ASX/News Release

Avita Medical Second Quarter 2018 Quarterly Cash Flow Report and Company Update

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Recent Highlights

- *Five RECELL® abstracts accepted for presentation at the 50th Annual Meeting of the American Burn Association in April 2018*
- *New health economic data support cost savings and value of RECELL*
- *Avita positioned for U.S. launch of RECELL:*
  - *Positive results from two pivotal clinical trials*
  - *PMA application filed with U.S. FDA*
- *Company leadership strengthened to support U.S. launch and follow-on growth*
- *FDA approved greatly expanded continued access protocol for RECELL and two new studies evaluating the treatment of pediatric burn patients*
- *BARDA commitment increased by US$24 million*
- *Share issuance provides net $16 million in cash for operations*

Valencia, CA, USA, and Melbourne, Australia, 31 January 2018 — Avita Medical (ASX: AVH, OTCQX: AVMXY), a regenerative medicine company with a technology platform positioned to address unmet medical needs in burns, chronic wounds, and aesthetics indications, announced that it filed today with the ASX its Appendix 4C - Quarterly Cash Flow Report for the quarter ended 31 December 2017. The Company is also providing below an update on the substantial progress made during the second quarter, including preparations for the planned launch of RECELL® in the United States, pending approval, for the treatment of burns.

RECELL to be Prominently Featured at American Burn Association 50th Annual Meeting

The large body of scientific evidence supporting the clinical and economic benefits of RECELL continue to grow. Five abstracts highlighting the compelling clinical data and health economic benefits of RECELL in the treatment of burns will be presented at the American Burn Association (ABA) 50th Annual Meeting to be held from April 10 through 13, 2018 in Chicago, Illinois. The ABA meeting will be the first venue in which clinical investigators will present the full effectiveness and safety data from the two pivotal trials used to support Avita's United States PreMarket Approval (PMA) application. One of the RECELL pivotal studies has been selected as a top five abstract at the ABA conference for presentation during a plenary session. Researchers will also present the positive results from other clinical studies as well as the conclusions from a study showing the health economic benefits of RECELL. Further, RECELL will be featured in a pre-conference Provider Course accredited by the Accreditation Council for Continuing Medical Education (ACCME).

Avita Positions RECELL for Planned United States Launch

In September 2017, Avita submitted to the U.S. Food & Drug Administration (FDA) a PMA application for the RECELL Autologous Cell Harvesting Device for treatment of burn injuries. RECELL is intended to reduce the

amount of skin harvesting required relative to conventional treatment of burn injuries, which has important benefits from both clinical and health economic perspectives. As previously disclosed, the Company expects the PMA review to be completed during the 2nd or 3rd calendar quarter of 2018.

"Approval of the PMA will allow us to commercialize RECELL in the United States, a market in which the annual cost of treating burns is estimated to total US$5.7 billion," said Dr. Michael Perry, Avita Medical's Chief Executive Officer. "It would also be the first time that RECELL is marketed on the basis of randomized, controlled clinical studies, allowing for more effective promotion, reimbursement and favorable pricing."

In advance of the planned U.S. launch, experience with RECELL at major burn centers in the U.S. continues to build due to the high level of participation in the Continued Access and Compassionate Use programs approved by the FDA. Both programs allow treatment of patients by approved investigational sites during the PMA review. In October 2017, the FDA approved a supplement to the Company's Investigational Device Exemption (IDE) for RECELL that simplified and greatly expanded the number of investigational sites approved to participate in the continued access program. As a result of clinical studies and the Continued Access and Compassionate Use programs, Avita estimates that 16% of U.S. burn centers, representing more than 22% of the total number of burn patients treated each year, have experience treating patients with RECELL.

Complementing the positive clinical results and expanding scientific awareness of RECELL, data will be presented at the ABA conference in April 2018 highlighting the cost effectiveness and economic value of RECELL. Burns require costly care, due to the need for complex and individualized treatment. Avita commissioned the development of a health economic model in collaboration with the Biomedical Advanced Research and Development Authority. A robust model including cost effectiveness was developed by a major health care information and technology provider to quantify the economic value of RECELL versus standard of care for the treatment of severe burns. These health economic data will be presented at the ABA conference and will demonstrate how using RECELL alone or in combination with standard of care has the potential to reduce hospital costs and length of hospital stay in the United States in the treatment of severe burns.

Enhancement of Leadership to Support U.S. Launch and Follow-on Growth

During the quarter, Avita continued to strengthen its management team to facilitate a successful United States launch of RECELL and position the Company to best capitalize on the full potential of the RECELL platform and follow-on technologies. In December 2017, Dale A. Sander was appointed Chief Financial Officer and has assumed responsibility for overseeing the global finance and investor relations functions, and aligning them with the Company's commercialization strategy. Mr. Sander has more than 20 years of experience as CFO of four medical device and pharmaceutical companies, including 11 years of leading public companies in the CFO role. Mr. Sander brings extensive experience in leading both public and private equity offerings, including multiple IPOs in the United States and Europe.

Tim Rooney moved from the CFO role to become Avita's Chief Administrative Officer (CAO), responsible for global operations and supply chain management, human resources, and information technology. Mr. Rooney, who has been with Avita Medical since 2012 in various key executive roles, is now leading critical operational and strategic functions as the Company prepares for the United States launch of RECELL and other planned Company growth.

These two management enhancements complement the addition of two highly experienced executives who joined Avita earlier in the year: Mike Perry as Chief Executive Officer in June 2017 and Erin Liberto as Chief Commercial Officer in August 2017.

BARDA Commitment Increased by US$24.3 Million

The Biomedical Advanced Research and Development Authority (BARDA), under the Assistant Secretary for Preparedness and Response, within the US Department of Health and Human Services, continues to support the development of RECELL. In September 2017, BARDA executed a contract option valued at approximately US$24.3 million to expand the application of RECELL to a vulnerable population, children. This contract option provides funding for key clinical and health economics research in pediatric burn care and extends the period of performance of Avita's Project Bioshield contract with BARDA through September 2022. The contract option supports the conduct of two randomized, controlled clinical trials in patients one to 16 years of age to compare treatment using RECELL versus current standard approaches as well as investigate the use of the product candidate on donor sites for faster recovery. Pediatric burn care is a critical need as 30% of burns in the U.S. occur in patients under 16 years of age. Both pediatric clinical trials are expected to commence in 2018. These two new trials are not required to support the current PMA but are designed to further develop the body of clinical evidence and expand the clinical indications for which RECELL may be used. In addition to exercising the pediatric contract option, BARDA continues to provide Avita with support of the ongoing Continued Access IDE and Compassionate Use IDE as well as resources necessary to support the PMA approval process.

Second Quarter Fiscal 2018 Financial Results
(All amounts are in thousands of AUD except where noted)

A copy of the Appendix 4C - Quarterly Cash Flow Report for the quarter ended 31 December 2017 is attached. Operations for the quarter were focused primarily on preparation for the planned U.S. launch of RECELL, selected commercial sales efforts in markets in which RECELL is approved for sale, and preparation for the further development of RECELL.

During the quarter ended 31 December 2017, receipts from customers totalled $580, an increase of $199 or 52%, over the prior quarter. Also during the current quarter, cash received from BARDA totalled $1,530, and cumulative payments of $12.122 million have been received under the contract through 31 December 2017.

As the Company makes investments in commercial, manufacturing, leadership and system capabilities in preparation for the planned U.S. launch of RECELL and related product and corporate initiatives, payments related to operating expenses increased during the quarter ended 31 December 2017. During the current quarter payments for research and development, manufacturing and other operating costs totalled $1,681, a $281 or 20% increase over the prior quarter. Total payments related to commercial, staffing, administrative and corporate costs for the current quarter totalled $5,145, a $1,405 or 38% increase compared to the prior quarter. Total net cash used in operating activities during the quarter ended 31 December 2017 was $4,795, a $1,726 or 56% increase compared to the prior quarter. The operating expense payments for the current quarter were consistent with the Company's expectations. As the Company continues its preparations for the planned launch of RECELL in the U.S., payments for operating expenses will likely rise in future quarters. These expense payments will be offset in part by receipts under the BARDA contract.

During the quarter ended 31 December 2017, net cash provided by the issuance of shares was $15.981 million. Cash and cash equivalents held at 31 December 2017 was $11.777 million.

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ABOUT AVITA MEDICAL LIMITED Avita's patented and proprietary collection and application technology provides innovative treatment solutions derived from the regenerative properties of a patient's own skin. Our medical devices work by preparing a Regenerative Epithelial Suspension (RES™), an autologous suspension comprised of the patient's own skin cells and wound healing factors that are necessary to regenerate natural healthy skin. This is then applied to the area to be treated.

In all countries outside of Europe, our portfolio is marketed under the RECELL® brand to promote skin healing in a wide range of applications including burns, chronic wounds and aesthetics.

RECELL® is 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.

In Europe, our portfolio of medical device products received CE-mark approval as three tailored product presentations, with three individual brand names. RECELL® is designed for the treatment of burns and plastic reconstructive procedures; ReGenerCell™ has been formulated for chronic wounds including leg and foot ulcers; and ReNovaCell™ is tailored for aesthetic applications including the restoration of pigmentation.

To learn more, visit www.avitamedical.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This letter includes forward-looking statements. These forward-looking statements generally can be identified by the use of words such as "anticipate," "expect," "intend," "could," "may," "will," "believe," "estimate," "look forward," "forecast," "goal," "target," "project," "continue," "outlook," "guidance," "future," other words of similar meaning and the use of future dates. Forward-looking statements in this letter include, but are not limited to, statements concerning, among other things, our ongoing clinical trials and product development activities, regulatory approval of our products, the potential for future growth in our business, and our ability to achieve our key strategic, operational and financial goal. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Each forward-looking statement contained in this letter is subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statement. Applicable risks and uncertainties include, among others, the timing of regulatory approvals of our products; physician acceptance, endorsement, and use of our products; failure to achieve the anticipated benefits from approval of our products; the effect of regulatory actions; product liability claims; risks associated with international operations and expansion; and other business effects, including the effects of industry, economic or political conditions outside of the company's control. Investors should not place considerable reliance on the forward-looking statements contained in this letter. Investors are encouraged to read our publicly available filings for a discussion of these and other risks and uncertainties. The forward-looking statements in this letter speak only as of the date of this release, and we undertake no obligation to update or revise any of these statements.

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	31 December 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	580	961
1.1a	Receipts from government contract (BARDA)	1,530	3,360
1.2	Payments for		
	(a) research and development	(1,149)	(2,061)
	(b) product manufacturing and operating costs	(532)	(1,020)
	(c) advertising and marketing	(854)	(1,437)
	(d) leased assets	(116)	(257)
	(e) staff costs	(2,870)	(5,002)
	(f) administration and corporate costs	(1,421)	(2,446)
1.3	Dividends received (see note 3)		
1.4	Interest received	34	35
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)	3	3
1.9	**Net cash from / (used in) operating activities**	**(4,795)**	**(7,864)**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(47)	(68)
	(b) businesses (see item 10)		
	(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		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**(47)**	**(68)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	17,029	17,029
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	(1,048)	(1,048)
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**	**15,981**	**15,981**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
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	726	3,790
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,795)	(7,864)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(47)	(68)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	15,981	15,981
4.5	Effect of movement in exchange rates on cash held	(88)	(62)
4.6	**Cash and cash equivalents at end of quarter**	**11,777**	**11,777**

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	1,777	726
5.2	Call deposits	10,000	-
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)**	**11,777**	**726**

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	(283)
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 Executive Director remuneration (163k), Directors fees (80k), Clinical Advisory Board fees (10k), and Bioscience Consultancy (30k)

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	1,100
9.2	Product manufacturing and operating costs	800
9.3	Advertising and marketing	850
9.4	Leased assets	200
9.5	Staff costs	3,300
9.6	Administration and corporate costs	1,400
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows***	**7,650**

* pertains to outflows only, inflows from customer receipts and government contracts are not included.

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.

Dale Sander

Dale Sander

Chief Financial Officer

30 January 2018

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.