

Avita Medical Announces Financial Results for Second Quarter Fiscal 2016

Northridge, CA and Cambridge, United Kingdom, 28 January 2016 – Avita Medical Ltd. (ASX: AVH), (OTCQX: AVMXY), a regenerative medicine company specializing in the treatment of wounds and skin defects, today announced its financial results for the second quarter of fiscal 2016 which concluded on December 31, 2015.

Q2 Financial Highlights

- Total ReCell® for the first six months of fiscal 2016 were 17% higher than the previous year period
- Respiratory sales for the first half of the fiscal year were 9% lower than last year, and quarterly sales were down 1% compared to the second quarter of fiscal 2015
- Overall company sales for the first half of the fiscal year were in line with the first half of fiscal 2015
- First half fiscal 2016 sales in France and Germany were up 54% and 213%, respectively, versus the year ago period
- UK sales for the first six months of the fiscal year were flat on a year-over-year basis, and increased 9% for the second quarter compared to the three month period in fiscal 2015
- Receipts for the quarter were down 39% compared to the previous quarter as the company transitions to new distributors
- Net operating cash out flow for the second quarter was 11% higher compared to the previous quarter
- Completed financing of AUD\$10,018,644 million in a common stock placement through issue of 107,727,359 shares at a price of AUD\$0.093 per share
- At end of the second quarter of fiscal 2016, the Company reported cash on hand of AUD\$7.7 million.

Avita continued to execute its comprehensive commercial strategy during the second quarter as it transitions its business for long-term growth. The Company generated overall sales for the first half of the fiscal year that were in line with the same period of fiscal 2015. In particular, the European market showed significant improvement with an increase in first half sales of 213% in Germany and 54% in France. On a segment basis, the Company achieved revenue growth of 17% for its ReCell® business during the first half compared to the first half of fiscal 2015, demonstrating the growing interest in these regenerative medicine products and the need for improved treatment options for wounds, burns and skin defects.

During the quarter, Avita took important steps to strengthen its balance sheet and enable it to focus entirely on its ReCell® business. As a major step in its funding strategy to support its stated commercialization goals, Avita completed a financing of over AUD\$10 million in a common stock placement to sophisticated and institutional investors through the issue of 107,727,359 shares at a price

of AUD\$0.093 per share. In addition, the Company announced the sale of its respiratory business for \$2.64 million, which comprises \$2.2 million in cash and \$440,000 in stock. The transaction is anticipated to close by early February. The sale of the respiratory business, coupled with its Biomedical Advanced Research and Development Authority (BARDA) contract, which will start generating revenue during the current quarter, will provide the Company with significant non-dilutive capital. With a strong and growing cash position, Avita is strategically positioned to support its ongoing clinical activities and work toward commercialization. At end of the second quarter of fiscal 2016, the Company reported cash on hand of AUD\$7.7 million.

Adam Kelliher, Chief Executive Officer of Avita Medical, commented, "This quarter was extremely significant for Avita from a strategic perspective. Importantly, we divested our respiratory business, which enabled us to accomplish two important goals. First, we have transitioned our business to focus solely on ReCell®, a business which continues to grow sales globally and we believe will play an important role in wound care and the treatment of skin defects. Second, it provides additional cash to support our ongoing clinical activities so that we can commercialize in the United States. Over the past few quarters, we have worked hard to transition Avita for long-term growth and we are excited about our recent achievements toward this goal."

ABOUT AVITA MEDICAL LIMITED

Avita Medical develops and distributes regenerative products for the treatment of a broad range of wounds, scars and skin defects. Avita's patented and proprietary collection and application technology provides innovative treatment solutions derived from a patient's own skin. The Company's lead product, ReCell®, is used in the treatment of a wide variety of burns, plastic, reconstructive and cosmetic procedures. ReCell® is patented, CE-marked for Europe, TGA-registered in Australia, and CFDA-cleared in China. In the United States, ReCell® is an investigational device limited by federal law to investigational use. A pivotal U.S. trial is underway, with patient enrollment completion anticipated by the end of 2015. To learn more, visit www.avitamedical.com.

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FOR FURTHER INFORMATION

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity	
Avita Medical Limited	
ABN	Quarter ended ("current quarter")
28 058 466 523	31 Dec 2015

Consolidated statement of cash flows

	Current quarter A\$000's	Year to date A\$000's
Cash flows related to operating activities		
1.1 Receipts from customers	629	1,657
1.2 Royalties and other income	-	-
1.3 Interest and other items of a similar nature received	44	49
1.4 Payments for		
(a) administration	(406)	(819)
(b) marketing & sales	(956)	(1,801)
(c) research & clinical	(783)	(1,561)
(d) operations	(527)	(1,051)
(e) corporate	(1,107)	(1,791)
1.5 Dividends received	-	-
1.6 Interest and other costs of finance paid	-	-
1.7 Income taxes (paid)/received	654	654
Net operating cash flows	(2,452)	(4,663)

+ See chapter 19 for defined terms.

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admitted on the basis of commitments

	Current quarter A\$000's	Year to date A\$000's
1.8 Net operating cash flows (carried forward)	(2,452)	(4,663)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) Net cash acquired on acquisition(item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(3)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	-	(3)
1.14 Total operating and investing cash flows	(2,452)	(4,666)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	10,026	10,026
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Other	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Share issue expenses	(489)	(611)
Net financing cash flows	9,537	9,415
Net increase (decrease) in cash held	7,085	4,749
1.21 Cash at beginning of quarter/year to date	631	2,967
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	7,716	7,716

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Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter A\$000's
1.24	Aggregate amount of payments to the parties included in item 1.2	131
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available A\$000's	Amount used A\$000's
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter A\$000's	Previous quarter A\$000's
4.1 Cash on hand and at bank	899	613
4.2 Deposits at call	6,817	18
4.3 Bank overdraft	-	-
4.4 Deposits securing guarantees	-	-
Total: cash at end of quarter (item 1.22)	7,716	631

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

28 January 2016

Gabriel Chiappini
Company Secretary

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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