CEO Shareholder Letter and Quarterly Report

Dear Shareholder,

As we conclude another quarter, it's appropriate that I bring you, our owners, up-to-date on the progress Avita has made in recent months.

US Approval Program Update

The big goal that our team is working towards is entry to the US market, and I am pleased to report that our FDA PMA submission is firmly on track. Having treated all of the patients required for the clinical trial being conducted at seven leading US burns centers, we have completed the effectiveness section, which is demonstrably the most challenging phase. Now, we are well into a 52-week safety evaluation period, after which we will submit our pre-market approval (PMA) data package to the FDA in early 2017. We hope to receive approval by the end of 2017, and will report back to you once we have more clarity on exact timings. Certainly, we are doing everything in our power to accelerate this process.

Our recent interactions with the FDA have been positive. We are already engaged with the agency through its Compassionate Use program, under which victims with large-scale burns can be treated with our devices in the absence of other life-saving approaches (typically, when the patient lacks sufficient donor skin to be successfully grafted). In its third expansion of the dispensation, the FDA recently approved the expansion of this cohort to up to 48 possible patients, who can be treated at 15 US burns centers. To date, we have treated 34 patients, and certainly it is heartening that an increasing number of US surgeons are looking to deploy ReCell® for large body surface area burns.

In another development, the FDA has also granted Continued Access to our devices to surgeons from the seven leading burns centers that took part in our approval trial. The FDA only grants Continued Access if they see a genuine public need for the device, and that it is demonstrably safe and effective, so such an approval is to be welcomed. Under this approval, we are allowed to treat up to 60 patients, and so we welcome this opportunity to increase both device usage and awareness of ReCell®. We will keep you all informed of the progress of our work in the US, as market entry in the world's largest healthcare market should be a real value catalyst for Avita.

Seminars & Symposia

Critical to the continued successful commercialisation of Avita Medical's products is the compilation of a robust portfolio of data that demonstrates beyond question the efficacy of our regenerative medicines. We added significantly to this with clinical updates on our ReCell® technology, presented at the International Society of Burn Injuries (ISBI) Congress in Miami, Florida, last month.

About 800 medical professionals attended ISBI, and several presentations detailed examples of how Avita's Regenerative Epithelial Suspension (RES™), had been used successfully, both alone and in conjunction with other surgical procedures. Importantly, the data showed a significant reduction in scarring and healing time for burn victims treated with RES™. Faster healing time is important not only to patients, but to hospitals as well, as it can reduce the length of a patient's stay, meaning more people can be treated and precious funding can be conserved.

The Company maintained a high profile at other trade and scientific events. Avita hosted a ReCell® Symposium at September's European Burns Association (EBA) Educational Course in Birmingham,

UK. Speakers included many prominent plastic and aesthetic surgeons recounting their successful experiences of treating burns patients with ReCell®. The EBA Course was attended by 300 delegates, including plastic surgeons, anaesthesiologists, nurse specialists and burns team members from Europe and beyond. Similarly, earlier this month, Avita's Senior VP, Clinical Development, Andy Quick, presented ReCell®'s latest clinical outcomes at the Cell & Gene Meeting on the Mesa in California, which attracts leading researchers, clinical experts, and senior healthcare decision-makers from around the world.

Progress in China

A market of real interest for Avita Medical is China, and in the last quarter, our team has pushed ahead with activity there, as we believe it is a market in which we can achieve significant volumes. Our new distributor, the Medtech division of Sinopharm, has been using its network to bring on new doctors and more hospitals, starting in Beijing and Shanghai, and is now moving into other key cities. Given that developing countries such as China sadly suffer a disproportionately higher number of burns events than in the developed world, some of the major burns centres in these enormous cities handle as many patients as small national territories. And with some 3.4 million people hospitalised each year with burns, it is the world's largest burns market.

Even with such large numbers of possible patients, we still have to go through a particular process to achieve sales traction. In league with Sinopharm, our staff in China have been concentrating on training doctors, and having them perform initial evaluations, which we are pleased to report have all shown positive outcomes. In tandem, Sinopharm is building a network of sub-distributors, each of has particular whom reach in their area. We are working closely with Sinopharm, in implementing training and ensuring the right message is getting through to this expanded network. So it is a thorough and methodical approach, but I am confident that on these firm foundations, we will achieve significant sales in the world's most populous market.

Iran distributorship

One of the most exciting recent developments for Avita Medical is the appointment of an exclusive distributor and the upcoming opening of a dedicated clinic for our regenerative medical devices in Iran.

Iran is the world's tenth biggest aesthetics' market, and the second largest in the Middle East. There are some 1,400 clinics and 2,600 doctors working in Iran's aesthetic sector, which appears poised for significant growth now that international sanctions have been lifted.

The clinic in Tehran will initially treat patients for repigmentation and scar reconstruction. Besides procedures, the clinic will also act as a medical training centre, partnering with other private clinics, and enabling clinicians to offer Avita's aesthetic treatments countrywide.

The country also offers great potential for ReCell®, as burns hospitalise some 150,000 Iranians every year, a level some eight times higher than the average global rate. As well, the country is an obvious strong market for Avita's ReGenerCell™ device, as Iran has an estimated 800,000 chronic wounds patients, leading to some 175,000 amputations annually. We hope that over time, our products and procedures may help to alleviate this shocking statistic.

The Iranian distribution agreement is a significant step for Avita's growth strategy in the Middle East. Over the past year, Avita has escalated its commercialization activities, with distributors appointed in the UK, Germany, Austria, France, Switzerland, China, Japan and South Korea.

Financial Update

During the September quarter, the Company successfully raised $9 million in a Rights Issue to support Avita's US expansion and to assist in the push forward with the ongoing commercialisation of our products.

As always, we are grateful to our shareholders for their sustained support, particularly at critical junctures of our growth as a company. The proceeds from the Rights Issue will help Avita meet a number of important clinical and commercial milestones, as well as enabling us to gain greater traction in countries like China and Australia.

Cash receipts from customers for the quarter of $281k were an increase over last quarter's $167k which represents an increase of 68%. Receipts from the US Biomedical Advanced Research and Development Authority (BARDA), the US disaster preparedness agency, were $1.34m for the quarter and continue to offset overheads towards the FDA approval process. The BARDA inflows support the work towards the Company's FDA filing, along with funding new initiatives for gaining familiarity and acceptance of ReCell® within US Burn Centers, including health economic modelling and clinician education.

Net Cash outflows used in operating activities during the quarter of $2.5m were in-line with Company forecasts. Total cash and cash equivalents held by Avita at the end of the September quarter were $10.64 million.

Closure of Cambridge office, Los Angeles expansion

We closed our Cambridge UK office in August. We decided that the office was no longer aligned with our core strategy, which involves building up our Los Angeles office as the hub of Avita's operations. This measure allows us to allocate increased resources to LA, where we have been hiring more key operational personnel, for critical activities such as regulatory, clinical education, supply chain and quality assurance. Factor in the fresh blood coming into our executive team — our new COO Troy Barring and VP of Sales and Marketing Ross Saunders — and it's clear we are building a strong team focused on delivering success. And it is very welcome that many of these new roles are paid for under our $61m contract for procurement and support with BARDA.

As we approach the end of what has been a very busy and productive year for Avita Medical, may I take this opportunity to thank you once again for your continued support, and to wish you and your families the very best.

Yours faithfully

Adam Kelliher
Chief Executive Officer

FOR FURTHER INFORMATION:

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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Avita Medical Limited

ABN	**Quarter ended ("current quarter")**
28 058 466 523	30 September 2016

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	281	281
1.1a	Receipts from BARDA	1,344	1,344
1.2	Payments for		
	(a) research and development	(997)	(997)
	(b) product manufacturing and operating costs	(349)	(349)
	(c) advertising and marketing	(495)	(495)
	(d) leased assets	(57)	(57)
	(e) staff costs	(1,645)	(1,645)
	(f) administration and corporate costs	(818)	(818)
1.3	Dividends received (see note 3)		
1.4	Interest received	37	37
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)	174	174
1.9	**Net cash from / (used in) operating activities**	**(2,525)**	**(2,525)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(35)	(35)
	(b) businesses (see item 10)		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments	628	628
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	(21)	(21)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**572**	**572**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	8,508	8,508
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**8,508**	**8,508**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,172	4,172
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,525)	(2,525)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	572	572
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,508	8,508

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	(85)	(85)
4.6	**Cash and cash equivalents at end of quarter**	**10,642**	**10,642**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	390	2,473
5.2	Call deposits	10,252	1,699
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**10,642**	**4,172**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	(106)
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

6.1 Directors fees (96k) and Clinical Advisory Board fees (10k)

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	1,334
9.2	Product manufacturing and operating costs	955
9.3	Advertising and marketing	494
9.4	Leased assets	173
9.5	Staff costs	2,134
9.6	Administration and corporate costs	481
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**5,571**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Gabriel Chiappini

Company Secretary

26 October 2016

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.