344.

Cash and short term investments (term deposits)
Total cash held as at 31 December 2013 including cash and cash equivalents and term deposits (held as financial assets in the half year financial report) amounted to $5,318,437, compared to $3,943,667 at 30 June 2013. A tax Research and Development cash rebate of $784,813 is expected to be received before the end of the financial year.

Full commentary and analysis of the half year result can be found in the attached ASX announcement dated 24 February 2013. This announcement and the half year financial report forms part of the Appendix 4D.

Net tangible assets	**31/12/13**	**31/12/12**
Net tangible assets	$7,380,403	$4,933,705
Shares on issue	417,209,426	346,632,277
Net tangible assets per share	1.77 cents	1.42 cents

Status of review

The financial report for the period ending 31 December 2013 has been reviewed by Ernst and Young, the Company's external auditors. A copy of the auditors review report is included in the half year financial report.

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Half-Year Financial Report

For the half-year ended 31 December 2013

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This half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Calzada Limited during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

The Board of Directors of Calzada Limited ("Calzada") present their report in respect of the financial half-year ended 31 December 2013 ("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.

Dr Roger Aston, *Non-Executive Chairman (Appointed 15 November 2013)*
Mr Bruce Rathie, *Non-Executive Director*
Dr David McQuillan, *Non-Executive Director*
Mr David Franklyn, *Non-Executive Chairman (Resigned 15 November 2013)*

FINANCIAL RESULT

The net loss of the consolidated entity attributable to members of the parent entity (after excluding the loss attributable to non controlling interests) for the Period, after income tax was $1,148,676 (*2012:* $584,320).

The net loss before income tax totalled $1,146,795 (*2012:* $659,791).

The consolidated entity recognised interest revenue of $99,458 (*2012:* $102,013) and licence revenue of $52,375 (*2012:* $nil) for the Period.

The consolidated entity accrued $505,957 (*2012*: $789,254) of other income with respect to Research and Development benefits for the half year. This amount is recorded as a receivable/other income in the 31 December 2013 financial statements. The amount recognised in the prior period ($789,254) related to the full years claim for the financial year ended 30 June 2012. The Company recognises Research and Development benefit at each reporting period rather than on a full year basis.

Employee expenses of $652,471 were recognised for the Period (*2012*: $673,414).

Research and development costs of $383,682 were recognised for the Period in respect to progressing the group's core technology (*2012*: $333,256).

Corporate finance and administration expenses recognised for the Period were $507,827 (*2012*: $385,344).

Cash and short term investments

As at 31 December 2013, Calzada held total cash, including short term investments, of $5,318,437 (*June 2013*: $3,943,667) pre receipt of the R & D tax incentive from the ATO of $1,290,770 recorded as a receivable at 31 December 2013. $258,437 (*June 2013*: $2,783,667) of the group's cash is being held as cash and cash equivalents, with $5,060,000 (*June 2013*: $1,160,000) being held in term deposits exceeding 3 months. This amount has been classified as other financial assets in the statement of financial position.

There are no other borrowings at the date of this report.

PRINCIPAL ACTIVITIES

Calzada owns 100% of PolyNovo Biomaterials (PolyNovo) and 100% of Metabolic Pharmaceuticals (Metabolic). Refer to the review of operations for a full description of the activities of each of these business units.

REVIEW OF OPERATIONS

POLYNOVO BIOMATERIALS

PolyNovo is focused on developing medical devices aimed at reconstructive surgery and tissue repair incorporating its state of the art and patented biodegradable polymer technology NovoSorb™. NovoSorb™ is a family of proprietary medical grade polymers that can be utilised to manufacture medical devices designed to support tissue repair and then degrade in a defined fashion *in-situ* to harmless by-products. NovoSorb™ has significant advantages over competitor biodegradable polymers in terms of its design flexibility. PolyNovo is able to manufacture NovoSorbÊ polymer devices with a range of mechanical properties and flexible degradation times from months to years that are suitable for many different medical applications. The NovoSorb™ material has passed the ISO10993 safety testings required for regulatory purposes.

Key highlights during the half year:

- ✓ Submitted 510(k) regulatory application to the US FDA for clearance to market its NovoSorb™ Topical Negative Pressure (TNP) wound dressing (ñNovoPore™ò);
- ✓ Successfully completed 10 patient clinical trial of NovoSorb™ Biodegradable Temporising Matrix (BTM) where the implant safely and successfully integrated in free flap donor sites (deep full thickness surgical wounds) and supported subsequent skin graft take over the implant;
- ✓ Subsequent to that trial and announced in February 2014, 3 surgeons have received TGA approval to use NovoSorb™ BTM in surgical wounds;
- ✓ Initiated several investigational programs for potential device applications utilising NovoSorb™ including: a partnership to commercialise in the field of aesthetic facial surgery and a feasibility agreement to evaluate its use in hernia repair;
- ✓ Started recruitment for a 5 patient burn trial of NovoSorb™ BTM implanted in significantly injured burn patients (with 3rd degree burns), conducted by Principal Investigator Associate Professor John Greenwood AM, at the Royal Adelaide Hospital; and
- ✓ Continued communication with BARDA to support the US regulatory activities for NovoSorb™ BTM in burns.

Upcoming expected key milestones:

- ✓ Outcome of 510(k) regulatory submission to the US FDA to market NovoPore™ TNP wound dressing;
- ✓ Progress partnering discussions for TNP application;
- ✓ Completion of current NovoSorb™ BTM burn trial in full thickness 3rd degree burn patients;
- ✓ Filing of 510(k) application seeking US FDA clearance to market NovoSorb™ BTM wound implant in surgical wounds;
- ✓ Achieve ISO 13485 medical device manufacturer certification, for the companyôs quality management system; and
- ✓ Progress new device opportunities for NovoSorb™ in wound management and hernia repair.

NovoSorb™ for burns and wounds treatment

PolyNovo formed NovoSkin Pty Ltd, a joint venture company with burn surgeon Associate Professor John Greenwood, for the application and development of NovoSorb™ for a range of burn and wound treatment devices.

NovoSkin is developing two devices using NovoSorb™ aimed at the treatment of full thickness burns:

- a Biodegradable Temporising Matrix (ñBTMò); and
- a Composite Cultured Skin (ñCCSò).

These two products form a two stage treatment strategy for full thickness burns aimed at eliminating the need for skin grafts.

BTM

During 2013, PolyNovo and NovoSkin successfully completed a 10 patient human clinical trial under the guidance of Associate Professor John Greenwood at the Royal Adelaide Hospital where the BTM successfully integrated in free flap donor sites (deep

full thickness surgical wounds) allowing skin graft take over the repaired dermal tissue. Based on these positive outcomes, 3 surgeons who were involved in the trial have sought and gained special access clearance from the Australian Therapeutic Goods Administration (TGA) to use BTM in their patients.

PolyNovo is currently preparing a submission for 510(k) clearance with the US Food and Drug Administration (FDA) for indications including 2nd degree burns, surgical wounds, partial and full thickness surgical wounds and other traumatic wounds. A 510(k) clearance would enable BTM to be sold in the US. A Pre Market Approval ("PMA") is required in the US to market a product indicated for full thickness burns and necessitates completion of a FDA sanctioned clinical trial. Regulatory pathways in other world jurisdictions are also currently being investigated which may require additional trials.

A burn trial utilising BTM in severely injured burn patients with 3rd degree burns is currently being conducted under the guidance of Associate Professor Greenwood. This trial will further assess the ability of BTM to integrate in 3rd degree burn wounds following debridement (as per the standard of care), and allow a skin graft with the aim to minimise scarring and improve functional and aesthetic outcomes.

CCS

NovoSkin has completed three CCS *in-vivo* studies. The first study in October 2011 resulted in the successful application of several CCS on BTM implanted sites, therefore proving the two stage treatment concept. This study also evaluated the possibility of using an epithelial cells suspension on integrated BTM at different stages, before membrane delamination by injecting the suspension under the membrane and after seal removal. As expected, both methods failed to generate an epithelium to cover the newly formed dermis, further demonstrating the need for a bilayer structure (dermal and epidermal) to achieve a successful outcome. The study completed in April 2012 leveraged the newly optimised BTM and yielded very promising results, indicating in principle that the BTM/CCS treatment of full thickness wounds could effectively abolish the need for a skin graft. The third study achieved a complete epithelisation of the integrated BTM with minimal contracture.

NovoSorb™ for Topical Negative Pressure (TNP) assisted closure wound dressings

PolyNovoôs joint venture company with burn surgeon Associate Professor John Greenwood, has developed a Topical Negative Pressure (TNP) dressing leveraging off the BTM work.

A 20 patient TNP human trial, comparing PolyNovoôs NovoPore™ to the gold standard treatment GranuFoam™ was successfully completed in April 2013. GranuFoam™ is the world leading treatment device in TNP dressings and NovoPore™ demonstrated important safety and efficacy advantages over that product. Previously the US FDA had cited certain problems with existing wound products and the NovoPore™ trial results indicated that when compared with GranuFoam™, NovoPore™:

- reduced dressing fragmentation;
- reduced the risk of infection; and
- reduced the difficulty of dressing removal and reduced undesirable dressing retention in the wound due to NovoPore™ôs design .

A 510(k) regulatory submission has been made to the US FDA to gain marketing approval for NovoPore™ and PolyNovo is in ongoing discussions with potential distribution and marketing partners.

The TNP dressing application is particularly attractive to PolyNovo as:

- TNP dressings are not classified as an implant and therefore have a relatively simpler regulatory pathway in both the US and Europe, enabling necessary regulatory approvals in a shorter timeframe;

- FDA Safety Communication entitled ñSerious Complications Associated with Negative Pressure Wound Therapy Systemsòlisted several issues with the dressings used in current TNP treatment. As part of the surveillance process the FDA continues to work with manufacturers to ensure the development, testing and promulgation of methods for reducing the identified risks associated with these devices and to minimise the complications from adverse events that may occur in the course of normal usage. For this reason, positive results from the TNP trial should be favourably received by end users; and

- TNP dressings are a large, established market which is expected to continue to grow steadily year on year.

Fracture Fixation and Bone Void Fillers

PolyNovo has two development programs with the US based medical device company Smith & Nephew covering fracture fixation and bone void fillers. Additionally Smith & Nephew secured a US Government grant to create and develop a NovoSorb™ fracture putty to repair load bearing fractures caused by battlefield trauma. All three projects are controlled by Smith and Nephew. PolyNovo has developed formulations that are currently being tested in bone fracture animal trials.

PolyNovo continues to work closely with Smith and Nephew.

Aesthetic Facial Surgery Applications

In July 2013, PolyNovo entered a partnership with NovoPlastiq LLC, based in the USA, to develop and commercialise NovoSorb™ biodegradable implants for aesthetic facial applications. Under the terms of the agreement, PolyNovo has the right to exit the partnership if certain milestones are not met by NovoPlastiq. PolyNovo is presently assessing its participation in the partnership as a result of certain milestones not being met by NovoPlastiq.

NovoSorb™ polymer technology has many medical applications involving tissue repair and the significant market opportunity for NovoSorb™ in facial implants is a further example of the diversity and versatility of the NovoSorb™ technology platform. The field of aesthetic facial surgery includes nasal, chin, cheek and lip augmentation where existing treatments involve short-lasting dermal fillers, non-biodegradable implants and autologous transplants.

In its development to date, including human clinical trials, NovoSorb™ has demonstrated excellent biocompatibility, tissue incorporation and reduction in the risk of infection. These key attributes of its unique chemistry are directly transferable into implants for facial augmentation and aesthetics.

Hernia Repair

PolyNovo entered a Feasibility Agreement with a specialist US device company to evaluate NovoSorb™ biodegradable polymers in products in development for hernia repair. Upon the successful completion of the feasibility evaluation and satisfaction of certain conditions, the parties may negotiate and enter into a Licence and Supply Agreement where PolyNovo would manufacture and supply the NovoSorb™ material and the US Company would develop and commercialise.

Hernia repair surgery involves the implantation of a device to reinforce missing or damaged tissue and represents a large market opportunity and potential application of the NovoSorb™ platform technology. NovoSorb™ís potential in this field is supported by its biodegradability, biocompatibility, adjustable biophysical properties, safety profile and reduced risk of infection when implanted.

The partner has successfully completed its feasibility studies and is currently in the final phase of its due diligence.

Intellectual property

PolyNovo continues to strengthen its patent portfolio with the registration of several patents in different territories. These included the acceptance of PolyNovoís ñNovoSkinòpatent in India and Malaysia; the ñdegradable chain extenderòpatent in China; the ñstentòpatent in Australia and the US; and the ñ*in-situ* cureòpatent in the US.

METABOLIC PHARMACEUTICALS (METABOLIC)

Metabolicôs primary asset is ownership of the AOD9604 intellectual property. AOD9604 is a 16 amino acid peptide based on a fragment of the C-terminus end of human growth hormone (hGH). A wide range of *in-vitro* and *in-vivo* testing has shown that AOD9604 has similar effects to hGH on fat metabolism and on bone, muscle and cartilage repair. However, Metabolicôs scientific studies clearly prove that AOD9604 does not have the pro-diabetic or inflammatory properties of hGH nor does it stimulate the production of IGF-1 which eliminates the usual negative side effects associated with hGH dosing.

AOD9604 has proven to have an excellent safety and tolerability record following formal pre-clinical development and testing in a total of six human clinical trials involving 925 humans. To date a total of over 1,500 humans and animals have been dosed in these tests with AOD9604, either orally or by injection, without evidence of any safety issues.

Metabolic has adopted a low cost out-licensing strategy to derive value from the substantial past investment in the clinical development of AOD9604. Metabolicôs costs are running at approximately 10% of Calzadaôs total costs.

Key highlights during the half year:

- ✓ Following its investigations into the manufacture and sale of AOD9604 by compound pharmacies, in January 2014 Metabolic successfully entered a non-exclusive Licence with Australian Custom Pharmaceuticals, Australiaôs largest compounding pharmacy;
- ✓ Progressed AOD9604 towards an unconditional ñGRASò status with a scientific paper on the non-human safety profile of AOD9604 fully drafted and ready for submission into a peer reviewed journal. Acceptance of this paper by the US GRAS panel will legally allow AOD9604 to be added to foods, drinks and dietary supplements in the United States;
- ✓ Pursued out-licensing of AOD9604 for potential human and veterinary applications for bone, muscle and cartilage repair and in the treatment of obesity related disorders. Discussions have progressed significantly on a number of fronts and Metabolic expects to provide an update on these initiatives in due course; and
- ✓ Investigated the further development of AOD9604 in the treatment of osteoarthritis and the possible conduct of a low-cost ñpilotò animal study prior to further human studies.

The following key initiatives are currently being pursued to generate shareholder value:

Licensing AOD9604 to compounding pharmacies

Over the past 18 months an increasing number of Australian registered medical practitioners have been prescribing AOD9604 products for use by their patients. Recent anecdotal evidence indicates that AOD9604 is being prescribed to reduce body fat and for muscle, tendon and cartilage repair. Metabolic owns patents and intellectual property around AOD9604 and its use in the treatment of these and other indications.

Doctor prescriptions of AOD9604 can be legally prepared by licensed compounding pharmacies under Australiaôs Therapeutics Goods Act (Item 6, Schedule 5 to the Therapeutics Goods Regulations which deals with the extemporaneous compounding exemption).

Metabolic has been exploring options by which it can derive revenue from the manufacture, sale and use of AOD9604 products infringing its patent portfolio by third parties. In January 2014, Metabolic entered its first non-exclusive licence with Australian Custom Pharmaceuticals, Australiaôs largest compounding pharmacy, for compounded medicines involving AOD9604 that comply with all Australian regulatory requirements. This first license is part of the strategy to enter similar licenses with other compounding pharmacies in Australia and overseas. Metaboolicôs aim is to receive a financial return in the form of royalties on sales of medicine products involving AOD9604.

This licensing strategy is expected to provide immediate and on-going revenues to Metabolic.

AOD9604 as a potential treatment for osteoarthritis and joint disease

In 2013, Metabolic released positive results from the intra-articular testing of AOD9604 in an *in-vivo* (rabbit) model of collagenase-induced osteoarthritis. Those results showed that AOD9604 has a positive effect on the repair of cartilage and joint tissue and an additive positive effect when used in combination with Hyaluronic acid. Intra-articular injection of AOD9604 was

proven to be safe. These results support an earlier *in-vitro* study at Mt Sinai Hospital, Toronto which showed that AOD9604 has the potential to promote cartilage and muscle repair. Metabolic is reviewing options to confirm these results in another larger animal model of osteoarthritis . Positive results will significantly enhance prospects for partnering the osteoarthritis application or obtaining additional funding to conduct a phase 2 human clinical trial.

GRAS products

In June 2012, AOD9604 received pivotal GRAS status recognition, conditional on publication of existing safety data. In April 2013 a paper titled "Safety and Tolerability of Hexadecapeptide AOD9604 in Humans" was published in the Journal of Endocrinology & Metabolism. During the period a second paper was prepared focussing on the non-human safety data for AOD9604. This paper has been submitted to a journal for acceptance for publication which, subject to the GRAS Panel's approval, will remove the condition on the GRAS status. Under a full GRAS status, AOD9604 can be legally added to foods & drinks and eventually dietary supplements in the US market.

Licensing of AOD9604 for potential applications in bone, muscle and cartilage repair and treatment of obesity related disorders

During the period Metabolic continued to pursue out-licensing opportunities for AOD9604 to be applied to bone, muscle and cartilage repair as well as for the treatment of obesity related disorders. Metabolic has made positive progress with several out-licensing initiatives and expects to provide an update in due course.

Veterinary applications

Many diseases affecting humans, such as osteoarthritis also have relevance to domestic pets. Due to the comprehensive safety package already established by Metabolic, it may be possible to seek regulatory approval for the use of AOD9604 in a veterinary product after completing just one trial in a domestic pet model. Licensing options in the veterinary market are also being explored.

INHERENT RISKS OF INVESTMENT IN BIOTECHNOLOGY COMPANIES

There are many inherent risks associated with the development of pharmaceutical and medical device products to a marketable stage. The clinical trial process is designed to assess the safety and efficacy of a drug or medical device prior to commercialisation and a significant proportion of drugs and medical devices fail one or both of these 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 difficulties caused by the rapid advancements in technology.

Companies such as Calzada 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. Thus investment in companies specialising in these, such as Calzada, must be regarded as highly speculative. Calzada strongly recommends that professional investment advice be sought prior to such investments.

Forward-looking statements

This report may contain forward-looking statements regarding the potential of the Company's projects and interests and the development and therapeutic potential of the Company's research and development. Any statement describing a goal, expectation, intention or belief of the Company is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those inherent in the process of discovering, developing and commercialising drugs that are safe and effective for use as human therapeutics and the financing of such activities. There is no guarantee that the Company's research and development projects and interests (where applicable) will receive regulatory approvals or prove to be commercially successful in the future. Actual results of further research could differ from those projected or detailed in this report. As a result, you 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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on the following page.

Signed in accordance with a resolution of the Directors.

Dr Roger Aston
Chairman
24 February 2014

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Auditor's Independence Declaration to the Directors of Calzada Limited

In relation to our review of the financial report of Calzada Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Don Brumley
Partner
24 February 2014

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013	Notes	31 December 2013 $	31 December 2012 $
Revenue			
Finance revenue		99,458	102,013
Sales of materials		3,000	53,886
Royalty revenue		-	5,839
Licence revenue		52,375	-
Other revenue		6,043	7,879
Grant income		-	38,267
Total revenue		**160,876**	**207,884**
Other income			
Research and development tax benefit		505,957	789,254
Operating leases		(157,579)	(154,574)
Employee related expenses	4	(652,471)	(673,414)
Research & development		(383,682)	(333,256)
Depreciation and amortisation expense		(112,069)	(110,341)
Corporate finance and administration expenses		(507,827)	(385,344)
Net Loss before income tax		(1,146,795)	(659,791)
Income tax benefit/(expense)		-	72,118
Net loss for the period		(1,146,795)	(587,673)
Other comprehensive income			
Net fair value gains/(loss) on available for sale financial assets		51,250	17,500
Total comprehensive income/(loss) for the period		**(1,095,545)**	**(570,173)**
Loss for the period attributable to:			
Non controlling interest		1,881	(3,553)
Owners of the parent		(1,148,676)	(584,320)
Loss attributable to members of the parent entity		**(1,146,795)**	**(587,673)**
Total comprehensive income/(loss) for the period attributable to:			
Non controlling interest		1,881	(3,553)
Owners of the parent		(1,097,426)	(566,620)
Loss attributable to members of the parent entity		**(1,095,545)**	**(570,173)**
Loss per share			
Basic loss per share (cents per share)	5	(0.28) cents	(0.17) cents
Diluted loss per share (cents per share)	5	(0.28) cents	(0.17) cents

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2013	Note	31 December 2013 $	30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	258,437	2,783,667
Receivables		1,346,897	831,467
Pre-payments		59,475	-
Other financial assets	6	5,060,000	1,160,000
Total Current Assets		6,724,809	4,775,134
Non-Current Assets			
Available-for-sale financial assets		137,500	86,250
Property, plant and equipment	7	1,028,845	1,088,567
Intangible assets		2,519,788	2,519,788
Other		154,992	148,949
Total Non-Current Assets		3,841,125	3,843,554
TOTAL ASSETS		10,565,934	8,618,688
LIABILITIES			
Current Liabilities			
Trade and other payables		305,753	448,247
Provisions		89,152	67,243
Total Current Liabilities		394,905	515,490
Non-Current Liabilities			
Provisions		43,902	57,740
Deferred rent liability		226,936	227,578
Total Non-Current Liabilities		270,838	285,318
TOTAL LIABILITIES		665,743	800,808
NET ASSETS		9,900,191	7,817,880
EQUITY			
Contributed Equity	8	94,752,080	91,581,364
Reserves	9	1,327,981	1,269,591
Retained Earnings/(Accumulated losses)		(86,137,052)	(84,988,376)
Parent interests		9,943,009	7,862,579
Non-controlling interest		(42,818)	(44,699)
TOTAL EQUITY		9,900,191	7,817,880

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed equity	Gains/ (Losses) on available-for-sale financial assets	Other reserves	Acquisition of non controlling interest reserve	Deferred tax on available-for-sale assets	Retained earnings/ (Accumulated losses)	Owners of the parent	Non controlling interest	Total
	$	$	$	$	$	$	$	$	$
As at 1 July 2012	90,358,605	27,500	1,615,628	(477,596)	-	(83,495,953)	8,028,184	(39,567)	**7,988,617**
- Loss for the period	-	-	-	-		(584,320)	(584,320)	(3,353)	**(587,673)**
- Other Comprehensive Income	-	17,500	-	-	-	-	17,500	-	**17,500**
Total comprehensive income for the period	-	17,500	-	-	-	(584,320)	(566,820)	(3,353)	**(570,173)**
Transactions with owners in their capacity as owners									
- Share based payments	-	-	35,049	-	-	-	35,049	-	**35,049**
As at 31 December 2012	90,358,605	45,000	1,650,677	(477,596)	-	(84,080,273)	7,496,413	(42,920)	**7,453,493**
As at 1 July 2013	91,581,364	87,500	1,659,687	(477,596)	-	(84,988,376)	7,862,579	(44,699)	**7,817,880**
- Loss for the period	-	-	-	-		(1,148,676)	(1,148,676)	1,881	**(1,146,795)**
- Other Comprehensive Income	-	51,250	-	-	-	-	51,250	-	**51,250**
Total comprehensive income for the period	-	51,250	-	-	-	(1,148,676)	(1,097,426)	1,881	**(1,095,545)**
Transactions with owners in their capacity as owners									
- Net proceeds from issue of shares	2,613,966	-	-	-	-	-	2,613,966	-	**2,613,966**
- Net proceeds from exercise of options	556,750	-	-	-	-	-	556,750	-	**556,750**
- Share based payments	-	-	7,140	-	-	-	7,140	-	**7,140**
As at 31 December 2013	94,752,080	138,750	1,666,827	(477,596)	-	(86,137,052)	9,943,009	(42,818)	**9,900,191**

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Note	31 December 2013 $	31 December 2012 $
Cash Flows from Operating Activities			
Payments to suppliers and employees		(1,884,327)	(1,729,219)
Proceeds from the sale of materials		3,078	56,375
Licence revenue		52,375	-
Receipt of Government Grants		-	47,973
Royalty revenue		-	4,913
Net cash outflows used in operating activities		(1,828,874)	(1,619,958)
Cash Flows from Investing Activities			
Interest received		85,575	106,431
Payments for plant and equipment		(52,647)	(8,445)
Term deposits now classified as cash and cash equivalents		(3,900,000)	(1,300,000)
Net cash inflows/(outflows) used in investing activities		(3,867,072)	(1,202,014)
Cash Flows from Financing Activities			
Net cashflows from financing activities			
Proceeds from the issue of shares		2,613,966	-
Proceeds from the exercise of options		556,750	-
		3,170,716	
Net increase/(decrease) in cash and cash equivalents		(2,525,230)	(2,821,972)
Cash and cash equivalents at beginning of period		2,783,667	3,007,977
Cash and cash equivalents at the end of period	6	258,437	186,005

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1 CORPORATE INFORMATION

The financial report of Calzada Limited and its controlled entities for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 24 February 2014.

Calzada Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX code: CZD).

2 BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full annual financial report.

This half-year financial report should be read in conjunction with the annual financial report of Calzada Limited for the year ended 30 June 2013, which was prepared in accordance with the requirements of the Corporations Act 2001, the ASX Listing Rules, applicable Australian Accounting Standards (including International Financial Reporting Standards) and other mandatory professional reporting requirements.

It is also recommended that the half-year financial report be considered together with any public announcements made by Calzada Limited during the half-year ended 31 December 2013 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of accounting

This half-year financial report for the period ended 31 December 2013 is a general-purpose financial report, 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, except for available-for-sale financial assets that have been measured at fair value.

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) Significant accounting policies

The accounting policies adopted in this half-year financial report are consistent with those used in the annual financial report for the year ended 30 June 2013.

3 SEGMENT INFORMATION

The chief operating decision maker is the Chairman of the Company.

(a) Description of segments

Reportable segments are as follows:

Corporate ï the corporate entity of the Group is responsible for all corporate expenses aside from the rent on the laboratory and premises located in Port Melbourne, which is the responsibility of PolyNovo.

PolyNovo Biomaterials ï PolyNovo owns and develops a suite of state of the art biodegradable polymers that have potential applications across numerous medical fields.

Metabolic Pharmaceuticals ï Metabolicôs major asset is the AOD9604 peptide which has potential applications in the treatment of obesity, bone, cartilage and muscle diseases and repair.

The Board monitors the operating results of the business segments separately for the purpose of making decisions about resource allocation. Segment performance is evaluated based on progressing technology within each business segment in accordance with budgeted expenditure, consistent with the presentation of the segment information below.

(b) Geographical areas

The Group operates in only one geographical area.

31 December 2013	Corporate	PolyNovo	Metabolic	Intersegment Eliminations	Consolidated Group
	$	$	$	$	$
Revenue					
Sales of materials	-	3,000	-	-	**3,000**
Licence revenue	-	52,375	-	-	**52,375**
Interest revenue	98,232	1,226	-	-	**99,458**
Other	-	6,043	-	-	**6,043**
Total segment revenue	**98,232**	**62,644**	**-**	**-**	**160,876**
Other income					
Research and development tax benefits	-	404,766	101,191	-	505,957
Expenses					
Operating leases	-	157,579	-	-	**157,579**
Employee related expenses	229,066	304,678	118,727	-	**652,471**
Research and development	-	260,430	123,252	-	**383,682**
Depreciation	4,434	107,635	-	-	**112,069**
Finance and administration	313,518	91,231	103,078	-	**507,827**
Total segment expenses	**547,018**	**921,553**	**345,057**	**-**	**1,813,628**
Segment result	**(448,786)**	**(454,143)**	**(243,866)**	**-**	**1,146,795**
Segment assets	**17,070,780**	**4,938,542**	**101,192**	**(11,544,580)**	**10,565,934**
Segment liabilities	**219,460**	**4,389,718**	**1,569,585**	**(5,513,020)**	**665,743**

31 December 2012	Corporate	PolyNovo	Metabolic	Intersegment Eliminations	Consolidated Group
	$	$	$	$	$
Revenue					
Sales of materials	-	53,886	-	-	**53,886**
Royalty revenue	-	-	5,839	-	**5,839**
Interest Revenue	101,398	615	-	-	**102,013**
Grant Revenue	-	35,517	2,750	-	**38,267**
Other	-	7,879	-	-	**7,879**
Total segment revenue	**101,398**	**97,897**	**8,589**	**-**	**207,884**
Other income					
Research and development tax benefits	-	447,159	342,095	-	789,254
Expenses					
Operating leases	-	154,574	-	-	**154,574**
Employee related expenses	261,315	290,973	121,126	-	**673,414**
Research and development	-	188,707	144,549	-	**333,256**
Depreciation	1,885	108,456	-	-	**110,341**
Finance and administration	229,237	140,847	15,260	-	**385,344**
Income tax benefit	-	(72,118)	-	-	**(72,118)**
Total segment expenses	**492,437**	**811,439**	**280,935**	**-**	**1,584,811**
Segment result	**(391,039)**	**(266,383)**	**69,749**	**-**	**(587,673)**
30 June 2013					
Segment assets	**14,051,712**	**4,348,059**	**322,839**	**(10,103,922)**	**8,618,688**
Segment liabilities	**303,545**	**3,623,197**	**1,224,532**	**(4,350,466)**	**800,808**

4 EXPENSES

	31 December 2013 $	31 December 2012 $
Employee related expense		
Wages and salaries	(505,681)	(509,317)
Superannuation	(46,194)	(39,765)
Share-based payments expense	(7,140)	(35,049)
Directors fees	(85,385)	(93,638)
Long service leave provision	(9,162)	1,578
Annual leave provision	1,091	2,777
	(652,471)	**(673,414)**

5 LOSS PER SHARE

		31 December 2013	31 December 2012
Basic loss per share (cents)		(0.28) cents	(0.17) cents
Diluted loss per share (cents)		(0.28) cents	(0.17) cents
(a)	Net loss used in the calculation of basic and diluted loss per share	($1,148,676)	($584,320)
(b)	Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	404,126,855	346,632,277
(c)	Potential ordinary shares that are not dilutive and are excluded from the calculation of diluted EPS	-	915,897

As the Company has incurred a loss for the half-years ended 31 December 2013 and 31 December 2012, potential ordinary shares, being options and performance rights to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted loss per share calculation.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	31 December 2013 $	30 June 2013 $
Cash at bank and in hand	258,437	1,483,667
Short term deposits	-	1,300,000
	258,437	2,783,667

As at 31 December 2013 The Company holds $5,060,000 (June 2013: $1,160,000) in term deposits with various maturity dates. These deposits each have a term exceeding 90 days. These deposits are classified in the Statement of Financial Position as financial assets.

Calzada has no other borrowings at the date of this report.

7 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the half-year ended 31 December 2013, the consolidated entity acquired assets with a cost of $52,647 (2012: $7,677) and recognised proceeds from the sale of assets of $nil (2012: $nil). No assets were impaired by the consolidated entity during the half-year ended 31 December 2013 (2012: $Nil).

Impairment

A review of the carrying value of the remaining plant and equipment determined no impairment at the review date.

Notes to the Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

8 CONTRIBUTED EQUITY

	31 December 2013		30 June 2013	
	No. of Shares	$	No. of Shares	$
Fully paid ordinary shares	417,209,426	94,752,080	365,863,047	91,581,364

During the period under review the Company issued 40,211,379 shares under the Share Purchase Plan. The Company issued 11,135,000 shares upon the exercise of options.

9 RESERVES

	Consolidated Group	
	31 December 2013 $	30 June 2013 $
Share based payments reserve (i)	1,666,827	1,659,687
Gains/(losses) on available-for-sale financial assets (ii)	138,750	87,500
Acquisition of non controlling interest reserve (iii)	(477,596)	(477,596)
Balance at end of period	1,327,981	1,269,591

(i) This reserve is used to recognise the fair value of options issued but not exercised.

	31 December 2013		30 June 2013	
	No. of Options	$	No. of Options	$
Share Based Payments Reserve	3,650,000	1,666,827	14,485,000	1,615,628

During the period under review the following options were exercised.

Date shares issued	Number of shares issued
15/10/2013	1,422,222
24/10/2013	1,000,000
06/11/2013	1,422,222
11/11/2013	6,400,000
22/11/2013	355,556
29/11/2013	535,000

On 1 August 2013, 300,000 options were issued to an employee of the Company. These options vested immediately, had an exercise price of $0.11 and expiry date of 31 December 2014. The expense recognised in the Statement of Comprehensive Income during the period was $7,140.

Notes to the Consolidated Financial Statements
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

10 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors were not aware of any contingent liabilities or contingent assets at 31 December 2013. There has been no change since that date.

11 CORPORATE INFORMATION

Calzada Limited is a company limited by shares that is incorporated and domiciled in Australia.

During the period, the Company acquired a 40% interest in NovoPlastiq. There have been minimal transactions in NovoPlastiq to date.

12 EVENTS AFTER THE BALANCE SHEET DATE

On 28 January 2014, Metabolic Pharmaceuticals Pty Ltd, announced it had entered into a non-exclusive license with Australian Custom Pharmaceuticals, Australia's largest compounding pharmacy, based in Taren Point, Sydney, NSW. This licence is solely for the use, manufacture and sale of AOD9604 in compounded medicine preparations that comply with all Australian regulatory requirements.

On 4 February 2014 PolyNovo announced that three specialist plastic surgeons had been granted authorisation from the Australian Government Therapeutic Goods Administration (TGA) to prescribe the NovoSorb™ polymer Biodegradable Temporising Matrix (BTM) wound implant in free flap donor sites (deep full thickness surgical wounds). The authorisation is given under the TGA's early access scheme which allows Australian surgeons to apply to use the product prior to full marketing approval.

Other than the matters listed above, the Directors are not aware of any other matters or circumstances since the end of the half year review period, not 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 years.

DIRECTORS' DECLARATION

FOR THE PERIOD ENDED 31 DECEMBER 2013

In accordance with a resolution of the directors of Calzada Limited, we state that:

In the opinion of the Directors:

1. (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

    (i) give a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date;

    (ii) comply with Accounting Standard AASB134 ñInterim Financial Reportingòand the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Dr Roger Aston
Chairman

24 February, 2014

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Building a better working world

To the members of Calzada Limited

Report on the alf-Year or Interim Financial Report

We have reviewed the accompanying half-year financial report of Calzada limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the alf-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 controls as the directors determine are 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 a 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 consolidated entity's financial position as at 31 December 2013 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 Calzada Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual 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 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.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 Calzada Limited is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its 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.

Ernst & Young

Don Brumley
Partner
Melbourne
24 February 2014