

AVITA MEDICAL LIMITED

A.B.N. 28 058 466 523

CONCISE FINANCIAL REPORT

For the year ended 30 June 2012

Concise Report 2012
ABN 28 058 466 523

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The Concise Financial Statements 2012 are an extract from the full financial statements of Avita Medical Limited and has been derived from Avita Medical Limited's 2012 Annual Report. The financial statements included in the Concise Report cannot be expected to provide as full an understanding of Avita Medical Limited's financial performance, financial position and operating and financing activities as that provided by the 2012 Annual Report.

2012 Concise Report

A copy of Avita Medical Limited's 2012 Annual Report, together with the Independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The financial statements can be requested by letter to the registered office or email at investor@avitamedical.com.

Corporate Information
ABN 28 058 466 523

The Concise Financial Report covers the consolidated entity comprising Avita Medical Limited and its subsidiaries. The Group's presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on page 6.

Directors

Mr Dalton Gooding (Chairman)
Mr Ian Macpherson (Deputy Chairman)
Dr William Dolphin (Managing Director)
Dr Paul Watt (Non-Executive Director)
Prof Fiona Wood (Non-Executive Director)

Company Secretary

Mr Gabriel Chiappini

Registered Office

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1 William Street
Perth, Western Australia, 6000
Email: investor@avitamedical.com

Principal place of business

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Cambridge
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Share Register

Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
Perth WA 6000

Solicitors

Clifford Chance
Level 12, London House
216 St Georges Terrace
West Perth, Western Australia, 6000

Auditor

Grant Thornton Audit Pty Ltd
Level, 10 Kings Park Road
Perth, Western Australia, 6000.

Principal Bankers

National Australia Bank Limited
1238 Hay Street
West Perth, Western Australia, 6005

Stock Exchange

Avita Medical Limited
Listed on the Australian Stock Exchange Limited (ASX: Code: AVH).
Listed on the OTCQX International marketplace in the US (Code: AVMXXY)

Internet Address

www.avitamedical.com

AVITA MEDICAL LIMITED FROM THE CHAIRMAN AND CEO

Dear Shareholder

For the year ended 30 June 2012 your Company continues to make excellent progress toward achieving sustainable growth and positioning itself as a key player in the field of regenerative medicine.

Highlights:

- Revenue and other income increase of 13%
- 85% growth in Regenerative sales
- Quotation on the OTCQX® International marketplace in the United States under the symbol AVMXY
- Establishment of subsidiary in the Middle East
- Establishment of subsidiary in Italy
- Key regenerative patent granted in Europe
- Acquired full ownership of regenerative Intellectual Property
- Continued improvements in manufacturing efficiency
- Held 1st Skin Regeneration Symposium in Rome, Italy
- Initiation of pilot clinical studies on chronic lower limb ulcers
- Regulatory approval and registration in Russia
- Regulatory approval and registration in Turkey
- Appointment of distributor for China
- Initiated development of next generation regenerative product



Review of Operations

- Total revenues for FY12, were \$5,180,448, an increase of 13% compared to FY11. Sales of the company's regenerative product, ReCell® Spray-On Skin® continued to drive company growth, with sales revenues increasing approximately 85% over FY2011. While still in the early stages, this strong growth reflects the continued increase in usage and growing acceptance of ReCell in the core European markets among key ReCell users and clinical centres.
- Gross Profit increased to \$3.65 million and overall Gross Margins were 79%. The Company maintains a strong commitment to cost containment and improved efficiencies and has in place a formal continuous-improvement process. Modifications and improvements in manufacturing have generated a significant reduction in cost of goods of the company's products which will yield improved margins going forward.
- Following ReCell's SFDA approval, Avita continues to progress its entry into the very large Chinese market and recently signed with a Chinese distributor. In recent months Avita has participated in congresses and hosted ReCell workshops in major Chinese cities. Activities have included scientific and clinical presentations and panel discussions lead by prominent surgeons from prestigious Chinese hospitals. Surgeons presented excellent clinical outcomes achieved with ReCell in procedures performed in a variety of fields including burns, plastic and reconstructive surgery.
- ReCell continues to progress the FDA clinical trials for regulatory clearance in the US for the treatment of burns. In addition, the Company has initiated a new US FDA-approved feasibility study for the use of ReCell® Spray-On-Skin™ in the treatment of hypertrophic dyspigmented scars (raised and/or discoloured scars). The Company has conducted small scale open-label clinical pilot studies on the use of ReCell in the treatment of chronic lower limb ulcers including venous leg ulcers (VLU) and diabetic foot ulcers (DFU) at centres in Italy, Germany and the UK. The results in the treatment of persistent, hard-to-heal ulcers open for 12 weeks to 7 years and unresponsive to standard treatment have been extremely encouraging. Lower limb ulcers are a major healthcare burden, afflicting roughly 1.5% of the general population and greater than 3% of the population over 70 years of age in OECD countries. Management believes the chronic wound market represents a very large and significant opportunity for Avita.

AVITA MEDICAL LIMITED

FROM THE CHAIRMAN AND CEO (continued)

Review of Operations (continued)

- Avita has reinitiated its Research & Development program established an internal process for product development. Key R&D projects underway include the development of next generation regenerative products to address specific indications and fields of use. Additionally, new products are being developed that will significantly flexibility and implementation of new business models.

Outlook

Regenerative medicine and stem cell therapies are fundamentally changing the practice of medicine. As one of the very few companies that have successfully introduced a commercial regenerative product, Avita Medical is a leader in this exciting new field. The core regenerative technology embodied in the Company's ReCell Spray-On-Skin has application to a wide range of indications involving burned, scarred, damaged, diseased or discoloured skin, thus encompassing acute trauma, chronic wounds, plastic surgery and aesthetic markets. ReCell is truly a transformational and disruptive product and technology.

Avita Medical has achieved the targets and goals set out in the Company's strategic plan and the increased acceptance and adoption of Avita's ReCell technology is highly encouraging.

We are fully committed to increasing our global sales and marketing efforts. This past year, Avita sponsored the inaugural Skin Regeneration Symposium held in Rome, Italy, 23-24 March 2012. The successful two day event provided a unique opportunity for expert users of ReCell® Spray-On Skin® to present their clinical research and experience in skin regeneration to their peers from around the world. The Company will continue to expand its presence in Europe and will be increasing its direct sales force in the core EU markets of Germany, France and the UK. We will be expanding our geographic reach as well as marketing ReCell for multiple indications and fields of use. Additionally we will complete the clinical studies necessary for regulatory approval in the US.

We are in a new phase in the Company's evolution. We have begun to establish ReCell with key opinion leaders and prominent surgeons in our core European markets. The Company's next challenge is to build upon this base, expand geographically, expand application of the core ReCell technology, and develop the the next generation of regenerative products.

We are confident that fiscal year 2013 will be another year of major growth for the Company.

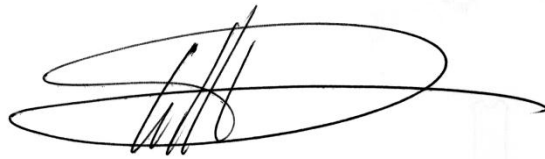
We greatly appreciate the strong support shown by our shareholder base; I am honoured to have you with us in this fascinating and exciting endeavour.

On behalf of the Avita Medical Board of Directors I thank our shareholders and employees for your loyalty and dedication. We look forward to providing updates on the progress of your company in the coming months.

AVITA MEDICAL LIMITED
FROM THE CHAIRMAN AND CEO (continued)

Yours Faithfully

Dalton Gooding
Chairman

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned above the printed name and title.

William F Dolphin PhD
Chief Executive Officer



AVITA MEDICAL LIMITED DIRECTORS' REPORT

Your Directors present their report with respect to the results of Avita Medical Limited (the "Company") for the year ended 30 June 2012 and the state of affairs of the Company at that date. Avita Medical Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared this consolidated financial report incorporating the entities that it controlled during the financial period.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dalton Gooding (Chairman)

Mr Gooding was appointed to the Board on 14 November 2002. Mr Gooding, formerly a long-standing partner at Ernst & Young, is a Fellow of the Institute of Chartered Accountants in Australia. With over 35 years' experience, he is currently Managing Partner of Gooding Partners and advises to a wide range of businesses with particular emphasis relating to taxation and accounting issues, due diligence, feasibilities and general business advice. Mr Gooding also has a number of other directorships of companies in many different segments of business. During the past three years Mr Gooding has also served as a director of the following other listed companies:

- Anatolia Energy Limited (formerly Australian Wine Holdings Limited) (Appointed 29 November 2002)
- Brierty Limited* (Appointed 26 October 2007)
- Katana Capital Limited* (Appointed 11 November 2005)
- SIPA Resources Limited* (Appointed 1 May 2003)

* denotes current directorship

Ian Macpherson (Deputy Chairman)

Mr Macpherson was appointed to the Board on 5 March 2008 following completion of the merger with Visiomed Group Limited. Mr Macpherson is a graduate from the University of Western Australia with a Bachelor of Commerce (B.Comm). He commenced his career in commerce in 1978 prior to entering the Chartered Accounting profession. In July 1990 he resigned from the partnership of Arthur Anderson and Co to establish the firm of Ord Partners, Chartered Accountants.

Mr Macpherson advises on capital structuring, equity and debt raising, ASIC and Securities Exchange compliance procedures. He is a member of the Institute of Chartered Accountants in Australia. During the past three years Mr Macpherson has also served as a director of the following other listed companies:

- Navigator Resources Limited* (Appointed 1 July 2003)
- Nimrodel Resources Limited (Appointed 17 July 2007; Resigned 2 August 2011)
- Rubicon Resources Limited* (Appointed 18 October 2010)
- Kimberley Rare Earths Limited* (Appointed 2 December 2010)
- Sihayo Gold Limited (formerly Oropa Limited) (Appointed 24 April 2009; Resigned 3 June 2010).

* denotes current directorship

Dr William Dolphin, Ph.D (Chief Executive Officer and Managing Director)

Dr Dolphin was appointed to the Board on 5 March 2008 and was appointed as CEO of Avita Medical Ltd in July 2008. Dr Dolphin was previously CEO of Visiomed Group Limited. Dr Dolphin holds a PhD in biophysics obtained from Boston University in 1989. He held appointments as Professor in the Departments of Biomedical Engineering and Biology at Boston University and served as President and Chief Technology Officer of a US-based contract research and development company. Dr Dolphin was subsequently the President, CEO and Chairman of a US medical device company.

In 2003 Dr Dolphin relocated to New Zealand and was CEO of a technology joint venture. Dr Dolphin has served as a director of numerous companies in the US, NZ and Australia, is the author of more than 60 peer-reviewed scientific articles, holds five US and international patents and was twice recipient of the National Research Service Award from the US National Institutes of Health.

AVITA MEDICAL LIMITED
DIRECTORS' REPORT (continued)

Dr Paul Watt
(Non-executive Director)

Dr Watt was appointed to the Board on 5 March 2008 following completion of the merger with Visiomed Group Limited. Dr Watt is currently an Honorary Research Fellow at the Telethon Institute for Child Health Research and an adjunct Professor at the University of Western Australia. He received his doctorate from Oxford University and was a Post-Doctoral Research Fellow at Harvard University and Oxford University.

Dr Watt is a recipient of a number of important research honours and awards, and has numerous scientific publications to his name for biomedical methods and inventions. He has registered 15 patent applications covering biotechnology products and drug delivery systems and is the inventor of the Funhaler incentive asthma spacer. During the past three years Dr Watt has also served as a director of the following other listed companies:

- Phylogica Limited* (Appointed 9 August 2002)

* denotes current directorship

Fiona Wood
(Non-executive Director)

Clinical Professor Wood was re-appointed to the Board on 11 April 2006 following her earlier resignation from the Board on 31 December 2005. Professor Wood is currently Director of the Western Australian Burns Service and a Consultant Plastic Surgeon at both the Royal Perth and Princess Margaret hospitals. She is the Chairman of the McComb Research Foundation established in 1999 with co-founder Marie Stoner.

Clinical Professor Wood has been involved in a number of education and disaster response programs associated with her interest in burns and has published a variety of papers over the years. In addition, she has been the recipient of the 2003 Australian Medical Association "Contribution to Medicine" award and an Order of Australia Medal for her work with Bali bombing victims. Professor Wood was named West Australian of the Year in 2004 and 2005 and was named as Australian of the Year in 2005. Professor Wood is not a director of any other listed companies.

COMPANY SECRETARY

Gabriel Chiappini, BBus, CA, GAICD

Mr Chiappini has been Company Secretary since 27 June 2003. Mr Chiappini has worked in Chief Financial Officer and Company Secretarial roles in local and international environments and has also held the position of Company Secretary with ASX listed and unlisted companies.

Interests in the Shares and Options of the Company

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
D Gooding	3,062,861	-
I Macpherson	10,149,997	-
W Dolphin	1,878,569	9,792,500
P Watt	728,657	-
F Wood	723,365	-

EARNINGS PER SHARE

Earnings per share for the current year was a loss of 3.22 cents per share compared to a loss of 1.56 cents per share for the previous period. Weighted average number of ordinary shares on issue used in the calculation of basic loss and diluted loss per share is 238,182,556.

DIVIDENDS

Since the end of the previous financial period, no amount has been paid or declared by the Company by way of dividend.

Employees

The number of full-time employees of the economic entity at 30 June 2012 was 17 (30 June 2011:16).

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

- the commercialisation of the Company's regenerative product;
- supply of spacers to the adult and adolescent respiratory market.

OPERATING AND FINANCIAL REVIEW

Group Overview

Avita Medical Limited is a global medical device company, active in the regenerative medicine and respiratory markets.

Regenerative Medicine.

The Company develops and distributes tissue-engineered products for the treatment of wounds and other skin defects. The lead product, ReCell® Spray-On-Skin®, enables the collection of healthy skin cells for immediate treatment of a wide range of dermal defects and injuries. The Company is focused on expanding sales and marketing efforts in Europe and Asia, obtaining regulatory approval in key markets and expanding its product platform. ReCell is cleared for sales in Australia (TGA) and Europe (CE marked). Clinical trials are underway in the United States in support of clearance through the US FDA.

Respiratory.

The Company manufactures and sells a range of spacers for the paediatric, adolescent and adult market and is the leading provider of spacers in Australia. Products include the Funhaler® incentive asthma spacer, designed for the paediatric market, and Breath-A-Tech addressing the adolescent and adult markets.

Operating Results for the Year

Revenue from the sale of goods, other revenue and other income was \$5,180,448, an increase of 13% over last year (2011: 4,589,141). Cost of sales were \$952,847 (2011: \$910,196) up 5%. Normal operating costs, excluding current year impairment of intangible property, were \$9,985,151 (2011: \$7,789,066 after excluding last year's convertible note write-back of \$2,228,905) an increase of 28% compared to last year. This reflects the planned increased expenditure in Sales and Marketing efforts (up 45%) and Research & Development (up 305%) compared to last year. The net loss before tax, after adjusting for the current year impairment of intangible property was \$5,757,550 up 39% on last year (2011: \$4,110,120, after adjusting for the convertible note write-back).

Investments for Future Performance

The Company continues to focus on achieving sales penetration in the regenerative medicine and respiratory markets. The Company is directing its resources to a limited number of key markets, working with a small number of select distributors and, where warranted, the addition of dedicated sales consultants or product specialists will be considered. The Company has commenced a clinical trial program as part of the regulatory approval process for ReCell® in the United States and additional clinical studies throughout Europe.

Review of Financial Condition

Capital Structure

During the 2012 financial year \$94,925 of capital raising costs were incurred relating to the placement of 90,000,000 shares in June 2011 which raised \$11,800,730. No shares were issued during the year.

Cash from Operations

Net cash outflows used in operations increased by 46% compared to the previous period, from \$2,924,673 in 2011 to \$4,266,157 in the current year.

Liquidity and Funding

The Company secured a \$5 million funding facility in July 2009 with investment bank Fortrend Securities Pty Ltd to advance commercialisation of ReCell Autologous Spray-On Skin. At balance date \$1,977,916 of the facility has been drawn down with the issue of 13,014,909 Ordinary shares in Avita Medical Limited leaving a balance available for further draw down of \$3,022,085. The agreement expired 20 July 2012 with no changes after balance date. The principal terms of this facility are as follows:

- Draw down is at the option of Avita in exchange for the issue of Ordinary shares and unlisted options in Avita Medical Ltd;
- The issue price of the securities is based on 90% of the volume weighted average price of the 5 consecutive trading days prior to the draw down date;
- Fortrend also received 25% of the shares allotted in a draw down as unlisted options with a 3 year term at issue price;
- The minimum issue price cannot be below \$0.04 unless agreed upon between the Company and Fortrend;
- Fortrend are not to hold more than 4.9% of the total number of Avita shares on issue.

Risk Management

The Board is responsible for overseeing the establishment and implementation of an effective risk management system and reviewing and monitoring the Company's application of that system. Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management as required. The Managing Director is responsible for reporting directly to the Board on all matters associated with risk management.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 1 July 2011 the Company entered into a partnership with Kuwait-based MENA United Ltd to expand sales of ReCell throughout the Middle East and North Africa. The Company holds 15% of the share capital of the entity, registered in Kuwait as Avita Medical MENA Ltd, but is 70% controlled by Avita Medical Limited through voting rights.

On 1 December 2011 the Company entered into a partnership with DS Medigroup Srl based in Milan, Italy to expand sales and marketing of ReCell in Italy. The entity is registered in Italy as Avita Medical Italia Srl of which the company holds 51% of the share capital.

During the year, the management undertook a review of its intangible assets and, as a conservative position, decided to impair in full its patents and trademarks related to inhaled medication delivery and respiratory applications resulting in an impairment charge to the profit and loss of \$2,001,888 in the year.

Other than the above, there have been no significant changes in the state of affairs during the 2012 financial year.

AVITA MEDICAL LIMITED
DIRECTORS' REPORT (continued)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 5 September, the Company announced it is raising up to \$10 million at \$0.12 per share through a placement to investors, including a Share Purchase Plan to existing investors. On 11 September the Company received \$3,520,740 relating to the first resulting in an allocation of 31,461,325 shares at an issue price of \$0.12 per share less capital raising fees of \$254,619. The second tranche is subject to shareholder approval at an extraordinary general meeting expected to be held on Friday 19 October 2012.

No other subsequent events have occurred since the Balance Sheet Date which require disclosure in this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Threat of legal action has been raised by Business China Consulting (BCC) against the Company in the Hong Kong court seeking inter alia specific performance of an agreement dated September 2010 between BCC and the company. Under the terms of the agreement the company formed a Hong Kong registered company holding 70% ownership and BCC holding 30% with the primary purpose to operate as a joint venture to conduct clinical trials and market ReCell in China. The Company's view is the claim is without merit and will be vigorously defended; solicitors have been engaged in defence of the proceedings. The dispute is before the High Court of the Hong Kong Special Administrative Region awaiting a hearing date. The company continues to pursue entry into the China market for its products.

The Company continues to focus on achieving sales penetration in key approved markets and is also anticipating further regulatory approvals in a number of important global markets. Sales revenue is expected to increase during 2012 as market penetration increases and approvals are received in new markets.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The principal activities of the Company are not subject to any particular or significant environmental regulations.

SHARE OPTIONS

Unissued Shares

As at the date of this report, there were 19,569,618 unissued ordinary shares under options (19,719,618 at the reporting date) represented by:

4,882,500 exercisable at \$0.14 expiring 30 November 2014, issued to the chief executive officer at the Annual General Meeting held on 11 November 2008

100,000 exercisable at \$0.09 expiring 5 August 2012, issued to Fortrend Securities

215,620 exercisable at \$0.18 expiring 20 August 2012, issued to Fortrend Securities

469,000 exercisable at \$0.16 expiring 28 August 2012, issued to Fortrend Securities

473,680 exercisable at \$0.15 expiring 11 September 2012, issued to Fortrend Securities

473,680 exercisable at \$0.15 expiring 18 September 2012, issued to Fortrend Securities

304,491 exercisable at \$0.15 expiring 12 October 2012, issued to Fortrend Securities

1,000,000 exercisable at \$0.14 expiring 30 November 2015, issued to the chief executive officer at the Annual General Meeting held on 30 November 2010

1,660,000 exercisable at \$0.14 expiring 30 November 2016, issued to the chief executive officer at the Annual General Meeting held on 30 November 2010

1,500,000 exercisable at \$0.14 expiring 30 November 2017, issued to the chief executive officer at the Annual General Meeting held on 30 November 2010

750,000 exercisable at \$0.14 expiring 30 November 2018, issued to the chief executive officer at the Annual General Meeting held on 30 November 2010

2,750,000 exercisable at \$0.14 expiring 30 June 2013, issued to employees on 1 July 2010

400,000 exercisable at \$0.14 expiring 30 June 2014, issued to an employee on 1 July 2011

3,373,390 exercisable at \$0.20 expiring 31 January 2014, issued to investors

222,206 exercisable at \$0.15 expiring 22 November 2012, issued to Fortrend Securities

402,903 exercisable at \$0.15 expiring 17 December 2012, issued to Fortrend Securities

458,563 exercisable at \$0.15 expiring 28 December 2012, issued to Fortrend Securities

133,585 exercisable at \$0.15 expiring 18 January 2013, issued to Fortrend Securities

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares Issued as a Result of the Exercise of Options

During the financial year and up to the date of this report, no options were exercised to acquire fully paid ordinary shares in the Company.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has paid premiums in respect of Directors' and Officers' Liability Insurance and Company Reimbursement policies that cover all directors and officers of the Company to the extent permitted by law. The policy conditions preclude the Company from any detailed disclosures.

AVITA MEDICAL LIMITED
REMUNERATION REPORT (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the parent and the Group receiving the highest remuneration. For the purposes of this report, the term 'executive' encompasses the Chief Executive and senior executives of the parent and the Group.

Details of key management personnel

(i) Directors

Dalton Gooding	Chairman (non-executive)
Ian Macpherson	Deputy Chairman (non-executive)
William Dolphin	Chief Executive Officer (executive)
Paul Watt	Director (non-executive)
Fiona Wood	Director (non-executive)

(ii) Executives

Lorraine Glover	General Manager – Asia Pacific
William Marshall	VP Operations
Andrew Quick	VP Research & Technology
Tiziano Caldera	General Manager – EMEA (Europe Middle East Africa) – left 14 May 2012
Debra Leeves	General Manager – EMEA*
Gabriel Chiappini	Company Secretary

* On 6 August 2012 Debra Leeves joined Avita Medical Europe Limited as General Manager – based in the UK. There were no other changes of the CEO or key management personnel after reporting date and before the date the financial report was authorised for issue.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing remuneration arrangements for the Board and executives.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration Philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Acceptability to shareholders;
- Performance linkage and alignment of executive compensation; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

One of the performance hurdles considered by the Board in determining short term and long term incentives for executives include earnings and earnings per share.

Financial Year	Net Loss after Tax	Loss per Share (cents)	Shareholder Price (cents)
2012	7,671,682	3.22	18.5
2011	1,796,920	1.56	11.3
2010	5,889,363	5.46	11.5
2009	5,128,292	5.49	10.0
2008	12,188,280	20.4	9.9
2007	15,065,061	4.51	3.8

AVITA MEDICAL LIMITED REMUNERATION REPORT (continued)

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 29 November 2005 when shareholders approved an aggregate remuneration of \$450,000 per year in respect of fees payable to non-executive directors. Please refer to Table 1, page 17 for the allocation of directors' fees.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company and includes attendance at Board and committee meetings. Any additional services provided are charged at a daily rate agreed in advance by the Chairman. The non-executive directors do not participate in any incentive programs. These additional services provided are disclosed as other short term benefits in Table 1 of the remuneration report.

The remuneration of non-executive directors for the year ended 30 June 2012 is detailed in Table 1 of this report.

Executive Remuneration (including executive directors)

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to:

- reward executives for Company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

The Remuneration Committee determines the level and make-up of executive remuneration. To assist in achieving the Company's objectives the Remuneration Committee links the nature and amount of officers' emoluments to the Company's financial and operational performance. All executives and senior management are entitled to annual bonuses payable upon the achievement of individual and company performance targets and participate in the Company's employee share option plan.

Remuneration consists of the following key elements:

- Fixed Remuneration.
- Variable Remuneration
 - Short Term Incentive (STI); and
 - Long Term Incentive (LTI).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive by the Remuneration Committee. Table 1 details the fixed and variable components of the executives of the Group and the Company.

AVITA MEDICAL LIMITED
REMUNERATION REPORT (continued)

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. During the 2012 financial year there were no benefits paid in kind (2011: nil).

Structure

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of company-wide and individual performance and relevant comparative remuneration in the market.

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of variable remuneration is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets.

Structure

The total potential variable remuneration is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances. Actual variable remuneration payments granted to each executive depend on the extent to which specific targets set at the beginning of the financial year are met. The targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance. The Company has predetermined benchmarks which must be met in order to trigger variable remuneration payments. The KPIs against which executives are assessed include corporate and board communication and relations, financial performance (including revenue and profit targets), operational and strategic objectives (including development and management of products) and financial management (including investor relations).

On an annual basis, after consideration of performance against KPI's, the level of variable remuneration is approved by the Remuneration Committee. Payments made are usually delivered as a cash bonus and options.

STI bonus for 2012 financial year

For the 2012 financial year, one STI cash bonus of \$95,168 (USD 97,598) was paid to W Dolphin based on the performance of the group which included assessment of corporate and board relations, operational and strategic tasks, financial performance and investor relations. Key Management Personnel received in aggregate a total of \$112,268 as a STI cash bonus based on executive performance relating to achieving individual key performance indicators ("KPI") as well as corporate and divisional hurdles. KPIs include among others maintaining board relations with regular board contact, provision of an annual budget with parameters for revenue targets and cost containment, achievement of board-approved budget, development of a sales & marketing plan, progress of key potential partners, conduct of US FDA clinical trials, establishment of an office in the US, hire of key personnel, security of intellectual property and investor relations.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Structure

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have an impact on the Group's performance. LTI grants to executives are delivered in the form of share options under the Employee Share Option Plan. 750,000 share options were issued during the year to T Caldera, of which 350,000 were subsequently forfeited due to termination of employment prior to vesting. The options were not linked to performance as they are considered a long term incentive to retain key employees of the Company.

**AVITA MEDICAL LIMITED
REMUNERATION REPORT (continued)**

Employment Contracts

Chief Executive Officer

The CEO and Managing Director, Dr William Dolphin, was employed under a two year contract which expired on 30 June 2012 but was extended to 30 June 2014. Under the terms of the new contract:

- Dr Dolphin receives fixed remuneration of US\$340,000 per annum. The company will contribute up to 6% of salary to Dr Dolphin's US-based superannuation scheme.
- Dr Dolphin receives cash bonus of up to US\$112,200 (33% of salary) per annum payable on the achievement of agreed Key Performance Indicators.
- The Company provides Dr Dolphin with other benefits including health & life assurance, schooling costs for one child, motor vehicle & home internet costs considered normal remuneration entitlements for an executive of Dr Dolphin's experience.
- Dr Dolphin may resign from his position and thus terminate this contract by giving 3 months written notice. On resignation any unvested options will be forfeited.
- The Company may terminate this employment agreement by providing 6 months written notice or provide payment in lieu of the notice period (based on the fixed component of Dr Dolphin's remuneration). On termination on notice by the Company, any LTI options that have vested, or will vest during the notice period, will be released. LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the CEO is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Other Executives (standard contracts)

All executives have rolling contracts. The Company may terminate the executive's employment agreement by providing, dependent on the employee, between 0 and 2 months written notice or provide payment in lieu of the notice period (based on the fixed component of the executive's remuneration). On termination on notice by the Company, any LTI options that have vested or that will vest during the notice period will be exercisable. LTI options that have not yet vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

The company does not have a policy that prohibits Directors and Executives from entering into arrangements to protect the value of unvested options. This includes entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

AVITA MEDICAL LIMITED
REMUNERATION REPORT (continued)

Remuneration of key management personnel

Table 1: Remuneration for the year ended 30 June 2012

	Short-term		Non-monetary benefits	Cash bonus	Post-Employment	Equity	Total	% remuneration consisting of options	% of remuneration performance related
	Salary & Fees	Other			Superannuation	Options			
Non-executive directors									
D Gooding – Chairman	78,750	-	-	-	7,088	-	85,838	-	-
I Macpherson – Deputy Chairman	52,500	-	-	-	4,725	-	57,225	-	-
P Watt	36,750	-	-	-	3,308	-	40,058	-	-
F Wood	36,750	-	-	-	-	-	36,750	-	-
Sub-total non-executive directors	204,750	-	-	-	15,121	-	219,871	-	-
Executive Directors									
W Dolphin – Chief Executive Officer	345,875	200,000*	67,820	95,168	13,283	118,857	841,003	14.1	11.3
Other key management personnel & executives									
L Glover – General Manager Asia Pacific	157,500	-	-	26,775	16,188	10,417	210,880	4.9	-
W Marshall – VP Operations	124,115	-	40,671	11,127	-	7,441	183,354	4.1	-
A Quick – VP Research & Technology	161,076	-	22,672	39,201	9,118	14,881	246,948	6.0	-
T Caldera – General Manager EMEA **	224,927	-	4,803	35,165	14,665	19,560	299,120	6.5	-
G Chiappini – Company Secretary	36,000	-	-	-	-	-	36,000	-	-
Sub-total executive KMP	1,049,493	200,000	135,966	207,436	53,254	171,156	1,817,305		
Totals	1,254,243	200,000	135,966	207,436	68,375	171,156	2,037,176		

* Comprises a provision on behalf of W Dolphin for UK taxation in relation to the UK secondment in prior years

** T Caldera left 14 May 2012

AVITA MEDICAL LIMITED
REMUNERATION REPORT (continued)

Table 2: Remuneration for the year ended 30 June 2011

	Short-term		Non-monetary benefits	Cash bonus	Post-Employment	Equity	Termination	Total	% remuneration consisting of options	% of remuneration performance related
	Salary & Fees	Other			Superannuation	Options				
Non-executive directors										
D Gooding – Chairman	76,875	-	-	-	6,919	-	-	83,794	-	-
I Macpherson – Deputy Chairman	51,250	-	-	-	4,613	-	-	55,863	-	-
P Watt	35,875	-	-	-	3,229	-	-	39,104	-	-
F Wood	35,875	-	-	-	-	-	-	35,875	-	-
Sub-total non-executive directors	199,875	-	-	-	14,761	-	-	214,636	-	-
Executive Directors										
W Dolphin – Chief Executive Officer **	338,059	35,895	97,137	96,525	17,484	343,961	-	929,061	37.0	26.5
Other key management personnel & executives										
L Glover – General Manager Asia Pacific	157,500	-	-	22,365	17,010	41,355	-	238,230	17.4	-
W Marshall – VP Operations	137,005	-	36,573	5,427	-	29,539	-	208,544	14.2	-
J Geisel – Senior VP Business Development ***	116,541	-	4,089	40,048	8,431	-	-	169,109	-	-
A Quick – VP Research & Technology ****	162,054	-	22,829	42,471	6,638	59,078	-	293,070	20.2	-
T Caldera – General Manager EMEA *****	119,991	-	681	12,045	8,632	-	-	141,349	-	-
G Chiappini – Company Secretary	36,000	-	-	-	-	-	-	36,000	-	-
Sub-total executive KMP	1,067,150	35,895	161,309	218,881	58,195	473,933	-	2,015,363		
Totals	1,267,025	35,895	161,309	218,881	72,956	473,933	-	2,229,999		

** Included in "Other" amounting to \$35,895 is a provision on behalf of W Dolphin for UK taxation incurred in relation to the UK secondment.

*** J Geisel ceased employment 31 January 2011

**** A Quick joined 1 July 2010

***** T Caldera joined 1 January 2011

AVITA MEDICAL LIMITED
REMUNERATION REPORT (continued)

Table 3: Compensation options: Granted and vested during the year

	Number of options granted during the year		Number of options vested during the year	
	2012	2011	2012	2011
Directors				
W Dolphin	-	5,000,000	2,730,000	2,276,786
Executives				
L Glover	-	700,000	210,000	210,000
W Marshall	-	500,000	150,000	150,000
A Quick	-	1,000,000	300,000	300,000
T Caldera	750,000	-	400,000*	-

*350,000 options valued at \$17,115 were forfeited during the year due to cessation of employment.

The total fair value of options granted during the year was \$36,675 (2011: \$573,250) which is allocated over the vesting period.

There have been no alterations to the terms or conditions of the options granted as remuneration since the grant date.

End of Remuneration Report

**AVITA MEDICAL LIMITED
DIRECTORS' MEETINGS**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	Meetings of Committees		
	Directors' Meetings	Remuneration	Audit
Number of meetings held:	5	1	2
Number of meetings attended:			
Dalton Gooding	5	1	2
Ian Macpherson	5	1	2
William Dolphin	5	1	1
Paul Watt	3	N/A	N/A
Fiona Wood	3	N/A	N/A

Compliance matters are dealt with under a standing agenda at regular board meetings.

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Compliance Committee.

Members acting on the committees of the Board at the date of this report are:

Audit	Remuneration	Compliance
Ian Macpherson (c)	Dalton Gooding (c)	Ian Macpherson (c)
Dalton Gooding	Ian Macpherson	Dalton Gooding
William Dolphin	William Dolphin	William Dolphin
		Fiona Wood

Notes

(c) Designates the chairman of the committee

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have obtained an independence declaration from our auditors, Grant Thornton, as presented on page 22 of this report.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board

Employment tax advice relating to the CEO period of residency in the UK from 2009 to 2010 was provided by the Company's auditor, Grant Thornton, during the year.

Signed in accordance with a resolution of the directors.



Dalton Gooding

Chairman

Dated: 28 September 2012

Perth, Western Australia



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**Auditor's Independence Declaration
To the Directors of Avita Medical Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Avita Medical Limited for the year ended 30 June 2012, I declare that, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 28 September 2012

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AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Notes	2012 \$	2011 \$
Continuing operations			
Sale of goods		3,352,268	3,120,984
Other revenue		1,253,357	1,300,235
Revenue	2 (a)	<u>4,605,625</u>	<u>4,421,219</u>
Cost of sales		(952,847)	(910,196)
Gross Profit		<u>3,652,778</u>	<u>3,511,023</u>
Other income	2(b)	574,823	167,922
Operating Costs			
Administrative expenses		(5,517,333)	(4,915,662)
Research and development expenses		(969,113)	(239,096)
Sales and marketing expenses		(2,925,638)	(2,013,238)
Finance costs	4 (c)	(67)	(12,069)
Fair value movements in financial liabilities at fair value through profit or loss		(63,000)	2,228,905
Impairment of intellectual property	4 (d)	(2,001,888)	-
Amortisation of intellectual property	4 (d)	(510,000)	(609,000)
Loss from continuing operations before income tax		<u>(7,759,438)</u>	<u>(1,881,215)</u>
Income tax benefit		87,756	84,295
Loss for the period		<u>(7,671,682)</u>	<u>(1,796,920)</u>
Other comprehensive income / (loss)			
Foreign currency translation		9,196	(230,754)
Other comprehensive (loss) / income for the period, net of tax		9,196	(230,754)
Total comprehensive loss for the period		<u>(7,662,486)</u>	<u>(2,027,674)</u>
Loss for the period is attributable to:			
Non-controlling interest		(81,553)	-
Owners of Avita Medical Limited		(7,590,129)	(1,796,920)
		<u>(7,671,682)</u>	<u>(1,796,920)</u>
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(81,553)	-
Owners of Avita Medical Limited		(7,580,933)	(2,027,674)
		<u>(7,662,486)</u>	<u>(2,027,674)</u>
Basic loss per share	3	(3.22) cents	(1.56) cents
Diluted loss per share	3	(3.22) cents	(1.56) cents

This consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	8,230,593	12,669,020
Trade and other receivables	1,461,974	1,297,457
Financial assets at fair value through profit or loss	-	63,000
Prepayments	137,840	165,062
Inventories	715,612	636,971
Total Current Assets	10,546,019	14,831,510
Non-Current Assets		
Plant & equipment	87,051	70,439
Intangible assets	73,000	2,584,888
Total Non-Current Assets	160,051	2,655,327
TOTAL ASSETS	10,706,070	17,486,837
LIABILITIES		
Current Liabilities		
Trade and other payables	1,686,577	1,188,496
Provisions	465,516	247,846
Total Current Liabilities	2,152,093	1,436,342
TOTAL LIABILITIES	2,152,093	1,436,342
NET ASSETS	8,553,977	16,050,495
EQUITY		
Equity attributable to equity holders of the parent		
Contributed equity	101,663,499	101,758,424
Accumulated losses	(96,676,634)	(89,086,505)
Reserves	3,567,112	3,378,576
TOTAL EQUITY	8,553,977	16,050,495

This consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated	
	2012	2011
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,273,274	2,805,650
Payments to suppliers and employees	(9,453,067)	(7,278,382)
Government grants received	759,979	746,460
Tax refund received	85,523	91,971
Interest received	498,056	116,948
Interest paid	(67)	(12,069)
Royalties and other income received	570,145	604,749
	(4,266,157)	(2,924,673)
Cash flows from investing activities		
Purchase of plant & equipment	(75,631)	(83,461)
	(75,631)	(83,461)
Cash flows from financing activities		
Proceeds from issue of shares and options	-	12,514,375
Payment for buy back of unmarketable parcel	-	(203,600)
Repayment for termination of convertible note	-	(200,000)
Receipts from issue of convertible notes	-	1,090,950
Repayment of convertible notes	-	(612,650)
Payment for term liability	-	(90,374)
Release of secured deposit	-	200,000
Capital raising expenses	(94,925)	(576,587)
	(94,925)	12,122,114
Net increase/(decrease) in cash and cash equivalents	(4,436,713)	9,113,980
Cash and cash equivalents at beginning of period	12,669,020	3,865,802
Impact of foreign exchange	(1,714)	(310,762)
Cash and cash equivalents at end of period	8,230,593	12,669,020

This consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

Consolidated	Contributed equity	Accumulated losses	Option premium reserve	Employee equity benefit reserve	Non-controlling interest	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2011	101,758,424	(89,086,505)	2,277,759	1,485,647	-	(384,830)	16,050,495
Loss for the period	-	(7,590,129)	-	-	(81,553)	-	(7,671,682)
Other comprehensive income – foreign currency translation	-	-	-	-	-	9,196	9,196
Total comprehensive loss for the year	-	(7,590,129)	-	-	(81,553)	9,196	(7,662,486)
Transactions with owners in their capacity as owners							
Share based payments	-	-	-	179,340	-	-	179,340
Recognition of non-controlling interest in consolidated entities	-	-	-	-	81,553	-	81,553
Cost of share placement	(94,925)	-	-	-	-	-	(94,925)
Balance at 30 June 2012	101,663,499	(96,676,634)	2,277,759	1,664,987	-	(375,634)	8,553,977

Consolidated	Contributed equity	Accumulated losses	Option premium reserve	Employee equity benefit reserve	Non-controlling interest	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$	\$
At 1 July 2010	88,877,236	(87,289,585)	2,277,759	966,720	-	(154,076)	4,678,054
Loss for the period	-	(1,796,920)	-	-	-	-	(1,796,920)
Other comprehensive income	-	-	-	-	-	(230,754)	(230,754)
Total comprehensive loss for the year	-	(1,796,920)	-	-	-	(230,754)	(2,027,674)
Transactions with owners in their capacity as owners							
Share based payments	-	-	-	518,927	-	-	518,927
Buy back of unmarketable parcels	(203,000)	-	-	-	-	-	(203,000)
Issue of share capital net of issue cost	13,084,188	-	-	-	-	-	13,084,188
Balance at 30 June 2011	101,758,424	(89,086,505)	2,277,759	1,485,647	-	(384,830)	16,050,495

This consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

AVITA MEDICAL LIMITED
NOTES TO THE CONCISE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Note 1. Basis of Preparation and Accounting Policies

(a) Basis of Preparation

This concise financial report has been derived from the full 2012 Financial Report as presented in the Avita Medical Limited Annual Report, which complies with the Corporations Act 2001 and Accounting Standard AASB 1039 Concise Financial Reports. The financial statements and specific disclosures required by AASB 1039 have been derived from the Consolidated Entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the Consolidated Entity's full financial report. The concise financial report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the Group as the full financial report. Further information can be obtained from the Consolidated Entity's full financial report which is available free of charge on request.

The concise financial report is presented in Australian dollars and has been prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value at balance date. A full description of the accounting policies adopted by Avita Medical Limited is provided in the full 2012 Financial Report.

(b) Adoption of New and Revised Accounting Standards

The consolidated entity's accounting policies have been consistently applied by each entity in the Group and are consistent with those in the previous year. The adoption of new and revised standards and interpretations has not resulted in any material accounting policy changes.

Note 2. Revenue and Expenses

	2012 \$	2011 \$
(a) Revenue		
Sales of goods	3,352,268	3,120,984
Government grants	759,979	746,460
Royalty income	493,378	553,775
	<u>4,605,625</u>	<u>4,421,219</u>
	2012 \$	2011 \$
(b) Other Income		
Bank interest receivables	498,056	116,948
Other income	76,767	50,974
	<u>574,823</u>	<u>167,922</u>
	2012 \$	2011 \$
(c) Finance costs		
Other loans	67	12,069
Total finance costs	<u>67</u>	<u>12,069</u>

AVITA MEDICAL LIMITED
NOTES TO THE CONCISE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Note 2. Revenue and Expenses (continued)

	2012 \$	2011 \$
(d) Depreciation, impairment and amortisation included in income statement		
Depreciation	59,232	113,934
Loss on disposal of plant & equipment	1,501	-
Impairment of intellectual property*	2,001,888	-
Amortisation of intangible assets	510,000	609,000

*As a result of management's annual analysis, impairment was recorded for patents and trademarks related to inhaled medication delivery and respiratory applications.

	2012 \$	2011 \$
(e) Lease payments and other expenses included in profit or loss		
Minimum lease payments – operating lease	233,485	159,921

	2012 \$	2011 \$
(f) Employee benefits expense		
Wages and salaries	2,702,853	2,053,797
Defined contribution superannuation expense	136,943	149,733
Termination benefits	-	60,583
Share-based payments expense	179,340	518,927
Other benefits	200,000	35,895
	<u>3,219,136</u>	<u>2,818,935</u>

Note 3. Loss per Share

Basic loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted loss per share computations:

	Consolidated	
	2012 \$	2011 \$
Net loss attributable to ordinary equity holders of the parent	(7,671,682)	(1,796,920)
Weighted average number of ordinary shares for basic and diluted loss per share	<u>238,182,556</u>	<u>115,304,158</u>

AVITA MEDICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

Note 4. Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segment and to assess its performance.

The Group's chief operating decision maker has been identified as the Chief Executive Officer.

The Chief Executive Officer reviews the financial and operating performance of the business primarily from a geographic perspective. On this basis management have identified three reportable operating segments being the Asia Pacific region, the Americas including Canada, the EMEA region (Europe, Middle East and Africa). The Chief Executive Officer monitors the performance of all these segments separately. The Group does not operate in any other geographic location.

The Chief Executive Officer assesses the performance of the operating segments based on a measure of gross margin and net profit before tax.

Unallocated

The following items of income and expense and associated assets are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate revenue
- Corporate charges
- Amortisation of intellectual property

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2012 is as follows:

	<i>Asia Pacific</i>	<i>EMEA</i>	<i>Americas</i>	<i>Total</i>
	\$	\$	\$	\$
Year ended 30 June 2012				
Revenue				
Sale of goods	2,567,334	670,129	114,805	3,352,268
Other revenue	569,437	-	683,920	1,253,357
Total segment revenue	<u>3,136,771</u>	<u>670,129</u>	<u>798,725</u>	<u>4,605,625</u>
Unallocated revenue				<u>574,823</u>
Total revenue and other income per consolidated statement of comprehensive income				<u><u>5,180,448</u></u>
Segment net operating profit / (loss) before tax	1,142,792	(2,249,343)	(2,325,847)	(3,432,398)
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(1,752,152)
Impairment of intellectual property				(2,001,888)
Amortisation of intellectual property				(510,000)
Fair value movement in financial derivative				(63,000)
Loss before income tax				<u><u>(7,759,438)</u></u>

AVITA MEDICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. Segment Information (continued)

Revenue is attributed to geographic location based on the location of the customers. The percentage of external revenues from external customers that are attributable to foreign countries are as shown below:

	2012 %	2011 %
Australia	72.2	81.7
Other	27.8	18.3
Total revenue	100.00	100.0

	<i>Asia Pacific</i> \$	<i>EMEA</i> \$	<i>Americas</i> \$	<i>Total</i> \$
Year ended 30 June 2012				
Segment assets				
Segment operating assets	1,359,758	966,615	1,153,742	3,480,115
Unallocated assets				7,225,955
Total Assets per the consolidated statement of financial position				<u>10,706,070</u>
Segment liabilities				
Segment operating liabilities	167,982	764,191	604,082	1,536,255
Unallocated liabilities				615,838
Total liabilities per the consolidated statement of financial position				<u>2,152,093</u>

	<i>Asia Pacific</i> \$	<i>EMEA</i> \$	<i>Americas</i> \$	<i>Total</i> \$
Year ended 30 June 2011				
Revenue				
Sale of goods	2,551,077	510,581	59,326	3,120,984
Other revenue	553,775	578	745,882	1,300,235
Total segment revenue	<u>3,104,852</u>	<u>511,159</u>	<u>805,208</u>	<u>4,421,219</u>
Unallocated revenue				167,922
Total revenue and other income per consolidated statement of comprehensive income				<u>4,589,141</u>
Segment net operating profit / (loss) before tax	884,186	(1,249,947)	(1,343,595)	(1,709,356)
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(1,791,764)
Amortisation of intellectual property				(609,000)
Fair value movement in financial liabilities through profit or loss				2,228,905
Loss before income tax				<u>(1,881,215)</u>

AVITA MEDICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. Segment Information (continued)

	<i>Asia Pacific</i> \$	<i>EMEA</i> \$	<i>Americas</i> \$	<i>Total</i> \$
Year ended 30 June 2011				
Segment assets				
Segment operating assets	1,176,090	390,427	812,503	2,379,020
Unallocated assets				15,107,817
Total Assets per the consolidated statement of financial position				<u>17,486,837</u>
Segment liabilities				
Segment operating liabilities	270,287	265,316	280,077	815,680
Unallocated liabilities				620,662
Total liabilities per the consolidated statement of financial position				<u>1,436,342</u>

The following table's present revenue, expenditure and certain asset information regarding the type of products for the years ended 30 June 2012 and 30 June 2011.

	<i>Regenerative Medicine</i> \$	<i>Respiratory</i> \$	<i>Total</i> \$
Year ended 30 June 2012			
Revenue			
Sale of goods	1,094,891	2,257,377	3,352,268
Other revenue	759,979	493,378	1,253,357
Total segment revenue	<u>1,854,870</u>	<u>2,750,755</u>	<u>4,605,625</u>
Unallocated revenue			574,823
Total revenue and other income per consolidated statement of comprehensive income			<u>5,180,448</u>
Other segment information			
Segment operating assets	2,120,356	1,359,759	3,480,115
Unallocated assets			7,225,955
Total assets per the consolidated statement of financial position			<u>10,706,070</u>
Capital expenditure			<u>75,631</u>

AVITA MEDICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 JUNE 2012

4. Segment Information (continued)

	<i>Regenerative Medicine</i>	<i>Respiratory</i>	<i>Total</i>
	\$	\$	\$
Year ended 30 June 2011			
Revenue			
Sale of goods	590,270	2,530,714	3,120,984
Other revenue	746,460	553,775	1,300,235
Total segment revenue	<u>1,336,730</u>	<u>3,084,489</u>	<u>4,421,219</u>
Unallocated revenue			<u>167,922</u>
Total revenue and other income per consolidated statement of comprehensive income			<u><u>4,589,141</u></u>
Other segment information			
Segment operating assets	1,202,930	1,176,090	2,379,020
Unallocated assets			<u>15,107,817</u>
Total assets per the consolidated statement of financial position			<u><u>17,486,837</u></u>
Capital expenditure			<u><u>83,461</u></u>

5. Commitments and Contingencies

Threat of legal action has been raised by Business China Consulting (BCC) against the Company in the Hong Kong court seeking inter alia specific performance of an agreement dated September 2010 between BCC and the company. Under the terms of the agreement the company formed a Hong Kong registered company holding 70% ownership and BCC holding 30% with the primary purpose to operate as a joint venture to conduct clinical trials and market ReCell in China. The Company's view is the claim is without merit and will be vigorously defended; accordingly, no financial impact is estimated or expected. Solicitors have been engaged in defence of the proceedings. The dispute is before the High Court of the Hong Kong Special Administrative Region awaiting a hearing date. The company continues to pursue entry into the China market for its products.

6. Events After the Balance Date

On 5 September, the Company announced it is raising up to \$10 million at \$0.12 per share through a placement to investors, including a Share Purchase Plan to existing investors. On 11 September the Company received \$3,520,740 relating to the first resulting in an allocation of 31,461,325 shares at an issue price of \$0.12 per share less capital raising fees of \$254,619. The second tranche is subject to shareholder approval at an extraordinary general meeting expected to be held on Friday 19 October 2012.

No other subsequent events have occurred since the Balance Sheet Date which require disclosure in this report.

**AVITA MEDICAL LIMITED
DIRECTORS' DECLARATION**

The directors of Avita Medical Limited declare that the accompanying Concise Financial report is presented fairly in accordance with Accounting Standards AASB 1039 Concise Financial Report and is consistent with the consolidated entity's 30 June 2012 Financial Report.

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) The financial statements and notes also comply with International Financial Reporting Standards; and
- (c) There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (d) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011 and in accordance with a resolution of directors.

On behalf of the Board



Dalton Gooding

Chairman

Dated: 28 September 2012

Perth, Western Australia



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**Independent Auditor's Report
To the Members of Avita Medical Limited**

Report on the concise financial report

We have audited the accompanying concise financial report of Avita Medical Limited comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and related notes, derived from the audited financial report of Avita Medical Limited for the year ended 30 June 2012. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors responsibility for the concise financial report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Avita Medical Limited for the year ended 30 June 2012. Our audit report on the financial report for the year was signed on 28 September 2012 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion, the concise financial report of Avita Medical Limited for the year ended 30 June 2012 complies with Accounting Standard AASB 1039 Concise Financial Reports.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P W Warr
Partner - Audit & Assurance

Perth, 28 September 2012

AVITA MEDICAL LIMITED CORPORATE GOVERNANCE

Corporate Governance Statement

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

In accordance with the ASX Corporate Governance Council's corporate governance guidelines contained in Corporate Governance Principles and Recommendations (Second Edition Corporate Governance Guidelines), the Avita Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed it is disclosed together with reasons for the departure.

The Avita Corporate Governance Statement is structured with reference to the Second Edition Corporate Governance Guidelines, which are as follows:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

For further information on corporate governance policies adopted by Avita, refer to our website www.avitamedical.com

**AVITA MECIAL LIMITED
CORPORATE GOVERNANCE (CONTINUED)**

Principle	Corporate Governance best practice recommendation	Compliance
1.1	Establish and disclose the functions reserved to the Board and those delegated to senior executives	✓
	<p>The Board has a Corporate Governance Statement which outlines the role and duties of the Board.</p> <p>The Company considers that the primary responsibility of the Board is to oversee the Company's business activities and management for the benefit of the shareholders by :</p> <ul style="list-style-type: none"> a) Supervising the Company's framework of control and accountability systems to enable risk to be assessed and managed which includes but is not limited to the points noted below: b) Ensuring the Company is properly managed by: <ul style="list-style-type: none"> i) setting and communicating clear objectives; ii) appointing and removing the Managing Director of the Company; iii) ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company secretary; iv) input into and final approval of management's development of corporate strategy and performance objectives; v) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance; vi) monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available; c) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; d) approval of the annual budget; e) monitoring the financial performance of the Company; f) approving and monitoring financial and other reporting; g) overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company; h) liaising with the Company's external auditors either directly or via the Audit Committee as appropriate; and i) monitoring, and ensuring compliance with, all of the Company's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety. <p>The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.</p> <p>Matters which are not covered by the delegations require Board approval.</p> <p>The Corporate Governance Statement is available on the Company's website in the Investor Relations Centre section.</p>	

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
1.2	Disclose the process for evaluating the performance of senior executives	✓	<p>It is the role of the Remuneration Committee to evaluate the performance of the Board & individual directors and key senior executives.</p> <p>The performance of the Managing Director is monitored and evaluated by the Board annually (with reference from the Remuneration Committee) by reference to key performance indicators.</p> <p>The performance of other senior executives, including the Chief Financial Officer, (or equivalent) is to be reviewed on an annual basis by the board.</p> <p>Refer to the Director's Report for a summary of performance of the Managing Director.</p>
1.3	Provide the following information in the annual report:		
1.3.1	An explanation of any departure from recommendations 1.1, 1.2 and 1.3		Not applicable.
1.3.2	Whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.	✓	Evaluations of the performance of the Managing Director have occurred and were in accordance with the process disclosed at 1.2 above. Refer to remuneration report.
2.1	A majority of the Board should be independent directors	✗	<p>The majority of the Board is not independent directors where an independent director is a non-executive director who meets the criteria for independence included in the ASX Best Practice Recommendations.</p> <p>The Board believes that given the size of the Company and its Board, it is not practical to have a majority of independent directors. Under the guidelines Mr Gooding, Mr Macpherson and Ms Wood are not considered to be independent. Mr Gooding is a partner of Chartered Accounting firm, Gooding Partners that provides professional advice as required, However, Mr Gooding is considered to be independent by the Board. He passes all other aspects of the Independence Criteria. The Board, in the absence of Mr Gooding, considers that he is capable of, and demonstrates, that he consistently makes decisions and takes actions which are intended to be in the best interests of the Company. The Board notes that fees paid to Mr Gooding are not material to the Company and are not of a high enough level to be material to Mr Gooding.</p> <p>Mr Macpherson is a substantial shareholder in the Company and as a result does not fit within the Independence Test. The Board, in the absence of Mr Macpherson, considers that he is capable of, and demonstrates, that he consistently makes decisions and takes actions which are intended to be in the best interests of the Company and therefore consider him to possess the characteristics required of a person who would be eligible to take on the role of an independent director.</p> <p>Ms Wood is Chairman of the McComb Research Foundation which receives a royalty and provides</p>

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			research to the Company as required, However, Ms Wood is considered to be independent by the Board. She passes all other aspects of the Independence Criteria. The Board, in the absence of Ms Wood, considers that she is capable of, and demonstrates, that he consistently makes decisions and takes actions which are intended to be in the best interests of the Company.
2.2	The chairperson should be an independent director	✘	The Chairman, Mr Gooding as noted above in 2.1 does not meet the Governance Council's independence criteria, however the board believes that Mr Gooding will at all times act independently and discharge his duties for the benefit of all shareholders. Mr Gooding is not strictly independent as noted above due to him being a Partner of Chartered Accounting firm Gooding Partners, which from time to time provides professional advice as required on a commercial basis, for further information refer to the related party note in the accounts.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	✓	The Chairman, Mr Dalton Gooding, facilitates the relationship between the Board and Dr William Dolphin, the Managing Director.
2.4	The Board should establish a nomination committee	✘	During the Reporting Period, the role of the Nomination Committee was carried out by the full Board in accordance with the Nomination Committee Charter. The Board considered that no efficiencies or other benefits would be gained by establishing a separate nomination committee during this time.
2.5	The process for evaluating the performance of the Board, its committees and individual directors should be disclosed.	✓	The Company does not have a documented procedure for evaluating the performance of the Board, its committees and directors. An evaluation of the performance of the Board and its directors is undertaken informally each year. The Chairman of the Board is the driver of this process. This year the Chairman conducted interviews with each director. The evaluation of the performance of the Board's various committees is undertaken on an exception basis. This is also an informal process which is driven by the Chairman of the Board.
2.6	Provide the following information in the annual report:		
2.6.1	The skills, expertise and experience relevant to the position of director held by each director in office at the date of the annual report	✓	Provided in the Annual Report.
2.6.2	The names of the directors considered by the Board to be independent directors and the Company's materiality thresholds	✓	Provided in the Annual Report.
2.6.3	A statement as to whether there is a procedure agreed by the Board of directors to take independent professional advice at the expense of the Company	✓	Individual directors have the right in connection with their duties and responsibilities as directors to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			will not be withheld unnecessarily. If appropriate, any advice so received will be made available to all Board members.
2.6.4	The Board should state its reasons if it considers a director to be independent notwithstanding that the director does not meet the definition of independence contained in the ASX Guidelines	✓	Refer above at 2.2.
2.6.5	The period of office held by each director in office at the date of the annual report	✓	Provided in the Annual Report.
2.6.6	The names of members of the nomination committee and their attendance at meetings of the committee	✗	Refer 2.4 above
2.6.7	Whether a performance evaluation for the Board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed	✓	An evaluation of the Board, its committees and directors was undertaken and was in accordance with the process disclosed at 2.5.
2.6.8	An explanation of any departure from recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section: a description of the procedure for the selection and appointment of new directors to the Board the charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for the committee the nomination committee's policy for the appointment of directors	✗ ✗ ✗	Refer to comments at 2.4 The size of the Company and Board does not warrant the establishment of a separate nomination committee. The duties of such committee have been considered and adopted by the Board. The Company does not have a documented procedure for the selection and appointment of directors. The Board informally reviews the skill set of and market expectations for its directors on a regular basis and considers these factors when appointing / re-electing directors. The Board invites persons with relevant industry experience and financial experience to assist it in its appointment of directors.
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices;	✓ ✓ ✓ ✓	The Company has implemented a suite of policies including a Code of Business Conduct which provides guidelines aimed at maintaining high ethical standards and corporate behaviour. The principals of the policies include: <ul style="list-style-type: none"> • Respect the law and act in accordance with it; • Respect confidentiality and not misuse company information, assets or resources; • Avoid real or perceived conflicts of interest; • Act in the best interest of stakeholders; and • Perform their duties in ways that minimise environmental impacts and maximise

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
			workplace safety. Directors and employees are expected to comply with all Company policies and to act professionally with integrity, honesty and responsibility at all times.
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of the policy	✓	The Company's share trading policy imposes basic trading restrictions on all employees of the Company with "inside information" and additional trading restrictions on the directors of the Company. "Inside information" is information that: <ul style="list-style-type: none"> • Is not generally available; and • If it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities. Directors and employees are prohibited from trading in the Company's shares where they possess information which is not generally available and that information, if readily available, may have a material effect on the share price of the Company. Further, directors, officers and employees involved in the preparation and release of financial statements may not trade in the company's shares for the period commencing four weeks prior to the announcement of the results.
3.3	Provide the following information in the annual report:		
3.3.1	An explanation of any departure from recommendations 3.1, 3.2 and 3.3 The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section:	✓	Not applicable
	any applicable code of conduct or a summary of its main provisions	✓	The Code of Conduct is available on the Company's website in the Investor Centre section.
	the trading policy or summary of its main provisions	✓	The Share Trading Policy on Dealing Rules for Employees and Directors is available on the Company's website in the Investor Centre section.
4.1	The Board should establish an audit committee	✓	The Audit Committee assists the Board to meet its oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management procedures and the internal and external audit function. In doing so, it is the Audit and Risk Committee's responsibility to maintain free and open communications between the Committee, the external auditors, the internal auditors and the management of the Company.
4.2	Structure the audit committee so that it consists of: a) only non-executive directors b) majority of independent directors c) independent chairperson, who is not the chairperson of the Board d) at least three members	 ✗ ✗ ✗ ✓	The Board is of the view that given the size of the Company and its Board, it is not practical to have a majority of independent directors managing the Audit Committee with all Directors being committee members of the Audit and Risk Committee. Attendance of committee members at Audit Committee meetings is contained in the Directors' Report.
4.3	The audit committee should have a formal charter	✓	The Audit Committee Charter is available on the Company's website in the Investor Centre section.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
4.4	<p>Provide the following information in the annual report:</p> <p>Details of the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee</p> <p>The number of meetings of the audit committee</p> <p>The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section: the audit committee charter</p> <p>information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>Refer to Director's Report</p> <p>Refer to Director's Report</p> <p>The charter of the Audit Committee is available on the Company's website in the Investor Centre section.</p> <p>The committee manages the relationship between the Company and external auditor on behalf of the Board. It recommends to the Board potential auditors for appointment, re-appointment or replacement, the terms of engagement and remuneration of the external auditor.</p>
5.1	<p>Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. These policies or a summary of the policies should be disclosed.</p>	<p>✓</p>	<p>The Company's continuous disclosure policy has been adopted to ensure compliance with obligations under the continuous disclosure regime of the Corporations Law and the Listing Rules of the Australian Stock Exchange Limited and to ensure that all AVITA shareholders have access to material information about the Company and its prospects.</p> <p>The disclosure obligations include:</p> <ul style="list-style-type: none"> • All employees, Company officers and Directors must comply with the ASX Listing Rules and Corporations Law provisions relating to a timely disclosure of price sensitive information to the ASX. The Company does this by releasing written announcements to the ASX. • The Managing Director, Chief Financial Officer (or equivalent) and Company Secretary are accountable for the establishment, communication and maintenance of this policy and ensuring that material information is disclosed to the ASX.
5.2	<p>Provide the following information in the annual report:</p>		
5.2.1	<p>An explanation of any departures from recommendations 5.1 and 5.2 and reasons for the departure</p>		<p>Not applicable.</p>
5.2.2	<p>The following material should be publicly available, ideally on the Company's website in a clearly marked corporate governance section: A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements</p>	<p>✓</p>	<p>The Company's Shareholder Communications Policy is available on the Company's website in the Investor Centre section.</p>
6.1	<p>Design and disclose a</p>	<p>✓</p>	<p>The Company places considerable importance on</p>

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
	communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings		<p>effective communications with shareholders and other stakeholders. Avita's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the company. The strategy provides for the use of systems that ensure a regular and timely release of information about the company is provided to shareholders. Mechanisms employed include:</p> <ul style="list-style-type: none"> • Announcements lodged with ASX; • Half Yearly Report Presentations at the Annual General Meeting; • Annual Report promote effective communication with shareholders; and • Encourage shareholder participation at AGMs.
6.2	Provide the following information in the annual report:		
6.2.1	An explanation of any departures from recommendation and reasons for the departure		Not applicable.
6.2.2	The Company should describe how it will communicate with its shareholders publically, ideally by posting this information on the company's website in a clearly marked corporate governance section.	✓	The Company's Shareholder Communications Policy is available on the Company's website in the Investor Centre section.
7.1	The Company should establish policies on risk oversight and management.	✓	<p>The Company is committed to the identification; monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Chairman is charged with implementing appropriate risk management systems within the Company.</p> <p>The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements.</p> <p>Specific areas of risk identified initially and which will be regularly considered at Board meetings include foreign currency, performance of activities, human resources, acceptance by regulatory authorities for the Company's products, markets, manufacturing, the environment, statutory compliance and continuous disclosure obligations.</p> <p>The annual report details material financial risks which arose during the reporting period (see notes to financial statements).</p>
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has	✓	As part of the reporting process the Managing Director and Chief Financial Officer (or equivalent) provide to the Board prior to the Board approving the annual and half-yearly accounts, a written statement that the integrity of the financial statements (as per ASX Recommendation 4.1) are founded on a system of risk management and internal compliance and control which implements

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
	reported to it as to the effectiveness of the company's management of its material business risks.		the Board's policies and the Company's risk management and internal control system is operating efficiently and effectively in all material matters.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	The Board has received assurance from the Chief Executive Officer and Chief Financial Officer (or equivalent) that the s295A declaration is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial risks.
7.4 7.4.1	Provide the following information in the annual report: An explanation of any departures from recommendations 7.1, 7.2, 7.3 and 7.4 and reasons for the departure		Not applicable.
7.4.2	Whether the Board has received the report from management under recommendation 7.2	✓	The Board has received the report from management pursuant to recommendation 7.2 and periodically receives and reviews a summary risk matrix.
7.4.3	Whether the Board has received assurance from the Chief Executive Officer and Chief Financial Officer under recommendation 7.3	✓	The Board has received the assurance in accordance with recommendation 7.3
	The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section: a summary of the Company's policies on risk oversight and management of material business risks	✓	The charter of the Audit Committee is available on the Company's website in the Investor Centre section.
8.1	The Board should establish a remuneration committee	✓	It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The Remuneration Committee deals with remuneration-related issues on an as-required basis. For further information on the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report along with the attendance of committee members at Remuneration Committee meetings. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Principle	Corporate Governance best practice recommendation	Compliance	How we comply
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	Refer Director's Report
8.3	Provide the following information in the annual report:		
8.3.1	the names of the members of the remuneration committee and their attendance at meetings of the committee, or where the Company does not have a remuneration committee, how the functions of a remunerations committee are carried out	✓	Refer Director's Report
8.3.2	the existence and terms of any schemes for retirement benefits, other than superannuation, for non-executive directors	✓	Refer Director's Report
8.3.3	An explanation of any departures from recommendation 8.1, 8.2 and 8.3 and reasons for the departure The following material should be made publicly available, ideally on the Company's website in a clearly marked corporate governance section: the charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee; a summary of the company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.	✓	Not applicable
			The Remuneration Committee Charter is available on the Company's website in the Investor Relations Centre section.
			The Company does not enter into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes.

**AVITA MEDICAL LIMITED
ASX SHAREHOLDER INFORMATION**

Ordinary Fully Paid Shares (Total) as of 25 September 2012

Range	Total holders	Ordinary Shares	% of Issued Capital
1 - 1,000	410	189,523	0.07
1,001 - 5,000	628	1,962,300	0.73
5,001 - 10,000	852	6,813,410	2.53
10,001 - 100,000	1,375	44,163,128	16.37
100,001 - 9,999,999,999	299	216,615,519	80.30
Total	3,564	269,743,880	100.00

Unmarketable Parcels	Minimum Parcel Size	Holders	Shares
Minimum \$ 500.00 parcel at \$ 0.0950 per share	4,000	821	1,127,167

Substantial Shareholder	Shares	%
National Nominees Limited ACF Australian Ethical Smaller Companies Trust	46,431,441	17.21

AVITA MEDICAL LIMITED
ASX SHAREHOLDER INFORMATION (Continued)

Ordinary Fully Paid Shares (Total) as of 25 September 2012

AVITA MEDICAL LIMITED

Top 20 Holders

Rank	Name	Shares	% of Shares
1.	NATIONAL NOMINEES LIMITED	46,431,441	17.21
2.	OCTA PHILLIP ASSET MANAGEMENT	15,318,164	5.68
3.	BNP PARIBAS NOMS PTY LTD	10,521,211	3.90
4.	MOORE FAMILY NOMINEE PTY LTD <MOORE FAMILY SUPER FUND A/C>	7,419,090	2.75
5.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,306,060	2.71
6.	CITICORP NOMINEES PTY LIMITED	6,171,371	2.29
7.	SCOTT DIBBEN PTY LTD	4,434,617	1.64
8.	TALICO OVERSEAS LIMITED	4,000,000	1.48
9.	FATS PTY LTD <MACIB FAMILY A/C>	3,750,000	1.39
10.	FATS PTY LTD <MACIB SUPER FUND A/C>	3,639,926	1.35
11.	LA JOLLA COVE INVESTORS INC	3,183,374	1.18
12.	MR PETER MURRAY JACKSON	3,100,000	1.15
13.	BLUEFLAG HOLDINGS PTY LTD <THE BLUEFLAG A/C>	3,000,000	1.11
14.	SANDHURST TRUSTEES LTD <AUSTRALIAN NEW HORIZONS A/C>	2,459,796	0.91
15.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,258,244	0.84
16.	PERTH INVESTMENT CORPORATION LTD	2,014,288	0.75
17.	DR RUSSELL KAY HANCOCK	1,900,000	0.70
18.	SULAIMAN MISHARI AL ANJARI	1,750,000	0.65
19.	MR GERALD ROCHE	1,683,501	0.62
20.	FATS PTY LTD <MACIB SUPER FUND A/C>	1,542,857	0.57
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		131,883,940	48.88
Total Remaining Holders Balance		137,859,940	51.12