



AVITA Medical, Inc Financial Results for Quarter Ending 30 September 2022

Valencia, Calif., November 10, 2022 and MELBOURNE, Australia, November 11, 2022 — AVITA Medical, Inc. (NASDAQ: RCEL, ASX: AVH), filed the attached Form 10-Q for the quarter ended 30 September 2022. A copy of the filing is attached and it can be accessed on the SEC filings at <https://www.sec.gov/edgar/searchedgar/companysearch.html>.

Authorized for release by the Chief Executive Officer of AVITA Medical, Inc.

ABOUT AVITA MEDICAL, INC.

AVITA Medical is a regenerative medicine company leading the development and commercialization of devices and autologous cellular therapies for skin restoration. The RECELL® System technology platform, approved by the FDA for the treatment of acute thermal burns in both adults and children, harnesses the regenerative properties of a patient's own skin to create Spray-On Skin™ cells. Delivered at the point-of-care, RECELL enables improved clinical outcomes and validated cost savings. RECELL is the catalyst of a new treatment paradigm and AVITA Medical is leveraging its proven and differentiated capabilities to develop first-in-class cellular therapies for multiple indications, including soft tissue repair and repigmentation of stable vitiligo lesions.

AVITA Medical's first U.S. product, the RECELL System, was approved by the U.S. Food and Drug Administration (FDA) in September 2018. The RECELL System is approved for acute partial-thickness thermal burn wounds in patients 18 years of age and older or application in combination with meshed autografting for acute full-thickness thermal burn wounds in pediatric and adult patients. In February 2022, the FDA reviewed and approved the PMA supplement for RECELL Autologous Cell Harvesting Device, an enhanced RECELL System aimed at providing clinicians a more efficient user experience and simplified workflow.

The RECELL System is used to prepare Spray-On Skin™ Cells using a small amount of a patient's own skin, providing a new way to treat severe burns, while significantly reducing the amount of donor skin required. The RECELL System is designed to be used at the point of care alone or in combination with autografts depending on the depth of the burn injury. Compelling data from randomized, controlled clinical trials conducted at major U.S. burn centers and real-world use in more than 15,000 patients globally, reinforce that the RECELL System is a significant advancement over the current standard of care for burn patients and offers benefits in clinical outcomes and cost savings. Healthcare professionals should read the INSTRUCTIONS FOR USE - RECELL Autologous Cell Harvesting Device (<https://recellsystem.com>) for a full description of indications for use and important safety information including contraindications, warnings, and precautions.

In international markets, our products are approved under the RECELL System brand to promote skin healing in a wide range of applications including burns, soft tissue repair, vitiligo, and aesthetics. The RECELL System is TGA-registered in Australia, received CE-mark approval in Europe and has PMDA approval in Japan.

AVITA Medical, Inc. | 28159 Avenue Stanford, Suite 220 Valencia, CA 91355

To learn more, visit www.avitamedical.com

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This announcement 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 announcement 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 announcement 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 announcement. 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 announcement speak only as of the date of this announcement, and we undertake no obligation to update or revise any of these statements.

FOR FURTHER INFORMATION:

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-39059



AVITA MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

85-1021707
(IRS Employer
Identification No.)

28159 Avenue Stanford
Suite 220

Valencia, CA 91355

(Address of principal executive offices and Zip Code)

Registrant's telephone number, including area code: (661) 367-9170

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001 per share	RCEL	The Nasdaq Stock Market LLC

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☒

Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has selected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's \$0.0001 par value common stock outstanding as of November 7, 2022 was 25,030,902

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENT

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding our future revenues; solvency; future industry market conditions; future changes in our capacity and operations; future operating and overhead costs; intellectual property; regulatory and related approvals; the conduct or outcome of pre-clinical or clinical (human) studies; operational and management restructuring activities (including implementation of methodologies and changes in the board of directors); future employment and contributions of personnel; effects on the global economy of the ongoing COVID-19 pandemic, including effects on the economy of existing and future variants on the original COVID-19 strain; tax and interest rates; productivity, business process, rationalization, investment, acquisition and acquisition integrations, consulting, operational, tax, financial and capital projects and initiatives; inflationary pressures on the U.S. and global economy; changes in the legal or regulatory environment; and future working capital, costs, revenues, business opportunities, cash flows, margins, earnings and growth. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential”, or “continue” or the negative of these terms or other similar expressions.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q and are subject to a number of important factors that could cause actual results to differ materially from those in the forward-looking statements, including the factors described under the sections in this Quarterly Report on Form 10-Q titled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for our management to predict all risk factors and uncertainties.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

PART I – Financial Information

Item 1. FINANCIAL STATEMENTS

AVITA MEDICAL, INC.
Consolidated Balance Sheets
(In thousands, except share and per share data)
(Unaudited)

	As of	
	September 30, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	\$ 23,613	\$ 55,511
Marketable securities	60,559	29,649
Accounts receivable, net	3,553	3,118
BARDA receivables	792	308
Prepays and other current assets	1,041	1,213
Restricted cash	202	201
Inventory	1,960	2,132
Total current assets	91,720	92,132
Marketable securities, long-term	4,012	19,692
Plant and equipment, net	1,226	1,262
Operating lease right-of-use assets	1,029	1,544
Corporate-owned life insurance asset	948	304
Intangible assets, net	449	443
Other long-term assets	548	638
Total assets	\$ 99,932	\$ 116,015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	3,118	2,708
Accrued wages and fringe benefits	4,776	5,363
Other current liabilities	1,619	1,075
Total current liabilities	9,513	9,146
Non-qualified deferred compensation plan liability	1,016	262
Contract liabilities	740	952
Operating lease liabilities, long-term	405	918
Other long-term liabilities	-	113
Total liabilities	\$ 11,674	\$ 11,391
Non-qualified deferred compensation plan share awards	272	-
Contingencies (Note 12)		
Shareholders' Equity:		
Common stock, \$0.0001 par value per share, 200,000,000 shares authorized, 25,030,902 and 24,925,743 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	3	3
Preferred stock, \$0.0001 par value per share, 10,000,000 shares authorized, no shares issued or outstanding at September 30, 2022 and December 31, 2021	-	-
Company common stock held by the non-qualified deferred compensation plan	(127)	-
Additional paid-in capital	337,995	332,484
Accumulated other comprehensive income	7,350	8,060
Accumulated deficit	(257,235)	(235,923)
Total shareholders' equity	\$ 87,986	\$ 104,624
Total liabilities and shareholders' equity	<u>\$ 99,932</u>	<u>\$ 116,015</u>

The accompanying notes form part of the unaudited consolidated financial statements.

AVITA MEDICAL, INC.
Consolidated Statements of Operations
(In thousands, except share and per share data)
(Unaudited)

	<u>Three-Months Ended September 30,</u>		<u>Nine-Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues	\$ 9,092	\$ 7,020	\$ 24,966	\$ 26,089
Cost of sales	(1,530)	(1,088)	(4,694)	(5,287)
Gross profit	7,562	5,932	20,272	20,802
BARDA income	904	374	2,189	1,384
Operating expenses:				
Sales and marketing expenses	(5,411)	(3,518)	(15,571)	(11,313)
General and administrative expenses	(5,004)	(5,349)	(18,009)	(16,046)
Research and development expenses	(3,799)	(3,388)	(10,478)	(11,471)
Total operating expenses	(14,214)	(12,255)	(44,058)	(38,830)
Operating loss	(5,748)	(5,949)	(21,597)	(16,644)
Interest expense	(6)	(9)	(10)	(21)
Other income	170	16	307	25
Loss before income taxes	(5,584)	(5,942)	(21,300)	(16,640)
Income tax expense	(4)	(6)	(12)	(23)
Net loss	<u>\$ (5,588)</u>	<u>\$ (5,948)</u>	<u>\$ (21,312)</u>	<u>\$ (16,663)</u>
Net loss per common share:				
Basic	\$ (0.22)	\$ (0.24)	\$ (0.85)	\$ (0.69)
Diluted	\$ (0.22)	\$ (0.24)	\$ (0.85)	\$ (0.69)
Weighted-average common shares:				
Basic	25,006,995	24,905,403	24,972,331	24,174,811
Diluted	25,006,995	24,905,403	24,972,331	24,174,811

The accompanying notes form part of the unaudited consolidated financial statements.

AVITA MEDICAL, INC.
Consolidated Statements of Comprehensive Loss
(In thousands)
(Unaudited)

	<u>Three-Months Ended September 30,</u>		<u>Nine-Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net loss	\$ (5,588)	\$ (5,948)	\$ (21,312)	\$ (16,663)
Change in foreign currency translation loss	(96)	(50)	(188)	(80)
Change in net unrealized loss on marketable securities, net of tax	(90)	(10)	(522)	(10)
Comprehensive loss	<u>\$ (5,774)</u>	<u>\$ (6,008)</u>	<u>\$ (22,022)</u>	<u>\$ (16,753)</u>

The accompanying notes form part of the unaudited consolidated financial statements.

AVITA MEDICAL, INC.
Consolidated Statements of Shareholders' Equity
(In thousands, except shares)
(Unaudited)

Three-Months Ended September 30, 2022

	Common Stock		Company common stock held by the NQDC	Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance at June 30, 2022	25,003,088	\$ 3	\$ -	\$ 336,668	\$ 7,536	\$ (251,647)	\$ 92,560
Net loss	-	-	-	-	-	(5,588)	(5,588)
Share-based compensation	-	-	-	1,229	-	-	1,229
Vesting of restricted stock units	9,887	-	-	-	-	-	-
Company common stock held by the NQDC	17,927	-	(127)	127	-	-	-
Change in redemption value of share awards in NQDC plan	-	-	-	(29)	-	-	(29)
Other comprehensive loss	-	-	-	-	(186)	-	(186)
Balance at September 30, 2022	25,030,902	\$ 3	\$ (127)	\$ 337,995	\$ 7,350	\$ (257,235)	\$ 87,986

Three-Months Ended September 30, 2021

	Common Stock		Company common stock held by the NQDC	Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance at June 30, 2021	24,895,864	\$ 3	\$ -	\$ 328,889	\$ 8,259	\$ (221,496)	\$ 115,655
Net loss	-	-	-	-	-	(5,948)	(5,948)
Share-based compensation	-	-	-	1,842	-	-	1,842
Exercise of stock options	500	-	-	3	-	-	3
Vesting of restricted stock units	28,754	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(60)	-	(60)
Balance at September 30, 2021	24,925,118	\$ 3	\$ -	\$ 330,734	\$ 8,199	\$ (227,444)	\$ 111,492

Nine-Months Ended September 30, 2022

	Common Stock		Company common stock held by the NQDC	Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2021	24,925,743	\$ 3	\$ -	\$ 332,484	\$ 8,060	\$ (235,923)	\$ 104,624
Net loss	-	-	-	-	-	(21,312)	(21,312)
Share-based compensation	-	-	-	5,495	-	-	5,495
Exercise of stock options	125	-	-	1	-	-	1
Vesting of restricted stock units	87,107	-	-	-	-	-	-
Company common stock held by the NQDC	17,927	-	(127)	127	-	-	-
Change in classification of deferred compensation share awards	-	-	-	(192)	-	-	(192)
Change in redemption value of share awards in NQDC plan	-	-	-	80	-	-	80
Other comprehensive loss	-	-	-	-	(710)	-	(710)
Balance at September 30, 2022	25,030,902	\$ 3	\$ (127)	\$ 337,995	\$ 7,350	\$ (257,235)	\$ 87,986

Nine-Months Ended September 30, 2021

	<u>Common Stock</u>		Company common stock held by the NQDC	Additional Paid-in Capital	Accumulated Other Comprehensive Gain (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance at December 31, 2020	<u>21,625,058</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 262,086</u>	<u>\$ 8,289</u>	<u>\$ (210,781)</u>	<u>\$ 59,597</u>
Net loss	-	-	-	-	-	(16,663)	(16,663)
Issuance of common stock under direct placement	3,214,250	-	-	69,106	-	-	69,106
Issuance costs associated with direct placement	-	-	-	(5,109)	-	-	(5,109)
Share-based compensation	-	-	-	4,585	-	-	4,585
Exercise of stock options	9,550	-	-	66	-	-	66
Vesting of RSU awards	76,260	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(90)	-	(90)
Balance at September 30, 2021	<u>24,925,118</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 330,734</u>	<u>\$ 8,199</u>	<u>\$ (227,444)</u>	<u>\$ 111,492</u>

The accompanying notes form part of the unaudited consolidated financial statements.

AVITA Medical, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine-Months Ended	
	September 30, 2022	September 30, 2021
Cash flow from operating activities:		
Net loss	\$ (21,312)	\$ (16,663)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	438	517
Share-based compensation	5,782	4,585
Non-cash lease expense	515	477
Loss on fixed asset disposal	3	130
Patent impairment loss	-	19
Remeasurement and foreign currency transaction gain	(121)	(28)
Excess and obsolete inventory related charges	284	288
BARDA deferred costs	(12)	343
Contract cost amortization	253	211
Provision for doubtful accounts	10	21
Amortization of premium of marketable securities	(12)	36
Non-cash changes in the fair value of NQDC plan	(5)	-
Changes in operating assets and liabilities:		
Trade and other receivables	(449)	(1,197)
BARDA receivables	(484)	(163)
Prepays and other current assets	168	(316)
Inventory	(119)	107
Operating lease liability	(531)	(492)
Corporate-owned life insurance asset	(840)	-
Other long-term assets	(163)	(763)
Accounts payable and accrued expenses	433	(336)
Accrued wages and fringe benefits	(570)	(635)
Other current liabilities	511	70
Non-qualified deferred compensation plan liability	829	-
Contract liabilities	(212)	422
Other long-term liabilities	(50)	238
Net cash used in operations	(15,654)	(13,129)
Cash flows from investing activities:		
Purchase of marketable securities	(59,408)	(49,550)
Maturities of marketable securities	43,669	-
Cash paid for property and equipment	(382)	(490)
Cash paid for patent filing fees	(53)	(142)
Net cash used in investing activities	(16,174)	(50,182)
Cash flow from financing activities:		
Proceeds from direct placement of common stock	-	69,106
Issuance cost associated with direct placement	-	(5,109)
Principal repayment of finance lease	-	(2)
Proceeds from exercise of stock options	1	66
Net cash provided by financing activities	1	64,061
Effect of foreign exchange rate on cash and restricted cash	(70)	(31)
Net increase/(decrease) in cash and cash equivalents and restricted cash	(31,897)	719
Cash and cash equivalents and restricted cash beginning of the period	55,712	59,966
Cash and cash equivalents and restricted cash end of the period	\$ 23,815	\$ 60,685
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 17	\$ 28
Cash paid for interest	\$ 10	\$ 20
Plant and equipment purchases not yet paid	\$ 7	\$ -

The accompanying notes form part of the unaudited consolidated financial statements.

AVITA MEDICAL, INC.
Notes to Consolidated Financial Statements
(Unaudited)

1. The Company

Nature of the Business

The AVITA group of companies (comprising AVITA Medical, Inc. (“**AVITA**” or the “**Company**”) and its subsidiaries, including AVITA Medical Pty Limited, previously known as AVITA Medical Limited (“**AVITA Medical**”)) (collectively, “**AVITA Group**” or “**we**”, “**us**”, or “**our**”), is a regenerative medicine company leading the development and commercialization of devices and autologous cellular therapies for skin restoration. The Company’s RECELL® System technology platform harnesses the regenerative properties of a patient’s own skin to create Spray-On Skin™ cells. In September 2018, the United States Food & Drug Administration (“**FDA**”) granted premarket approval (“**PMA**”) to the RECELL System for use in the treatment of acute partial-thickness thermal burns in patients eighteen years and older. Following receipt of our original PMA, we commenced commercialization of the RECELL System in January 2019 in the United States. In June 2021, the FDA approved expanded use of the RECELL System in combination of meshed autografting for acute full-thickness thermal wounds in pediatric and adult patients. In February 2022, the FDA approved a PMA supplement for the RECELL Autologous Cell Harvesting Device, an enhanced ease-of-use device aimed at providing clinicians a more efficient user experience and simplified workflow. In addition, the FDA has granted the Company Investigational Device Exemptions (“**IDEs**”), which have enabled the Company to initiate pivotal clinical trials to further expand the indications of the RECELL System for the treatment of soft tissue repair and vitiligo. Enrollment of those clinical trials is complete, with topline results recently announced for both the soft tissue repair and vitiligo trials. Results from those studies are intended to support the Company’s pursuit of FDA approval to market the RECELL System in the United States for those indications.

In February 2019, we entered into a collaboration with COSMOTEC, an M3 Group company, to market and distribute the RECELL System in Japan. We worked with COSMOTEC to advance our application for approval of the RECELL System in Japan pursuant to Japan’s Pharmaceuticals and Medical Devices Act (“**PMDA**”). In February 2022, COSMOTEC’s application for regulatory approval was approved by the PMDA initially with labelling for burns only. In September 2022, COSMOTEC commercially launched RECELL in Japan following Japan’s Ministry of Health, Labor, and Welfare approval of reimbursement pricing. Once data from the soft tissue repair and vitiligo trials are available from the Company’s related U.S. clinical trials, COSMOTEC plans to submit a further application for soft tissue repair and vitiligo indications.

In March 2020, the World Health Organization declared the outbreak of a novel strain of the coronavirus (“**COVID-19**”) a pandemic. We continue to closely monitor the impact surrounding the spread and potential resurgence of COVID-19 due to existing and future variants. As of the date of this filing, with the continued overall decrease in COVID-19 infections and hospitalizations and government imposed restrictions having been lifted, we continue to be unable to predict the full impact that the ongoing COVID-19 pandemic will have on our future results of operations, liquidity, and financial condition due to numerous uncertainties, including the duration of the pandemic and the actions that may be taken in the future by government authorities across the United States in response to new variants. The Company has assessed the potential impact of COVID-19 on certain accounting matters including, but not limited to, the allowance for doubtful accounts, inventory reserves and return reserves, and impairment considerations for long-lived assets, marketable securities and intangibles, as of September 30, 2022, and through the date of this report. With respect to future operating results, it is not possible at this time to predict, with any degree of precision, the effects of COVID-19. Consequently, actual results for accounting estimates and assumptions, particularly those relating to the recoverability of certain intangible assets and estimates of expected credit losses on accounts receivable could differ from these estimates. However, we do not currently believe that COVID-19 will result in any significant changes in costs going forward. We will continue to monitor the performance of our business and reassess the impacts of COVID-19 and its variants.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“**GAAP**”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (the “**SEC**”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The information included in this quarterly report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Transition Report on Form 10-KT for the transition period ended December 31, 2021 filed with the SEC on February 28, 2022 (United States) and the Australian Securities Exchange (“**ASX**”) on March 01, 2022 (Australia) (the “**Transition Report**”).

There have been no changes to the Company's significant accounting policies as described in the Transition Report on Form 10-KT that have had a material impact on the Company's consolidated financial statements. See the summary of the Company's significant accounting policies set forth in the notes to its consolidated financial statements included in the Transition Report.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

Reclassification of Prior Year Presentation

Certain prior year amounts within other long-term assets and other long-term liabilities have been reclassified to Corporate-owned life insurance asset and Non-qualified deferred compensation plan liability, respectively, in the Consolidated Balance Sheets, for consistency with current period presentation. These reclassifications had no effect on the reported results of operations or financial position.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts (including doubtful accounts, carrying value of long-lived assets, the useful lives of long-lived assets, accounting for marketable securities, income taxes, share-based compensation, and the stand-alone selling price for the BARDA contract) and related disclosures. Estimates have been prepared on the basis of the current and available information. However, actual results could differ from estimated amounts.

Foreign Currency Translation and Foreign Currency Transactions

The financial position and results of operations of the Company's operating non-U.S. subsidiaries are generally determined using the respective local currency as the functional currency of that subsidiary. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each period end. Income statement accounts are translated at the average rate of exchange prevailing during the period. Adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive gain (loss) in shareholders' equity. Gains and losses resulting from foreign currency transactions are included in general and administrative expenses and were a gain of \$76,000 and \$41,000 for the three-months ended September 30, 2022 and 2021, respectively. Foreign currency transactions were a gain of \$123,000 and \$58,000 for the nine-months ended September 30, 2022 and 2021, respectively.

The Company's non-operating subsidiaries that use the U.S. dollar as their functional currency remeasure monetary assets and liabilities at exchange rates in effect at the end of each period and nonmonetary assets and liabilities at historical rates. Gains and losses resulting from these remeasurements and foreign currency transactions are included in general and administrative expenses. During the three-months ended September 30, 2022 and 2021, the Company recorded gains of \$6,000 and a loss of \$14,000, respectively. The Company recorded losses of \$2,000 and \$30,000 for the nine-months ended September 30, 2022 and 2021, respectively.

Comprehensive Loss

The components of comprehensive loss consist of net loss, foreign currency translation adjustments from its subsidiaries not using the U.S. dollar as their functional currency and unrealized gains and losses in investments available for sale. The Company did not have reclassifications from other comprehensive loss to net loss during the three and nine-months ended September 30, 2022.

Revenue Recognition

The Company recognizes revenue when its customers obtain control of promised goods or services, in an amount that reflects the consideration which the Company expects to be entitled in exchange for those goods or services.

To determine revenue recognition for arrangements that are within the scope of Accounting Standard Codification ("ASC") Topic 606, Revenue Recognition, the Company performs the following five steps:

1. Identify the contract with a customer
2. Identify the performance obligations
3. Determine the transaction price

4. Allocate the transaction price to the performance obligations
5. Recognize revenue when/as performance obligation(s) are satisfied

In order for an arrangement to be considered a contract, it must be probable that the Company will collect the consideration to which it is entitled for goods or services to be transferred. Once the contract is determined to be within the scope of ASC 606, the Company assesses the goods or services promised with each contract, determines whether those are performance obligations and the related transaction price. The Company then recognizes the sale of goods based on the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied.

The Company's revenue consists primarily of the sale of the RECELL System to hospitals or other treatment centers and to BARDA (collectively, "customers"), predominately in the United States. The Company evaluated the BARDA contract and concluded that a portion of the arrangement, such as the procurement of the RECELL system and the emergency preparedness, represents a transaction with a customer and as such are in the scope of ASC 606. Amounts received from BARDA for the research and development of the Company's product are classified as BARDA income in the Consolidated Statements of Operations and are accounted for under IAS 20. For further details refer to BARDA Income and Receivables below.

Revenues for commercial customers (hospitals and treatment centers) are recognized as control of the product is transferred to customers, at an amount that reflects the consideration expected to be received in exchange for the product. Revenues are recognized net of volume discounts. As such, revenue is recognized only to the extent a significant reversal of revenues is not expected to occur in subsequent periods. For the Company's contracts that have an original duration of one year or less, the Company elected the practical expedient applicable to such contracts and does not consider the time value of money. Further, because of the short duration of these contracts, the Company has not disclosed the transaction price for the remaining performance obligations as of each reporting period or when the Company expects to recognize this revenue. The Company has further applied the practical expedient to exclude sales tax in the transaction price and expense contract fulfillment costs such as commissions and shipping and handling expenses as incurred.

For revenues related to the BARDA contract within the scope of ASC 606, the Company identified two performance obligations: (i) the procurement of 5,614 RECELL units; and (ii) emergency preparedness services. Through this contract the Company promises to procure the product through a vendor management inventory arrangement and to stand ready to provide emergency deployment services related to the product. Emergency preparedness services include procuring necessary storage containers, housing, and maintaining the containers (and product), and providing shipping and handling services in the event of an emergency situation. This stand ready obligation is a series of distinct services that are substantially the same and have the same pattern of transfer to the customer, overtime as services are consumed.

The total transaction price for the portion of the BARDA contract that is within the scope of ASC 606, was determined to be \$9.2 million. The transaction price was allocated on a stand-alone selling price basis as follows: \$7.6 million to the procurement of the RECELL product, which is classified as Revenues when recognized in the Consolidated Statements of Operations and \$1.6 million to the emergency deployment services which is classified as Revenues when recognized in the Consolidated Statements of Operations. The \$1.6 million for emergency deployment includes variable consideration which is deemed immaterial to the contract as a whole. The Company estimated the stand-alone selling price of the procurement of the RECELL product based on historical pricing of the Company's product at the initial execution of the contract. The Company estimated the stand-alone selling price of the emergency deployment services performed based on the Company's projected cost of providing the services plus an applicable profit margin as denoted in the contract.

The Company's performance obligations are either satisfied at a point in time or over time as services are provided. The product procurement performance obligation is satisfied at a point in time, upon transfer of control of the product. As such, the related revenue for these performance obligations is recognized at a point in time as revenue within the Company's Consolidated Statement of Operations. In addition to guidance under ASC 606, the Company recognizes revenue from the sales of RECELL product to BARDA for placement into vaccine stockpiles in accordance with SEC Interpretation, *Commission Guidance regarding Accounting for Sale of Vaccines and BioTerror Countermeasures to the Federal Government for Placement into the Pediatric Vaccine Stockpile or the Strategic National Stockpile (SNS)*. Under this guidance, revenue is recognized when product is placed in the BARDA vendor-managed inventory as control of the product has been transferred to the customer at the time of delivery to the VMI. RECELL units that have been delivered to BARDA have a product replacement obligation at no cost to BARDA due to the product's limited shelf-life. The estimated cost of the expired inventory over the term of the contract is recognized on a per unit basis at the time of delivery. The liability is released upon replacement of the product along with a corresponding reduction to inventory. The Company has estimated deferred cost of approximately \$52,000 and \$64,000 as of September 30, 2022 and December 31, 2021, respectively, for the rotation cost of the product. Such amounts are recorded in other current liabilities and other long-term liabilities as of September 30, 2022, and December 31, 2021, respectively. The emergency preparedness services performance obligation is satisfied over time. Revenue for the emergency deployment will be recognized on a straight-line basis during the term of the contract as services are consumed over time. Services recognized are included in sales within the consolidated statements of operations. Contract costs to fulfil the performance obligations are incremental and expected to be recovered are capitalized and amortized on a straight-line basis over the term of the contract. Contract costs are included in Other long-term assets in the Consolidated Balance Sheets.

Contract Liabilities

The Company receives payments from customers based on contractual terms. Trade receivables are recorded when the right to consideration becomes unconditional. The Company satisfies its performance obligation on product sales when the products are shipped or delivered, depending on the terms of the sale. Payment terms on invoiced amounts are typically 30-90 days, and do not include a financing component. Contract liabilities are recorded when the Company receives payment prior to satisfying its obligation to transfer goods to a customer.

Cost of Sales

Cost of sales related to products includes costs to manufacture or purchase, package, and ship the Company's products. Costs also include relevant production overhead and depreciation and amortization. These costs are recognized when control of the product is transferred to the customer and revenue is recognized.

Income Taxes

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income or loss in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that a portion of the deferred tax asset will not be realized. We recognize interest and penalties related to unrecognized tax benefits on the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included on the related tax liability line in the Consolidated Balance Sheets.

The Company reviews its uncertain tax positions regularly. An uncertain tax position represents the Company's expected treatment of a tax position taken in a filed return or planned to be taken in a future tax return or claim that has not been reflected in measuring income tax expense for financial reporting purposes. The Company recognizes the tax benefit from an uncertain tax position when it is more-likely-than-not that the position will be sustained upon examination on the basis of the technical merits or the statute of limitations for the relevant taxing authority to examine and challenge the tax position has expired.

Cash and Cash Equivalents

Consists of cash held at deposit institutions and cash equivalents. Cash equivalents consist of short-term highly liquid investments with original maturities of three-months or less from the date of purchase and consist primarily of money market funds. The Company holds cash at deposit institutions in the amount of \$6.2 million and \$4.4 million of which \$296,000 and \$203,000 is denominated in foreign currencies in foreign institutions as of September 30, 2022 and December 31, 2021, respectively. As of September 30, 2022 and December 31, 2021, the Company held cash equivalents in the amount of \$17.4 million and \$51.1 million, respectively.

Restricted Cash

Pursuant to a contractual agreement to maintain the business credit card, the Company must maintain restricted cash deposits which amounted to approximately \$202,000 and \$201,000 as of September 30, 2022 and December 31, 2021, respectively.

Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, marketable securities, trade receivables, BARDA receivables and other receivables. As of September 30, 2022 and December 31, 2021, substantially all of the Company's cash was deposited in accounts at financial institutions, and amounts may exceed federally insured limits. Management believes that the Company is not exposed to significant credit risk due to the financial strength of the depository institutions in which its cash is held.

As of September 30, 2022, no single commercial customer accounted for more than 10% of total net accounts receivable. As of December 31, 2021, one commercial customer accounted for approximately 10% of net accounts receivable. For the three-months ended September 30, 2022 and 2021, no single customer accounted for more than 10% of revenues. For the nine-months ended September 30, 2022, one customer accounted for more than 10% of total revenue. For the nine-months ended September 30, 2021, no single customer accounted for more than 10% of revenues. BARDA revenue for emergency deployment accounted for approximately 1% and 1% of total revenues for the three-months ended September 30, 2022 and 2021, respectively. For the nine-months ended

September 30, 2022 and 2021, BARDA revenue for emergency deployment accounted for approximately 1% and 30% of total revenues, respectively. BARDA receivables for emergency preparedness services accounted for 2% and 3% of total BARDA receivables as of September 30, 2022 and December 31, 2021, respectively. See table below for breakdown of BARDA receivables (in thousands).

	As of September 30, 2022	As of December 31, 2021
BARDA procurement and emergency preparedness services	\$ 15	\$ 9
BARDA expense reimbursements	777	299
Total BARDA receivables	<u>\$ 792</u>	<u>\$ 308</u>

Marketable Securities

We classify all highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents and all highly liquid investments with stated maturities of greater than three months as marketable securities. The Company classifies marketable securities as short-term when they have remaining contractual maturities of one year or less from the balance sheet date, and as long-term when the investments have remaining contractual maturities of more than one year from the balance sheet date. Classification is determined at the time of purchase and re-evaluated each balance sheet date. Short-term marketable securities represent investment of cash available for current operations. We account for our marketable securities as available-for-sale securities.

All marketable securities, which consist of corporate debt securities, U.S government agency obligations, U.S treasury and commercial paper are denominated in the U.S. dollars, have been classified as “available for sale”, and are carried at fair value. Unrealized gains and losses, net of any related tax effects, are excluded from earnings and are included in other comprehensive income (loss) and reported as a separate component of shareholders equity until realized. Realized gains and losses on marketable securities are included in other income in the accompanying consolidated statements of operations. The cost of any marketable securities sold is based on the specific identification method. The amortized cost of marketable securities is adjusted for amortization of premiums and accretion of discounts to maturity. Interest on marketable securities is included in other income. In accordance with the Company’s investment policy, management invests to diversify credit risk and only invests in securities with high credit quality, including U.S. government securities, and the maximum final maturity from the date of purchase is thirty-seven months.

If necessary, the Company will recognize an allowance for credit losses on available-for-sale debt securities on an individual basis, and will no longer consider other than-temporary impairment or immediately reduce the cost basis of the investment provided that it is more likely than not that the security will be held to recovery or maturity. Further, the Company will recognize any improvements in estimated credit losses on available-for-sale debt securities immediately in earnings and reduce the existing allowance for credit losses. The Company will disaggregate its available-for-sale debt securities into the following categories: commercial paper, corporate debt, government and agency securities, asset backed securities and money market funds. The Company’s corporate bonds are comprised of predominantly high-grade corporate bonds while its government and agency securities are U.S. treasury bonds, and U.S. agency bonds. The Company has analyzed both corporate bonds and government and agency securities and identified that both types of securities have similar risk characteristics in that they are traded infrequently and have contractual interest rates and maturity dates.

To evaluate for impairment, management reviews credit rating changes, securities trends, interest rate movements and unrealized loss at the security level of the Company’s available for sale debt securities. If any of these give rise to a potential credit concern, the Company performs a discounted cash flow analysis to determine the credit portion of the impairment. The discounted cash flow analysis will be performed either internally or through the assistance of a qualified third party. Once the credit component of the impairment is determined, the Company will record the impaired amount as an allowance to the available-for-sale debt securities balance and as a charge to other income in the accompanying consolidated statements of operations, not to exceed the amount of the unrealized loss. The Company assesses expected credit losses at the end of each reporting period and adjusts the allowance through other income.

BARDA Income and Receivables

The AVITA Group was awarded a Biomedical Advance Research and Development Authority (“**BARDA**”) contract in September 2015. The contract with BARDA expires December 31, 2023. Under this arrangement BARDA supported the Company’s research and development for the Company’s product, including the U.S. clinical regulatory program targeted towards PMA, the Company’s compassionate use program, clinical and health economics research. Currently, the BARDA contract is supporting the Company’s clinical trial in soft-tissue reconstruction. Consideration received under the BARDA arrangement is earned and recognized under a cost-plus-fixed-fee arrangement in which the Company is reimbursed for direct costs incurred plus allowable indirect costs and a fixed-fee earned. Billings under the contracts are based on approved provisional indirect billing rates, which permit recovery of fringe benefits, general and administrative expenses and a fixed fee.

The Company has concluded that grants under the BARDA arrangement are not within the scope of ASC 606, as it does not meet the definition of a contract with a “customer.” The Company has further concluded that Subtopic 958-605, *Not-for-Profit-Entities-Revenue Recognition* also does not apply, as the Company is a business entity and the payments are with governmental agencies or units. With respect to the BARDA arrangement, we considered the guidance in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, by analogy. BARDA income and related receivables are recognized when there is reasonable assurance that the amount will be received, and all attaching conditions have been complied with. When the payment relates to an expense item, the amount received is recognized as income over the period when the expense was incurred.

Leases

The Company has operating leases for corporate office space, manufacturing and a warehouse facility. The Company’s operating leases have remaining lease terms of one year to two years, some of which include options to renew the lease. At contract inception, the Company determines whether the contract is a lease or contains a lease. A contract contains a lease if the Company is both able to identify an asset and can conclude it has the right to control the identified asset for a period of time. Leases with an initial term of twelve months or less are not recorded on the Consolidated Balance Sheets.

Right-of-use (“**ROU**”) assets represent the Company’s right to control an underlying asset for the lease term, and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company’s leases do not provide an explicit rate, the Company used its incremental borrowing rate (“**IBR**”) based on the information available at the commencement date in determining the discount rate used to present value lease payments. In determining the IBR, the Company considered its credit rating and current market interest rates. The IBR used approximates the interest that the Company would be required to pay for a collateralized loan over a similar term. The Company’s leases typically do not include any residual value guarantees or asset retirement obligations.

The Company’s lease terms are only for periods in which it has enforceable rights. A lease is no longer enforceable when both the lessee and the lessor each have the right to terminate the lease without permission from the other party with no more than an insignificant penalty. The Company has options to renew some of these leases for three years after their expiration. The Company considers these options, which may be elected at the Company’s sole discretion, in determining the lease term on a lease-by-lease basis. Lease expense is recognized on a straight-line basis over the lease term and is primarily included in general and administrative expenses in the accompanying consolidated statements of operations.

The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all underlying asset classes. Some leases require variable payments for common area maintenance, property taxes, parking, insurance and other variable costs. The variable portion of lease payments is not included in operating lease assets or liabilities. Variable lease costs are expensed when incurred.

Share-based compensation

The Company records compensation expense for stock options based on the fair market value of the awards on the date of grant. The fair value of share-based compensation awards is amortized over the vesting period of the award. Compensation expense for performance-based awards is evaluated based on the number of shares ultimately expected to vest, estimated at each grant date based on management’s expectations regarding the relevant performance criteria, if any. The Black-Scholes option pricing model and Monte Carlo Simulation were used to estimate the fair value of the time-based and performance-based options, respectively. To estimate the grant date fair value of the performance vesting employee stock options, we utilized a Monte Carlo simulation-based approach to capture the holder’s expected post-vesting exercise behavior. Specifically, we simulated the Company’s stock price from the valuation date to the maturity of the options on a daily basis using Geometric Brownian Motion, whereby the options are assumed to be early exercised if the simulated stock price exceeded a certain exercise threshold estimated based on empirical research. Under ASU 2016-09, *Compensation – Stock Compensation (“ASC 718”) Improvements to Employee Share-Based Payment Accounting*, the Company elected to account for forfeitures as they occur. The following assumptions were used in the valuation of stock options.

- Expected volatility – determined using the average of the historical volatility using daily intervals over the expected term and the derived volatility using the longest term available of 12 months.
- Expected dividends - based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future
- Expected term – the expected term of the Company’s stock options for tenure only vesting has been determined utilizing the “simplified” method as described in the SEC’s Staff Accounting Bulletin No. 107 relating to share-based compensation. The simplified method was chosen because the Company has limited historical option exercise experience due to its short

operating history of awards granted, with the first plan being established in 2016 which was primarily used for executive awards. Further, the Company does not have sufficient history of exercises in the U.S. market given the AVITA Group's recent redomiciliation from Australia to the United States in 2020. The initial term input of options with a performance condition was set to the contractual term of 10 years for the modeling process, while the expected term within each simulation path was determined by the early exercise mechanism discussed above within the Monte Carlo simulation model.

- Risk-free interest rate – the risk-free interest rate is based on the U.S. Treasury yield in effect at the time of grant for a period approximately equal to the expected term of the award.

Segment Reporting

Operating segments are defined as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. The Company's chief operating decision-maker is its Chief Executive Officer. To date, the Company has viewed its operations and manages its business as one segment.

Non-Qualified Deferred Compensation Plan Liability and Corporate-Owned Life Insurance Asset

The Company's non-qualified deferred compensation plan (the "**NQDC plan**"), which became effective in October 2021, allows highly compensated key employees to elect to defer a portion of their salary, bonus, commissions and RSU awards to later years. Management determined that the cash deferrals under the NQDC plan shall be accounted for similarly to a defined benefit plan under ASC 715, *Compensation – Retirement Benefits*, and should follow accounting treatment that is similar to a cash balance plan. Management determined that the employee portion and employer portion of the deferred compensation should be recognized as a compensation expense with a corresponding credit to deferred compensation liability. The matching contribution will be accrued over the vesting period of two years with 25% vesting in the first year and 75% vesting in the second year. Employees aged 55 or older immediately vest in employer matching contributions. The change in the liability between each reporting period is accounted for as compensation expense with a corresponding adjustment to deferred compensation liability. Upon distribution, the Company will record the distribution as a decrease to compensation liability with a corresponding credit to cash. The Company funds the NQDC plan through a Corporate-Owned Life Insurance ("COLI"). Per the ASC 325-30-25-1A, *Investments – Other*, COLI is recorded as an asset in on the Consolidated Balance Sheets as it does not meet the definition of a plan asset under ASC 715. The Company invests in COLI policies relating to its deferred compensation plan. Investments in COLI policies are recorded at their cash surrender values as of each balance sheet date. Changes in the cash surrender value during the period are recorded as a gain or loss in the statements of operations in Other income.

Rabbi Trust

During April 2022, we established a rabbi trust for a select group of participants in which share awards granted under the 2020 Omnibus Incentive Plan ("2020 Plan") and deferred under the NQDC plan may be deposited. In addition to the deferral of shares, the rabbi trust holds the assets in the COLI for the NQDC plan. The rabbi trust is an irrevocable trust and no portion of the trust fund may be used for any purpose other than the delivery of those assets to the participants. The assets held in the rabbi trust are subject to the claims of our general creditors in the event of bankruptcy or insolvency. The value of the assets of the rabbi trust is consolidated into our financial statements.

The NQDC plan permits diversification of vested shares (common stock) into other equity securities subject to a six-month and one day holding period subsequent to vesting. Per ASC 710-10-25-15, accounting for deferred common stock will be under plan type C or D. Accounting will depend on whether or not the employee has diversified the common stock. Under Plan type C, diversification is permitted but the employee has not diversified. Under Plan type D, diversification is permitted and the employee has diversified.

For common stock that have not been diversified, the employer stock held in the rabbi trust is classified in a manner similar to treasury stock and presented separately on the Consolidated Balance Sheets as Company common stock held by the non-qualified deferred compensation plan. Common stock will be recorded at fair value of the stock at the time it vested, subsequent changes in the value of the common stock will not be recognized. The deferred compensation obligation is measured independently at fair value of the common stock with a corresponding charge or credit to compensation cost. Fair value is determined as the product of the common stock and the closing price of the stock each reporting period.

Under plan type D, assets held by the rabbi trust are subject to applicable GAAP. As diversified common stock will be invested in mutual funds, assets held by the rabbi trust will be subject to accounting in ASC 321 - Investments - Equity Securities. The deferred compensation obligation is measured independently at fair value of the underlying assets. As of September 30, 2022, deferred common stock has not been diversified.

Non-qualified deferred compensation share awards

In accordance with ASC 718, Compensation — Stock Compensation, the deferred RSU awards under the NQDC plan are classified as an equity instrument and changes in fair value of the amount owed to the participant are not recognized. As the plan permits diversification, presentation outside of permanent equity in accordance with ASR 268, Redeemable Preferred Stock is appropriate. The redemption amounts are based on the vested percentage and are recorded outside of equity as non-qualified deferred compensation share awards on the Consolidated Balance Sheets. Deferred awards will be presented outside of permanent equity until the awards are vested.

As of September 30, 2022, a total of 253,048 shares awards have been deferred with a redemption value of \$272,000 and are recorded outside of equity as Non-qualified deferred compensation share awards. During the three-months ended September 30, 2022, 17,927 shares vested and were contributed to the rabbi trust at the vested value of \$127,000. For further details refer to Note 18.

3. Accounting Standards Update

Recently Adopted Accounting Pronouncements

In November 2021, the FASB issued ASU 2021-10, “*Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*.” ASC 832 requires business entities to provide certain disclosures when they (1) have received government assistance and (2) use a grant or contribution accounting model by analogy to other accounting guidance. The guidance will require business entities to disclose the nature of the transactions, accounting policies used to account for the transactions, and state which line items on the balance sheet and income statement are affected by these transactions and the amount applicable to each financial statement line. Business entities will also have to disclose significant terms and conditions of transactions with a government such as the duration of the agreement, any commitments made by either side, provisions, and contingencies. The guidance in ASU 2021-10 is effective for all entities for fiscal years beginning after December 15, 2021. Entities may apply the provision either (1) prospectively to all transactions within the scope of ASC 832 that are reflected in the financial statements as of the adoption date and all new transactions entered into after the date of adoption or (2) retrospectively. The Company adopted this standard as of January 1, 2022. The adoption did not have a material impact on the consolidated financial statements or disclosures.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, or ASU 2019-12, which includes amendments to simplify the accounting for income taxes by removing certain exceptions to the general principles in ASC 740, *Income Taxes*, or ASC 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The new guidance is effective for the Company for annual periods beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company adopted this standard as of January 1, 2022. The adoption did not have a material impact on the consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

All other newly issued but not yet effective accounting pronouncements have been deemed to be not applicable or immaterial to the Company.

4. Marketable Securities

The following table summarizes the amortized cost and estimated fair values of debt securities available for sale:

	As of September 30, 2022			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Carrying Value
(in thousands)				
Cash Equivalents:				
Money market funds	\$ 17,425	\$ -	\$ -	\$ 17,425
Current marketable securities:				
U.S Treasury securities	\$ 44,875	\$ 1	\$ (539)	\$ 44,337
Commercial paper	11,055	-	-	11,055
Corporate debt securities	3,317	-	(33)	3,284
U.S Government Agency Obligations	1,902	-	(19)	1,883
Total current marketable securities	<u>\$ 61,149</u>	<u>\$ 1</u>	<u>\$ (591)</u>	<u>\$ 60,559</u>
Long-term marketable securities:				
U.S Treasury securities	\$ 2,887	\$ -	\$ (21)	\$ 2,866
Corporate debt securities	557	-	(12)	545
Asset backed securities	604	-	(3)	601
Total Long-term marketable securities	<u>\$ 4,048</u>	<u>\$ -</u>	<u>\$ (36)</u>	<u>\$ 4,012</u>
	As of December 31, 2021			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Carrying Value
(in thousands)				
Cash Equivalents:				
Money market funds	\$ 51,112	\$ -	\$ -	\$ 51,112
Current marketable securities:				
Commercial paper	\$ 19,586	\$ -	\$ -	\$ 19,586
Corporate debt securities	7,068	-	(7)	7,061
Asset-backed securities	3,002	-	-	3,002
Total current marketable securities	<u>\$ 29,656</u>	<u>\$ -</u>	<u>\$ (7)</u>	<u>\$ 29,649</u>
Long-term marketable securities:				
U.S Treasury securities	\$ 18,043	\$ -	\$ (89)	\$ 17,954
Corporate debt securities	1,746	-	(8)	1,738
Total Long-term marketable securities	<u>\$ 19,789</u>	<u>\$ -</u>	<u>\$ (97)</u>	<u>\$ 19,692</u>

The maturities of debt securities available for sale are summarized in the following table using contractual maturities. Actual maturities may differ from contractual maturities due to obligations that are called or prepaid.

	As of September 30, 2022		As of December 31, 2021	
	Amortized Cost	Carrying Value	Amortized Cost	Carrying Value
Due in one year or less	\$ 61,149	\$ 60,559	\$ 29,656	\$ 29,649
Due after one year through three years	\$ 4,048	\$ 4,012	\$ 19,789	\$ 19,692

Gross unrealized gains and losses on the Company's marketable securities were an unrealized gain of \$1,000 and an unrealized loss of \$627,000 as of September 30, 2022, which resulted in a net unrealized loss of \$626,000. Gross unrealized gains and losses on the Company's marketable securities were an unrealized gain of \$0 and an unrealized loss of \$104,000 as of December 31, 2021 which resulted in a net unrealized loss of \$104,000. As of September 30, 2022, and December 31, 2021, the Company did not recognize credit losses. The Company has accrued interest income of \$146,000 and \$72,000 as of September 30, 2022, and December 31, 2021, respectively, recorded in prepaids and other current assets.

5. Fair Value Measurements

The authoritative guidance on fair value measurements establishes a framework with respect to measuring assets and liabilities at fair value on a recurring basis and non-recurring basis. Under the framework, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. The framework also establishes a three-tier hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability and are developed based on the best information available in the circumstances. The hierarchy consists of the following three levels:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable inputs for the asset or liability

The following tables present information about the Company's financial assets measured at fair value on a recurring basis, based on the three-tier fair value hierarchy:

	As of September 30, 2022			
(in thousands)	Level 1	Level 2	Level 3	Total
Cash Equivalents				
Money market funds	\$ 17,425	\$ -	\$ -	\$ 17,425
Total cash equivalents	17,425	-	-	17,425
Short-term marketable securities				
U.S Treasury securities	-	44,337	-	44,337
Commercial paper	-	11,055	-	11,055
Corporate debt securities	-	3,284	-	3,284
U.S Government Agency Obligations	-	1,883	-	1,883
Total short-term marketable securities	-	60,559	-	60,559
Long-term investments				
U.S Treasury securities	-	2,866	-	2,866
Corporate debt securities	-	545	-	545
Asset backed securities	-	601	-	601
Total long-term marketable securities	-	4,012	-	4,012
Total marketable securities and cash equivalents	\$ 17,425	\$ 64,571	\$ -	\$ 81,996

(in thousands)	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash Equivalents				
Money market funds	\$ 51,112	\$ -	\$ -	\$ 51,112
Total cash equivalents	51,112	-	-	51,112
Short-term marketable securities				
Commercial paper	-	19,586	-	19,586
Corporate debt securities	-	7,061	-	7,061
Asset-backed securities	-	3,002	-	3,002
Total short-term marketable securities	-	29,649	-	29,649
Long-term investments				
U.S Treasury securities	-	17,954	-	17,954
Corporate debt securities	-	1,738	-	1,738
Total long-term marketable securities	-	19,692	-	19,692
Total marketable securities and cash equivalents	\$ 51,112	\$ 49,341	\$ -	\$ 100,453

The Company's Level 1 assets include money market instruments and are valued based upon observable market prices. Level 2 assets consist of commercial paper, U.S Government agency obligations, corporate debt securities, asset backed securities and U.S Treasury securities. Level 2 securities are valued based upon observable inputs that include reported trades, broker/dealer quotes, bids and offers. As of September 30, 2022 and December 31, 2021, the Company had no investments that were measured using unobservable (Level 3) inputs. There were no transfers between fair value measurement levels as of September 30, 2022 or December 31, 2021.

6. Leases

During August 2021, the Company remeasured the lease liability for an office lease due to a change in the lease term. As a result of the remeasurement of the lease liability, there was an increase of approximately \$392,000 to the operating lease ROU assets and operating lease liabilities. There was no impact on earnings as a result of the modification.

The following table sets forth the Company's operating lease expenses which are included in general and administrative expenses in the consolidated statements of operations (in thousands):

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Operating lease cost	\$ 194	\$ 188	\$ 582	\$ 560
Variable lease cost	13	12	38	36
Total lease cost	\$ 207	\$ 200	\$ 620	\$ 596

Supplemental cash flow information related to operating leases for the three and nine-months ended September 30, 2022 and 2021 was as follows (in thousands):

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash outflows from operating leases	\$ 201	\$ 192	\$ 598	\$ 575

Supplemental balance sheet information, as of September 30, 2022 and December 31, 2021 related to operating leases was as follows (in thousands):

	As of September 30, 2022	As of December 31, 2021
Reported as:		
Operating lease right-of-use assets	\$ 1,029	\$ 1,544
Total right-of-use assets	<u>\$ 1,029</u>	<u>\$ 1,544</u>
Other current liabilities:		
Operating lease liabilities, short-term	\$ 702	\$ 720
Operating lease liabilities, long term	405	918
Total operating lease liabilities	<u>\$ 1,107</u>	<u>\$ 1,638</u>
Operating lease weighted average remaining lease term (years)	1.64	2.30
Operating lease weighted average discount rate	6.64%	6.51%

As of September 30, 2022, maturities of the Company's operating lease liabilities are as follows (in thousands):

	Operating Leases
Remainder of 2022	\$ 205
2023	649
2024	314
Total lease payments	1,168
Less imputed interest	(61)
Total operating lease liabilities	<u>\$ 1,107</u>

As of September 30, 2022, there were no leases entered into that had not yet commenced.

7. Inventory

The composition of inventory is as follows (in thousands):

	As of September 30, 2022	As of December 31, 2021
Raw materials	\$ 1,384	\$ 1,222
Work in process	209	176
Finished goods	367	734
Total inventory	<u>\$ 1,960</u>	<u>\$ 2,132</u>

The Company has reduced the carrying value of its inventories to reflect the lower of cost or net realizable value. Charges for estimated excess and obsolescence are recorded in cost of sales in the consolidated statements of operations and were \$125,000 and \$46,000, for the three-months ended September 30, 2022 and 2021, respectively. Charges for estimated excess and obsolescence were \$284,000 and \$288,000 for the nine-months ended September 30, 2022 and 2021, respectively.

8. Intangible Assets

The composition of intangible assets, net is as follows (in thousands):

	Weighted Average Life	As of September 30, 2022			As of December 31, 2021		
		Gross Amount	Accumulated Amortization	Net Carry Amount	Gross Amount	Accumulated Amortization	Net Carry Amount
Patent 1	2	\$ 211	\$ (210)	\$ 1	\$ 209	\$ (182)	\$ 27
Patent 2	13	137	(25)	112	123	(18)	105
Patent 3	14	192	(37)	155	192	(25)	167
Patent 5	19	71	(5)	66	46	(3)	43
Patent 6	20	44	(3)	41	39	(2)	37
Patent 7	13	2	-	2	2	-	2
Patent 8	19	13	-	13	3	-	3
Patent 10	19	3	-	3	3	-	3
Patent 11	19	6	-	6	6	-	6
Trademarks	Indefinite	50	-	50	50	-	50
Total intangible assets		<u>\$ 729</u>	<u>\$ (280)</u>	<u>\$ 449</u>	<u>\$ 673</u>	<u>\$ (230)</u>	<u>\$ 443</u>

During the three and nine-months ended September 30, 2022, the Company did not identify any events or changes in circumstances that indicated that the carrying value of its intangibles may not be recoverable. As such, there was no impairment of intangibles assets recognized for the three and nine-months ended September 30, 2022. During the three and nine-months ended September 30, 2021, the Company recorded an impairment charge of \$19,000 for an abandoned patent. Amortization expense of intangibles included in the consolidated statements of operations was \$8,000 and \$27,000 for the three-months ended September 30, 2022 and 2021, respectively. Amortization expense of intangibles included in the consolidated statements of operations was \$50,000 and \$88,000 for the nine-months ended September 30, 2022 and 2021, respectively.

The Company expects the future amortization of amortizable intangible assets held at September 30, 2022 to be as follows (in thousands):

	Estimated Amortization Expense
2023	\$ 33
2024	32
2025	32
2026	32
2027	32
Thereafter	238
Total	<u><u>\$ 399</u></u>

9. Plant and Equipment

The composition of property, plant and equipment, net is as follows (in thousands):

	Useful Lives	As of September 30, 2022	As of December 31, 2021
Computer equipment	3 years	\$ 734	\$ 740
Computer software	3 years	871	811
Construction in progress		181	29
Furniture and fixtures	7 years	440	440
Laboratory equipment	5 years	643	566
Leasehold improvements	Lesser of life or lease term	257	242
RECELL Moulds	5 years	129	129
Less: accumulated amortization and depreciation		(2,029)	(1,695)
Total plant and equipment, net		<u>\$ 1,226</u>	<u>\$ 1,262</u>

Depreciation expense related to plant and equipment for the three-months ended September 30, 2022 and 2021 was \$130,000 and \$147,000, respectively. Depreciation expense related to plant and equipment for the nine-months ended September 30, 2022 and 2021 was \$388,000 and \$429,000, respectively.

10. Other Current and Long-Term Assets and Liabilities

Prepays and other current assets consisted of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
Prepaid expenses	\$ 862	\$ 1,124
Lease deposits	16	2
Accrued investment income	146	72
Other receivables	17	15
Total prepaids and other current assets	<u>\$ 1,041</u>	<u>\$ 1,213</u>

Prepaid expenses primarily consist of prepaid benefits and insurance.

Other long-term assets consisted of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
BARDA contract costs	\$ 315	\$ 504
Long-term lease deposits	121	124
Long-term prepaids	112	10
Total other long-term assets	<u>\$ 548</u>	<u>\$ 638</u>

Other current liabilities consisted of the following (in thousands):

	As of September 30, 2022	As of December 31, 2021
Operating lease liability	\$ 702	\$ 720
Unsettled investment trade payable	480	-
Other current liabilities	437	355
Total other current liabilities	<u>\$ 1,619</u>	<u>\$ 1,075</u>

11. Reporting Segment and Geographic Information

The Company views its operations and manages its business in one reporting segment. Long-lived assets are primarily located in the United States as of September 30, 2022, and December 31, 2021 with an insignificant amount located in Australia and the United Kingdom.

Revenue by region for the three and nine-months ended September 30, 2022, and 2021 were as follows (in thousands):

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Revenue:				
United States	\$ 8,996	\$ 6,924	\$ 24,672	\$ 25,888
Foreign:				
Australia	57	66	173	141
United Kingdom	39	30	121	60
Total	<u>\$ 9,092</u>	<u>\$ 7,020</u>	<u>\$ 24,966</u>	<u>\$ 26,089</u>

Revenue and cost of sales by customer type for the three and nine-months ended September 30, 2022, and 2021 were as follows (in thousands):

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Revenue:				
Commercial sales	\$ 8,999	\$ 6,928	\$ 24,687	\$ 18,249
BARDA:				
Product sales	-	-	-	7,594
Services for emergency preparedness	93	92	279	246
Total	<u>\$ 9,092</u>	<u>\$ 7,020</u>	<u>\$ 24,966</u>	<u>\$ 26,089</u>

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Cost of sales				
Commercial cost	\$ 1,446	\$ 1,006	\$ 4,453	\$ 3,187
BARDA:				
Product cost	-	-	(12)	1,889
Emergency preparedness service cost	84	82	253	211
Total	<u>\$ 1,530</u>	<u>\$ 1,088</u>	<u>\$ 4,694</u>	<u>\$ 5,287</u>

12. Contingencies

The Company is subject to certain contingencies arising in the ordinary course of business. The Company records accruals for these contingencies to the extent that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. Alternatively, when no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued. The Company expenses legal costs associated with loss contingencies as incurred. As of September 30, 2022 and December 31, 2021, the Company did not have any outstanding or threatened litigation that would have a material impact to the financial statements.

13. Common and Preferred Stock

The Company's CHES Depositary Interests ("CDIs") are quoted on the ASX under the ticker code, "AVH". The Company's shares of common stock are quoted on the Nasdaq Capital Market ("Nasdaq") under the ticker code, "RCEL". One share of common stock on NASDAQ is equivalent to five CDIs on the ASX.

As a result of the 'implicit consolidation' that occurred under the AVITA group's redomiciliation from Australia to the United States of America in 2020 (the "Redomiciliation"), the number of shares of common stock on issue in the Company (as set out in the consolidated financial statements) is less than the number of ordinary shares in AVITA Medical (the prior parent company of the AVITA group) that was previously set out in the consolidated financial statements of AVITA Medical. All common share amounts included in the consolidated financial statements have been retroactively reduced by a factor of one hundred and all per share amounts have been increased by a factor of one hundred, with the exception of the Company's common stock par value.

The Company is authorized to issue 200,000,000 shares of common stock, par value \$0.0001 per share, and 10,000,000 shares of preferred stock, par value \$0.0001 per share, issuable in one or more series as designated by the Company's board of directors. No other class of capital stock is authorized. As of September 30, 2022, and December 31, 2021, 25,030,902 and 24,925,743 shares of common stock, respectively, were issued and outstanding and no shares of preferred stock were outstanding.

On March 1, 2021, the Company issued 3,214,250 shares of common stock at the offering price of \$21.50 per share. The gross proceeds from the offering were approximately \$69.1 million while the Company incurred \$5.1 million in capital issuance expenses. The offering was made pursuant to a shelf registration statement on Form S-3 (File No. 333-249419) that was previously filed with the Securities and Exchange Commission (the "SEC") on October 9, 2020 and declared effective on October 16, 2020. It was also publicly released on the ASX. The final prospectus supplement relating to and describing the terms of the offering was filed with the SEC on February 25, 2021 (in the United States) and released on the ASX on March 1, 2021 (in Australia).

14. Revenues

Revenues

The Company's revenue consists of sale of the RECELL System to hospitals or other treatment centers ("commercial customers") and to BARDA (collectively "**customers**"), predominately in the United States. In addition, the Company records service revenue for the emergency preparedness services provided to BARDA.

Performance Obligations

For commercial contracts, we identified the hospital or treatment center as the customer in Step 1 of the 5-step model of ASC 606 and have determined a contract exists with those customers. As these contracts typically have a single performance obligation (i.e. product delivery), no allocation of the transaction price is required in Step 4 of the model. Control of the product is transferred to the customer at a point in time, at the point in time at which the goods are either shipped or delivered to our customers' facilities, depending on the terms of the contract. The transaction price is stated within the contract and is therefore fixed consideration. The transaction price does not include the sales tax that is imposed by governmental authorities.

For the contract with BARDA, the Company identified two performance obligations (i) the procurement of 5,614 RECELL units; and (ii) emergency preparedness services. The Company's performance obligations are either satisfied at a point in time or over time as services are provided. The product procurement performance obligation is satisfied at a point in time, upon transfer of control of the product. RECELL units that have been delivered to BARDA have a product replacement obligation at no cost to BARDA due to the product's limited shelf-life. The estimated cost of the expired inventory over the term of the contract is recognized on a per unit basis at the time of delivery. The liability is released upon replacement of the product along with a corresponding reduction to inventory. The Company has estimated deferred cost of approximately \$52,000 and \$64,000 as of September 30, 2022 and December 31, 2021, respectively, for the rotation cost of the product. Such amounts are recorded in other current liabilities and other long-term liabilities as of September 30, 2022, and December 31, 2021, respectively. The emergency preparedness services performance obligation is satisfied over time. Revenue for the emergency deployment will be recognized on a straight-line basis during the term of the contract as services are consumed over time. Services recognized for the three-months ended September 30, 2022 and 2021 were \$93,000 and \$92,000, respectively, and are included in sales within the consolidated statements of operations. Services recognized for the nine-months ended September 30, 2022 and 2021 were \$279,000 and \$246,000, respectively. Contract costs to fulfil the performance obligation are incremental and expected to be recovered are capitalized and amortized on a straight-line basis over the term of the contract. As of September 30, 2022 and December 31, 2021 contract costs of \$315,000 and \$504,000 are included in other long-term assets, respectively.

Remaining Performance Obligations

Revenues from remaining performance obligations are calculated as the dollar value of the remaining performance obligations on executed contracts. The estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) pursuant to the Company's existing customer agreements is \$740,000 and \$952,000 as of September 30, 2022 and December 31, 2021, respectively. Approximately \$308,000 for September 30, 2022 and \$517,000 for December 31, 2021 of the total balance relates to our July 2020 contract with BARDA for the purchase, delivery and storage of RECELL Systems for emergency response preparedness for a period of three years. The Company expects to recognize this amount as services are provided to BARDA. For the remaining balance of \$432,000 and \$435,000 as of September 30, 2022 and December 31, 2021, respectively, the Company expects to recognize revenue on a straight-line basis over the term of the contract commencing with the generation of commercial sales to COSMOTEC. We are contracted to manage this inventory of product until the federal government requests shipment or at contract termination on December 31, 2023.

Variable Consideration

The Company evaluates its contracts with customers for forms of variable consideration, which may require an adjustment to the transaction price based on their estimated impact. For commercial customers, revenue from the sale of goods is recognized net of volume discounts. The Company uses the expected value method when estimating variable consideration. Revenue is only recognized to the extent that it is probable that a significant reversal will not occur. Variable consideration under the BARDA contract is not material to the consolidated financial statements.

Contract Assets and Contract Liabilities

Contract assets include amounts related to the Company's contractual right to consideration for both completed and partially completed performance for which the Company does not have the right to payment. As of the period ended September 30, 2022 and December 31, 2021, the Company does not have any contract assets.

Contract liabilities are recorded when the Company receives payment prior to satisfying its obligation to transfer goods to a customer. The Company had \$740,000 and \$952,000 of contract liabilities as of September 30, 2022 and December 31, 2021, respectively. The balance relates to the unsatisfied performance obligation for emergency preparedness under the BARDA contract and COSMOTEC. The performance obligation will be satisfied, and revenue will be recognized over time over the term of the contract. For the three-months ended September 30, 2022 and 2021, the Company recognized \$93,000 and \$92,000 of revenue from BARDA and \$3,000 and \$0 for COSMOTEC of the amounts included in the beginning balance of contract liabilities. For the nine-months ended September 30, 2022, and 2021, the Company recognized \$279,000 and \$246,000 of revenue from BARDA and \$3,000 and \$0 for COSMOTEC from amounts included in the beginning balance of contract liabilities.

Cost to Obtain and Fulfill a Contract

Commercial contract fulfillment costs include commissions and shipping expenses. The Company has opted to immediately expense the incremental cost of obtaining a contract when the underlying related asset would have been amortized over one year or less. The Company generally does not incur costs to obtain new contracts.

BARDA Contract Costs

Cost to fulfill the BARDA emergency preparedness performance obligation, which primarily consist of billed costs to BARDA incurred in connection with the emergency deployment services, are incremental and expected to be recovered. Costs are capitalized and amortized on a straight-line basis over the term of the contract. As of September 30, 2022, and December 31, 2021, the Company had \$315,000 and \$504,000 of contracts costs included in other long-term assets. Amortization expense related to deferred contract costs were \$84,000 and \$82,000, during the three-months ended September 30, 2022, and 2021, respectively, and are classified as cost of sales on the accompanying consolidated statements of operations. Amortization expense related to deferred contract costs were \$253,000 and \$211,000, during the nine-months ended September 30, 2022, and 2021, respectively. There was no impairment loss in relation to deferred contract costs during the three-months ended September 30, 2022, and 2021, or the nine-months ended September 30, 2022 and 2021.

Disaggregated Revenue

The Company disaggregates revenue from contracts with customers into geographical regions and by customer type. As noted in the segment footnote, the Company's business consists of one reporting segment. A reconciliation of disaggregated revenue by geographical region and customer type is provided in Segment Note 11.

15. Share-Based Payment Plans

Overview of Employee Share-Based Compensation Plans

Our former parent company, AVITA Medical, adopted the Employee Share Plan and the Incentive Option Plan (collectively, the “**2016 Plans**”). Upon completion of the Redomiciliation, the 2016 Plans were terminated with respect to future grants and accordingly, there are no more shares available to be issued under the 2016 Plans. In addition, upon completion of the Redomiciliation, the Company had an implicit consolidation or reverse stock split of 100:1 and all share information presented below in relation to the 2016 Plans has been presented on a reverse stock split basis. During November 2020, the Company, pursuant to Rule 416 under the Securities Act of 1933, filed a registration statement on Form S-8 to register a total of 1,750,000 shares of common stock which may be issued pursuant to the terms of the Company’s 2020 Omnibus Incentive Plan (“**2020 Plan**”). On December 22, 2021, the Company’s stockholders approved the issuance of options and awards to the Board of Directors and the Company’s former CEO (“**Former CEO**”). These awards are subject to the vesting and performance conditions as denoted in the individual agreements.

The 2020 Plan provides for the grant of the following Grants: (a) Incentive Stock Options, (b) Nonstatutory Stock Options, (c) Stock Appreciation Rights, (d) Restricted Stock Grants, (e) Restricted Stock Unit Grants, (f) Performance Grants, and (g) Other Grants. The 2020 Plan will be administered by the Compensation Committee or by the Board acting as the Compensation Committee. Subject to the general purposes, terms and conditions of the 2020 Plan, applicable law and any charter adopted by the Board governing the actions of the Compensation Committee, the Compensation Committee will have full power to implement and carry out the 2020 Plan. Without limitation, the Compensation Committee will have the authority to interpret the plan, approve persons to receive grants, determine the terms and number of shares of the grants, determine vesting and exercisability of grants, and make all other determinations necessary or advisable in connection with the administration of this Plan.

The contractual term of awards granted under the 2020 Plan is ten years from the date of its grant. Unless otherwise specified, the vesting period of awards granted under the 2020 Plan was: (i) vest over a four-year period in four equal installments, 25% at the end of each year from the date of grant, and /or (ii) subject to other performance criteria and hurdles, as determined by the Compensation Committee.

Share-Based Payment Expenses

Share-based payment transactions are recognized as compensation expense based on the fair value of the instrument on the date of grant. The Company uses the graded-vesting method to recognize compensation expense. Compensation cost is reduced for forfeitures as they occur in accordance with ASU 2016-09, simplifying the Accounting for Share-Based Payment (“ASU 2016”09”). During the three-months ended September 30, 2022, and 2021, the Company recorded share-based compensation expense of \$1.4 million, and \$1.8 million, respectively. During the nine-months ended September 30, 2022, and 2021, the Company recorded share-based compensation expense of \$5.8 million, and \$4.6 million, respectively. No income tax benefit was recognized in the consolidated statements of operations for share-based payment arrangements for the three-months ended September 30, 2022, and 2021, or the nine-months ended September 30, 2022, and 2021.

The Company has included share-based compensation expense as part of operating expenses in the accompanying consolidated statements of operations as follows (in thousands):

	Three-months ended September 30,		Nine-months ended September 30,	
	2022	2021	2022	2021
Sales and marketing expenses	\$ 408	\$ 291	\$ 1,022	\$ 592
General and administrative expenses	761	1,251	4,071	3,353
Research and development expenses	267	300	689	640
Total	<u>\$ 1,436</u>	<u>\$ 1,842</u>	<u>\$ 5,782</u>	<u>\$ 4,585</u>

A summary of share option activity as of September 30, 2022, and changes during the period ended is presented below:

	Service Only Share Options	Performance Based Share Options	Market Awards	Total Share Options
Outstanding shares at December 31, 2021	1,129,126	599,994	27,600	1,756,720
Granted	456,300	-	-	456,300
Exercised	(125)	-	-	(125)
Expired	(5,025)	(6,900)	(27,600)	(39,525)
Forfeited	(41,175)	-	-	(41,175)
Outstanding shares at September 30, 2022	1,539,101	593,094	-	2,132,195
Exercisable at September 30, 2022	668,137	364,258	-	1,032,395

Restricted Stock Units

Restricted stock units (“**RSUs**”) are granted to executives as part of their long-term incentive compensation. RSUs granted prior to the 2020 Plan arise out of contracts between the Company’s former parent company, AVITA Medical and the holders of such securities. RSUs granted as a result of stockholder approval at the December 22, 2021 Annual General Meeting (“**AGM**”) arise out of contracts between the Company and the holders of such securities. These RSU awards were approved by the Compensation Committee as determined necessary. All RSU awards have a contractual term of 10 years and vest in accordance with the tenure or performance conditions as determined by the Compensation Committee and set out in the contracts between the Company and the holders of such securities. The grant date fair value is determined based on the price of the Company stock price on the date of grant (stock price determined on Nasdaq post Redomiciliation and ASX prior to the Redomiciliation). RSUs primarily consist of awards to the Former CEO and other executives as well as Non-Executive Directors (as occurred following the 2021 AGM). The Former CEO RSU awards are described below.

A summary of the status of the Company’s unvested RSUs as of September 30, 2022, and changes that occurred during the year is presented below:

	Service Condition RSU	Performance Condition RSU	Market Condition	Total RSU's
Unvested RSUs outstanding at December 31, 2021	114,757	135,093	47,640	297,490
Granted	334,450	-	-	334,450
Vested	(47,507)	(57,527)	-	(105,034)
Forfeited	(5,850)	(11,920)	(47,640)	(65,410)
Unvested RSUs outstanding at September 30, 2022	395,850	65,646	-	461,496

2019 Former CEO RSUs

On November 2019, the equivalent of 395,542 RSUs were issued to the Former CEO with the following vesting terms:

- Tenure – the equivalent of 142,521 RSUs with a vesting period of three-years commencing on September 1, 2020. On September 1, 2022, the last tranche of 47,507 RSUs vested and were appropriately released. As of September 30, 2022, no RSUs are outstanding from this award.
- Milestone performance – 253,021 of the RSUs would vest upon satisfaction of various performance conditions. During the first quarter of 2022 the last performance milestone was achieved, the RSUs vested and were appropriately released. As of September 30, 2022, no RSUs are outstanding from this award.

2021 AGM Awards

On December 22, 2021, as part of the Company’s 2021 AGM, the Company’s stockholders approved the grant of stock option awards and RSUs to the Former CEO and the Board of Directors. These awards are referred to as the 2021 AGM Awards.

Awards to the Former CEO under the 2021 AGM Awards

On December 22, 2021, the Former CEO was issued an aggregate 150,480 options and RSUs comprising:

- 37,600 tenure-based options and RSUs (23,800 RSUs and 13,800 options) with 25% of those options and RSUs vesting annually commencing on December 14, 2022.
- 37,640 performance-based options and RSUs (23,840 RSUs and 13,800 options) that vest upon satisfaction of the below conditions:
 - o 9,410 awards (5,960 RSUs and 3,450 options) - Achieve Centers for Medicare and Medicaid Services reimbursement for out-patient transitional pass-through payment code (“**TPT**”) by June 30, 2022. This performance condition was met during the quarter ended March 31, 2022 resulting in the 5,960 RSUs vesting and 5,960 shares of common stock being issued in respect of those vested RSUs, as well as the 3,450 options vesting (although those vested options have not been exercised by the Former CEO as at the date of this Form 10-Q).
 - o 9,410 awards (5,960 RSUs and 3,450 options) - Achieve Japanese approval from Pharmaceuticals and Medical Device Agency (“**PMDA**”) and reimbursement code by September 30, 2022. This performance condition was met during the quarter ended September 30, 2022, resulting in the RSUs vesting and 5,960 shares of common stock being issued in respect of those vested RSUs, as well as the 3,450 options vesting (although those vested options have not been exercised by the Former CEO as at the date of this Form 10-Q).
 - o 9,410 awards (5,960 RSUs and 3,450 options) - Achieve profitability of the Company’s Burns business for two consecutive quarters by March 31, 2023. These awards were unvested as at the date of termination of the Former CEO's employment.
 - o 9,410 awards (5,960 RSUs and 3,450 options) - Achieve US FDA approval of vitiligo indication by December 31, 2023. These awards were unvested as at the date of termination of the Former CEO's employment.
- 75,240 stretch-performance based options and RSUs (47,640 RSUs and 27,600 options) that vest upon satisfaction of the below conditions:
 - o 37,620 (23,820 RSUs and 13,800 options) - Achieve a doubling based on a 10-day volume-weighted average price (“**VWAP**”) of the Company’s share price as of the date of the 2021 Annual Meeting (being December 14, 2021) by September 30, 2023. The target share price is \$25.74. These awards were unvested as at the date of termination of the Former CEO's employment.
 - o 37,620 (23,820 RSUs and 13,800 options) - Achieve a market capitalization of the Company of greater than or equal to US\$1.25 billion (as compared to market capitalization of ~US\$435M as of October 14, 2021) and maintain that market capitalization for at least 30 consecutive calendar days on or before December 31, 2024. These awards were unvested as at the date of termination of the Former CEO's employment.

In accordance with the terms of the RSU Agreement and Option Agreements with the Former CEO, unvested performance-based and market condition RSUs were forfeited on the date of termination and unvested performance-based and market conditions options expired on the date of termination. Per the terms of the RSU and Option Agreements, RSUs and options that were granted and are tenure-based only will continue to vest as long as the Former CEO continues to provide services to the Company as a Board Member.

Awards to the Board of Directors under the 2021 AGM Awards

The Board of Director awards that were granted in 2021 consist of an aggregate 68,600 options and RSUs as follows:

- 41,400 tenure-based options and RSUs (15,300 options and 26,100 RSUs) vesting 12 months from the grant date
 - o 6,900 tenure-based options and RSUs (4,350 RSUs and 2,550 options) were granted to each of the six non-executive board members based on the vesting terms detailed above.
- 27,200 tenure-based options and RSUs (9,850 options and 17,350 RSUs) vesting on the first, second and third anniversary of the grant date in equal amounts (i.e. 1/3 of the RSUs and options will vest on each anniversary of the grant date, being on December 22 of each relevant year).
 - o 13,600 tenure-based options and RSUs (8,675 RSUs and 4,925 options) were granted to Jan Stern Reed and James Corbett as an initial grant in connection with their appointment to the Board of Directors.

16. Income Taxes

At December 31, 2021, the Company and its subsidiaries had net operating loss carryforwards for federal, state, United Kingdom, and Australian income tax purposes of \$122.0 million, \$79.7 million, \$31.9 million and \$38.2 million respectively. The net operating loss carryforwards may be subject to limitation regarding their utilization against taxable income in future periods due to “change of ownership” provisions of the Internal Revenue Code and similar state and foreign provisions. Of these carryforwards, \$21.7 million will expire, if not utilized, between 2026 through 2038. The state carryforwards begin to expire between 2026 through 2041. The remaining carryforwards have no expiration. The Company is forecasting current year losses and has full valuation allowances against its deferred tax assets. Tax expense for the three-months ended September 30, 2022 and 2021 of \$4,000 and \$6,000, respectively, is related to state minimum taxes. Tax expense for the nine-months ended September 30, 2022 and 2021, is \$12,000 and \$23,000, respectively.

In assessing the recoverability of its deferred tax assets, the Company considers whether it is more likely than not that its deferred assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating losses can be utilized. The Company considers all positive and negative evidence when determining the amount of the net deferred tax assets that are more likely than not to be realized. This evidence includes, but is not limited to, historical earnings, scheduled reversal of taxable temporary differences, tax planning strategies and projected future taxable income. Based upon the weight of available evidence including the uncertainty regarding the Company’s ability to utilize certain net operating losses and tax credits in the future, the Company has established a valuation allowance against its net deferred tax assets of \$51.3 million and \$46.9 million as of December 31, 2021 and 2020, respectively. The deferred tax assets are primarily net operating loss carryforwards for which management has determined it is more likely than not that the deferred tax assets will not be realized.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements related to a particular tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The amount of unrecognized tax benefits is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax law, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination.

The Company has not identified any uncertain tax positions as of September 30, 2022 or December 31, 2021.

The Company files income tax returns in the U.S. federal, California and certain other state and foreign jurisdictions. The Company remains subject to income tax examinations for its U.S. federal and state income taxes generally for fiscal years ended June 30, 2006 and forward. The Company also remains subject to income tax examinations for international income taxes for fiscal years ended June 30, 2018 through June 30, 2021, and for certain other U.S. state and local income taxes generally for the fiscal years ended June 30, 2018 through June 30, 2021.

17. Net Loss per Share

The following is a reconciliation of the basic and diluted loss per share computations:

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	(in thousands, except per share data)			
	2022	2021	2022	2021
Net Loss	\$ (5,588)	\$ (5,948)	\$ (21,312)	\$ (16,663)
Weighted-average common shares – outstanding, basic	25,007	24,905	24,972	24,175
Weighted-average common shares – outstanding, diluted	25,007	24,905	24,972	24,175
Net loss per common share, basic	<u>\$ (0.22)</u>	<u>\$ (0.24)</u>	<u>\$ (0.85)</u>	<u>\$ (0.69)</u>
Net loss per common share, diluted	<u>\$ (0.22)</u>	<u>\$ (0.24)</u>	<u>\$ (0.85)</u>	<u>\$ (0.69)</u>

The Company’s basic net loss per share is calculated by dividing the net loss by the weighted-average number of shares of common stock outstanding for the relevant period. In accordance with ASC 710-10, 17,927 shares of common stock held by the rabbi trust are excluded from the denominator in the basic and diluted EPS calculations. For details on shares of common stock held by the rabbi trust refer to Note 18. For the purposes of the calculation of diluted net loss per share, options to purchase common stock,

restricted stock units and unvested shares of common stock issued upon the early exercise of stock options have been excluded from the calculation of diluted net loss per share as their effect is anti-dilutive. Because the Company has reported a net loss for the three and nine-months ended September 30, 2022, and 2021, diluted net loss per common share is the same as the basic net loss per share for those periods.

18. Retirement Plans

The Company offers a 401(k)-retirement savings plan (the **"401(k) Plan"**) for its employees, including its executive officers, who satisfy certain eligibility requirements. The Internal Revenue Code of 1986, as amended, allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) Plan. The Company matches contributions to the 401(k) Plan based on the amount of salary deferral contributions the participant makes to the 401(k) Plan. The Company will match up to 6% of an employee's compensation that the employee contributes to his or her 401(k) Plan account. Total Company matching contributions to the 401(k) Plan were \$312,000 and \$183,000 in the three-months ended September 30, 2022 and 2021, respectively, and \$783,000 and \$606,000 in the nine-months ended September 30, 2022 and 2021.

Non-qualified deferred compensation plan

The Company's non-qualified deferred compensation plan (the **"NQDC plan"**), which became effective on October 2021 allows for eligible management and highly compensated key employees to elect to defer a portion of their salary, bonus, commissions and RSU awards to later years. Cash deferrals are immediately vested and are subject to investment risk and a risk of forfeiture under certain circumstances. RSU deferrals are subject to the vesting conditions of the award. Once RSUs vest, subject to a six-month and one day holding period, employees are allowed to diversify the common stock into other investment options offered by the plan. For cash deferrals, the Company matches 4% to 6% (depending on level) of employee contributions. These matching employer contributions are vested over a two-year period with 25% vesting on year one and 75% vesting on year two for employees under 55 years of age. Employer contributions for employees over 55 years of age are immediately vested. Employer contributions to the NQDC plan were \$75,000 and \$0 for the three-months ended September 30, 2022 and 2021, and \$197,000 and \$0 for the nine-months ended September 30, 2022 and 2021. The Company's deferred compensation plan liability was \$1 million and \$262,000 as of September 30, 2022 and December 31, 2021, respectively, and is included in non-qualified deferred compensation plan liability in the Consolidated Balance Sheets.

The Company established a COLI to fund the NQDC plan. Amounts in the COLI are invested in a number of funds. The securities are carried at the cash surrender value on the Consolidated Balance Sheets. We record investment gains and losses of the COLI as other income.

The fair values of the Company's deferred compensation plan assets and liability are included in the table below. For additional information on the fair value hierarchy and the inputs used to measure fair value, see Note 5, Fair Value Measurements.

	Fair Value as of September 30, 2022				Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Corporate-owned life insurance policies (1)	-	948	-	948	-	304	-	304
Non-qualified deferred compensation plan liability (2)	-	1,016	-	1,016	-	262	-	262

- (1) The corporate-owned life insurance contracts are recorded at cash surrender value, which is provided by a third party and reflects the net asset value of the underlying publicly traded mutual funds and are categorized as Level 2.
- (2) Non-qualified deferred compensation plan liability is measured at fair value based on quoted prices of identical instruments to the investment vehicles selected by the participants.

Rabbi Trust

During April 2022, we established a rabbi trust to hold the assets of the NQDC plan. The rabbi trust holds the COLI asset and the common stock from deferred RSU awards that have vested. The NQDC permits diversification of fully vested shares into other equity securities subject to a six month and one day holding period. In accordance with ASR 268, *Redeemable Preferred Stock*, and ASC 718, *Compensation — Stock Compensation*, prior to vesting, the deferred share awards are classified as an equity instrument and changes in fair value of the amount owed to the participant are not recognized. The redemption amounts of the deferred awards are based on the vested percentage and are recorded outside of permanent equity as Non-qualified deferred compensation share awards on the Consolidated Balance Sheets. As of September 30, 2022, a total of 253,048 shares awards have been deferred, and during the quarter ended September 30, 2022, a total of 17,927 awards vested. Vested shares are converted to common stock and are reclassified to permanent equity. Common stock held in the rabbi trust is classified in a manner similar to treasury stock and presented separately on the Consolidated Balance Sheets as Common stock held by the NQDC plan. A total of 17,927 shares were vested at the redemption value of \$127,000.

The following table summarizes the eligible share award activity as of September 30, 2022, and December 31, 2021 (in thousands):

	As of	
	September 30, 2022	December 31, 2021
Non-qualified deferred compensation share awards:		
Balance at inception/beginning of period	-	-
Change in classification of deferred compensation share awards	192	-
Share-based compensation expense	287	-
Change in redemption value	(80)	-
Vesting of share awards held by NDQC	(127)	-
Ending Balance	272	-

19. Subsequent Events

The Company has evaluated subsequent events through the filing of this Quarterly Report on Form 10-Q and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Our actual results and timing of certain events may differ materially from the results discussed, projected, anticipated, or indicated in any forward-looking statements. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward-looking statements contained in this Quarterly Report on Form 10-Q. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Quarterly Report on Form 10-Q, they may not be predictive of results or developments in future periods.

The following information and any forward-looking statements should be considered in light of factors discussed elsewhere in this Quarterly Report on Form 10-Q, including those risks identified under Part II, Item 1A. Risk Factors.

We caution readers not to place undue reliance on any forward-looking statements made by us, which speak only as of the date they are made. We disclaim any obligation, except as specifically required by law and the rules of the SEC and the ASX, to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

Overview

The AVITA group of companies (comprising AVITA Medical, Inc. ("**AVITA**" or the "**Company**") and its subsidiaries, including AVITA Medical Pty Limited, previously known as AVITA Medical Limited, ("**AVITA Medical**")) (collectively, "**AVITA Group**" or "we", "us", or "our") is a regenerative medicine company leading the development and commercialization of devices and autologous cellular therapies for skin restoration. The Company's RECELL® System technology platform harnesses the regenerative properties of a patient's own skin to create Spray-On Skin™ cells. In September 2018, the United States Food & Drug Administration ("**FDA**") granted premarket approval ("**PMA**") to the RECELL System for use in the treatment of acute partial-thickness thermal burns or application in combination with meshed autografting for acute full-thickness thermal burn wounds in patients eighteen years and older. Following receipt of our original PMA, we commenced commercialization of the RECELL System in January 2019 in the United States. In June 2021, the FDA expanded its approval to include pediatric acute full-thickness thermal wounds in combination of meshed autografting. In February 2022, the FDA approved a PMA supplement for the RECELL Autologous Cell Harvesting Device, an enhanced ease-of-use device aimed at providing clinicians a more efficient user experience and simplified workflow. In addition, the FDA has granted the Company Investigational Device Exemptions ("**IDEs**"), which have enabled the Company to initiate pivotal clinical trials to further expand the approval of the RECELL System for the treatment of soft tissue repair and vitiligo. Enrollment of those clinical trials is complete, with topline results recently announced for both the soft tissue repair and vitiligo trials. Results from those studies are intended to support the Company's pursuit of FDA approval to market the RECELL System in the United States for those indications.

The RECELL System is used to prepare Spray-On Skin Cells using a small amount of a patient's own skin, providing a new way to treat severe burns, while significantly reducing the amount of donor skin required. The RECELL System is designed to be used at the point of care as a standalone product, or in combination with "skin grafts", known as split-thickness skin autografts, depending on the depth of the burn injury. The pivotal studies leading to the RECELL System's FDA PMA for the treatment of acute thermal burns, demonstrated that the RECELL System treated burns using 97.5-percent less donor skin when used alone in second-degree burns, and 32-percent less donor skin when used with autograft for third-degree burns compared to standard of care autografting. In these studies, a statistically significant reduction in donor skin required to treat burn patients with the RECELL System was realized without any associated compromise to healing or safety outcomes. Donor site outcomes from the clinical trial for second-degree burns also revealed a statistically significant reduction in patient-reported pain, increased patient satisfaction and improved scar outcomes.

Our compelling data from randomized, controlled clinical trials conducted at major United States burn centers, health economics modeling, and real-world use globally demonstrate that the RECELL System is a significant advancement over the current standard of care for burn patients and offers benefits in clinical outcomes and cost savings.

The RECELL System has received various approvals and registrations in international markets. The RECELL System is TGA-registered in Australia, received CE-mark approval in Europe, and received Japan's Pharmaceuticals and Medical Devices Act ("**PMDA**") approval for burns in Japan and has begun commercialization. Presently, other than in the U.S. and Japan we are not actively marketing the RECELL System and therefore do not derive material revenue from the RECELL System in Australia, Europe or other markets.

Our website address is www.avitamedical.com. Information contained on our website is not part of or incorporated into this report. We make our periodic reports, together with any amendments, available on our website, free of charge, as soon as reasonably practicable after we electronically file or furnish the reports with the Securities and Exchange Commission (“SEC”) or with the Australian Securities Exchange (“ASX”). The SEC maintains an internet site, www.sec.gov, which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Copies of announcements made by the Company to the ASX are available on ASX’s website (www.asx.com.au).

Corporate History

AVITA Medical, the former parent company of the AVITA Group, began as a laboratory spin-off in the Australian State of Western Australia. Clinical Cell Culture (“C3”) (being the prior name of AVITA Medical) was formed under the laws of the Commonwealth of Australia in December 1992 and has operated as AVITA Medical since 2008. AVITA Medical’s ordinary shares originally began trading in Australia on the Australian Securities Exchange (“ASX”) on August 9, 1993. AVITA Medical’s American Depositary Shares (“ADSs”) traded over the counter on the OTCQX under the ticker symbol “AVMXY” from May 14, 2012, through September 30, 2019, and its ADSs began trading on the Nasdaq Capital Market on October 1, 2019, under the ticker symbol “RCEL”.

The Company’s CHESS Depositary Interests (“CDIs”) are quoted on the ASX under AVITA Medical’s former ASX ticker code, “AVH”. The Company’s shares of common stock are quoted on Nasdaq under AVITA Medical’s former Nasdaq ticker code, “RCEL”. One share of common stock on Nasdaq is equivalent to five CDIs on the ASX.

COVID-19 Business Update and Risks Associated with COVID-19

The ongoing pandemic caused by the spread of coronavirus (“COVID-19”) has created significant disruptions to the U.S. and global economies and financial markets. The global impact of the pandemic has fluctuated since early 2020. At times, in the United States, state and local governmental authorities have responded by issuing orders, of varying degrees, requiring quarantines, restrictions on travel and minimizing social gathering/interactions and mandatory closures of certain non-essential businesses. Many of the restrictions have been periodically updated as infection rates in the U.S. have risen and fallen, as new variants have emerged, as vaccines have become available, and new information about transmission has been discovered.

In response to the pandemic, we acted swiftly by implementing protocols to ensure continuity of our manufacturing, increasing our safety stock and to provide for the safety of our employees. Early on, our business and operations were impacted by the ongoing effects of the pandemic with restrictions on travel and access to our customers or temporary suspension of treatment of burn patients or re-distribution of those patients to other treatment facilities and resulted in a reduction in the volume of burn procedures using the RECELL following the implementation of those protective measures. In addition, we experienced periodic enrollment cessation in our clinical trials due to COVID-19 as well as having individuals excluded due to contracting the virus.

As of the date of this filing, with the continued overall decrease in COVID-19 infections and hospitalizations we have resumed on-site work schedules for all employees. Thus far, 2022 the impact of COVID-19 has decreased as compared to 2021 for our business and operations; however, COVID-19 pandemic around the world, and particularly in the United States, continues to present risks to the Company. While the COVID-19 pandemic has not materially adversely affected our financial results and business operations through the third quarter ended September 30, 2022, we are unable to predict the impact that COVID-19 will have on our business, operations, and financial results and condition because of the numerous uncertainties created by the unprecedented nature of the pandemic. We are closely monitoring the evolving impact of the pandemic on all aspects of our business. We have implemented a number of measures designed to protect the health and safety of our employees, support our customers and promote business continuity. We continue to evaluate the Company’s liquidity and operational performance, communicate with and monitor the actions of our customers, third-party manufacturers and suppliers, and review our near-term financial performance as we manage the Company through this period of uncertainty.

Results of Operations for the three-months ended September 30, 2022 compared to the three-months ended September 30, 2021.

The table below summarizes the results of our continuing operations for each of the periods presented (in thousands).

	Three-Months Ended September 30,			% Change
	2022	2021	Change (\$)	Favorable/(Unfavorable)
Revenues	\$ 9,092	\$ 7,020	2,072	30%
Cost of sales	(1,530)	(1,088)	(442)	(41%)
Gross profit	7,562	5,932	1,630	27%
BARDA income	904	374	530	142%
Operating expenses:				
Sales and marketing expenses	(5,411)	(3,518)	(1,893)	(54%)
General and administrative expenses	(5,004)	(5,349)	345	6%
Research and development expenses	(3,799)	(3,388)	(411)	(12%)
Total operating expenses	(14,214)	(12,255)	(1,959)	(16%)
Operating loss	(5,748)	(5,949)	201	3%
Interest expense	(6)	(9)	3	33%
Other income	170	16	154	963%
Loss before income taxes	(5,584)	(5,942)	358	6%
Income tax expense	(4)	(6)	(2)	(33%)
Net loss	<u>\$ (5,588)</u>	<u>\$ (5,948)</u>	360	6%

Total net revenues increased by 30%, or \$2.1 million, to \$9.1 million, compared to \$7.0 million in the corresponding period in the prior year. Our commercial revenue, which excludes BARDA revenue, was \$9.0 million in the three-months ended September 30, 2022, an increase of \$2.1 million or 30%, compared to \$6.9 million in the corresponding period in the prior year. The growth in commercial revenues was largely driven by deeper penetration within individual customer accounts along with the commencement of commercial sales with our partner COSMOTEC in Japan.

Gross profit margin decreased by 2% to 83% compared to the corresponding period in the prior year.

BARDA income increased by 142%, or \$0.5 million, to \$0.9 million, compared to \$0.4 million for the corresponding period in the prior year. BARDA income consisted of funding from the Biomedical Advanced Research and Development Authority, under the Assistant Secretary for Preparedness and Response, within the U.S. Department of Health and Human Services, under ongoing USG Contract No. HHSO100201500028C. BARDA income increased as a result of funding by BARDA for the pivotal trial for use of the RECELL System for soft tissue reconstruction.

Total operating expenses increased by 16% or \$2.0 million to \$14.2 million, compared with \$12.3 million in the corresponding period in the prior year.

Sales and marketing expenses increased by 54%, or \$1.9 million, to \$5.4 million, compared to \$3.5 million incurred in the corresponding period in the prior year. Higher costs in the current year were primarily attributed to higher salaries and benefits, selling expenses, pre-commercialization costs and share-based compensation expenses. Increase in salaries and benefits primarily resulted from additional field personnel added to deepen penetration within individual customer accounts. Higher selling expenses resulted from an increase in travel costs due to fewer COVID-19 travel restrictions in the current year, along with higher commissions associated with the increase in revenues. Increased pre-commercialization costs are primarily due to planning for future RECELL launches in soft tissue reconstruction and vitiligo. Higher share-based compensation expenses were due to our adoption of a long-term incentive plan to encourage and reward shareholder value creation in the business.

General and administrative expenses decreased by 6%, or \$0.3 million, to \$5.0 million, compared to \$5.3 million incurred in the same period in the prior year. The decrease was primarily due to lower share-based compensation expenses, lower professional fees, partially offset by severance costs associated with the termination of a former executive employee. Lower share-based compensation expenses in the current quarter resulted from certain performance milestones being met in the prior year, along with the reversal of previously recognized expense for unvested awards related to the termination of an executive employee in the current year. Lower professional fees incurred in the current year resulted from the company changing from a fiscal year to a calendar year.

Research and development expenses increased by 12%, or \$0.4 million, to \$3.8 million, compared to \$3.4 million incurred in the same period in the prior year. The increase was a result of ongoing development of next generation devices for more automated preparation of Spray-On Skin Cells. The increase was partially offset by lower clinical trial expenses for soft tissue reconstruction and vitiligo as trial participants were in less costly follow-up phases this period compared to more costly recruitment and treatment phases in the prior period.

Results of Operations for the nine-months ended September 30, 2022 compared to the nine-months ended September 30, 2021.

The table below summarizes the results of our continuing operations for each of the periods presented (in thousands).

	<u>Nine-Months Ended September 30,</u>			<u>% Change Favorable/(Unfavorable)</u>
	<u>2022</u>	<u>2021</u>	<u>Change (\$)</u>	
Revenues	\$ 24,966	\$ 26,089	(1,123)	(4%)
Cost of sales	(4,694)	(5,287)	593	11%
Gross profit	20,272	20,802	(530)	(3%)
BARDA income	2,189	1,384	805	58%
Operating expenses:				
Sales and marketing expenses	(15,571)	(11,313)	(4,258)	(38%)
General and administrative expenses	(18,009)	(16,046)	(1,963)	(12%)
Research and development expenses	(10,478)	(11,471)	993	9%
Total operating expenses	(44,058)	(38,830)	(5,228)	(13%)
Operating loss	(21,597)	(16,644)	(4,953)	(30%)
Interest expense	(10)	(21)	11	52%
Other income	307	25	282	1128%
Loss before income taxes	(21,300)	(16,640)	(4,660)	(28%)
Income tax expense	(12)	(23)	11	48%
Net loss	<u>\$ (21,312)</u>	<u>\$ (16,663)</u>	(4,649)	(28%)

Total net revenues decreased by 4%, or \$1.1 million, to \$25.0 million, compared to \$26.1 million in the corresponding period in the prior year. The decrease in the current year revenue was driven by our recognition of \$7.8 million in BARDA related revenue in the prior year resulting from our delivery of units to managed inventory for BARDA for emergency response preparedness. Our commercial revenue, which excludes BARDA revenue, increased 35% or \$6.5 million to \$24.7 million, compared to \$18.2 million in corresponding period in the prior year. The growth in commercial revenues was largely driven by an increase in the number of customers ordering as well as the average monthly order size for those customers.

Gross profit margin increased by 1% to 81% compared to the corresponding period in the prior year. In the prior year our gross margins were lower compared to historical periods due to the lower price point associated with units that were delivered to managed inventory for BARDA as the BARDA contract was negotiated prior to establishing a higher price point through commercialization in the United States.

BARDA income increased by 58%, or \$0.8 million, to \$2.2 million, compared to \$1.4 million for the corresponding period in the prior year. BARDA income consisted of funding from the Biomedical Advanced Research and Development Authority, under the Assistant Secretary for Preparedness and Response, within the U.S. Department of Health and Human Services, under ongoing USG Contract No. HHSO100201500028C. BARDA income increased as a result of funding by BARDA for the pivotal trial for use of the RECELL System for soft tissue reconstruction.

Total operating expenses increased by 13% or \$ 5.2 million to \$44.1 million, compared with \$38.8 million in the corresponding period in the prior year.

Sales and marketing expenses increased by 38%, or \$4.3, million to \$15.6 million, compared to \$11.3 million incurred in the corresponding period in the prior year. Higher costs in the current year were primarily attributed to higher pre-commercialization costs, salaries and benefits, selling expenses, and share-based compensation expenses. Higher pre-commercialization costs were incurred for planning for future RECELL launches in soft tissue reconstruction and vitiligo. Increased salaries and benefits are attributable to an increase in field personnel to further deepen the penetration within individual customer accounts. Higher selling costs were primarily due to fewer COVID-19 travel restrictions in the current year, along with higher commissions due to an increase

in revenues. Higher share-based compensation expenses resulted from our granting of a long-term incentive plan to encourage and reward shareholder value creation in the business.

General and administrative expenses increased by 12%, or \$2.0 million, to \$18.0 million, compared to \$16.0 million incurred in the same period in the prior year. The increase was primarily driven by higher salaries and benefits and share-based compensation expenses. Higher salaries and benefits were associated with expanding our workforce to support overall operations along with severance costs associated with the termination of a former executive employee. Increased share-based compensation resulted from certain performance milestones being met in the period, partially offset by the reversal of previously recognized expense for unvested awards related to the termination of an executive employee in the current year.

Research and development expenses decreased by 9%, or \$1.0 million, to \$10.5 million, compared to \$11.5 million incurred in the same period in the prior year. Higher costs in the prior year were primarily driven by research and development costs associated with furthering the Company's pipeline along with ramping up vitiligo clinical trial activities. The favorable variance is not a purposeful reduction in spending but reflects that certain programs were in lower cost phases during this period. The decrease in research and development was partially offset by ongoing development of a next generation device for more automated preparation of Spray-On Skin Cells in the current year.

Liquidity and Capital Resources

The Company's short-term and long-term liquidity requirements primarily arise from funding (i) research and development expenses, (ii) general and administrative expenses including salaries, bonuses and commissions, (iii) working capital requirements. We expect to utilize cash reserves until U.S. sales of our products reach a level sufficient to fund ongoing operations. The AVITA Group has historically funded its research and development activities, and more recently its substantial investment in sales and marketing activities, through raising capital by issuing securities, and it is expected that similar funding will be obtained to provide working capital if and when required. As of September 30, 2022, the Company has sufficient cash reserves to fund operations for the next 12-months. If the Company is unable to raise capital in the future, the Company may need to curtail expenditures by scaling back certain research and development, other programs, and other expenditures.

The following table summarizes our cash flows for the periods presented (in thousands):

(In Thousands)	Nine-Months Ended	
	September 30, 2022	September 30, 2021
Net cash used in operations	\$ (15,654)	\$ (13,131)
Net cash used in investing activities	(16,174)	(50,182)
Net cash provided by financing activities	1	64,061
Effect of foreign exchange rate on cash and cash equivalents and restricted cash	(70)	(29)
Net increase/(decrease) in cash and cash equivalents and restricted cash	(31,897)	719
Cash and cash equivalents and restricted cash at beginning of year	55,712	59,966
Cash and cash equivalents and restricted cash at end of year	23,815	60,685

Nine-months ended September 30, 2022, and 2021.

Net cash used in operating activities was \$15.7 million and \$13.1 million during the nine-months ended September 30, 2022, and 2021, respectively. The increase was primarily resulted from higher operating costs.

Net cash used in investing activities was \$16.2 million and \$50.2 million during the nine-months ended September 30, 2022, and 2021, respectively. Cash flows used for investing activities was primarily attributable to our investments into marketable securities.

Net cash provided by financing activities was \$1 thousand and \$64.0 million during the nine-months ended September 30, 2022, and 2021, respectively. The decrease in cash provided by financing activities is related to proceeds from the capital raise in March 2021.

Capital management.

We aim to manage capital so that the Company continues as a going concern while also maintaining optimal returns to stockholders and benefits for other stakeholders. We also aim to maintain a capital structure that ensures the lowest cost of capital available to the Company. We regularly review the Company's capital structure and seek to take advantage of available opportunities to improve outcomes for the Company and its stockholders.

For the period ended September 30, 2022, there were no dividends paid and we have no plans to commence the payment of dividends. We have no purchase commitments or long-term contractual obligations as of September 30, 2022. We have no committed plans to issue further shares on the market but will continue to assess market conditions and the Company's cash flow requirements to ensure the Company is appropriately funded in order to pursue its various opportunities.

There is no significant external borrowing at the reporting date. Neither the Company nor any of the subsidiaries are subject to externally imposed capital requirement.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements (as defined in the rules and regulations of the SEC) that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Commitments and Contractual Obligations

The Company does not have any contractual obligations or purchase commitments, except for lease obligations for the period ended September 30, 2022. For details of lease obligations refer to Note 6 in the consolidated financial statements.

Critical Accounting Estimates

There have been no material changes to our critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Transition Report on Form 10-KT for the transition period ended December 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. As of September 30, 2022, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Securities Exchange Act Rule 13a-15(e) and 15d-15(e), were effective.

Our disclosure controls and procedures have been formulated to ensure (i) that information that we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) that the information required to be disclosed by us is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Controls over Financial Reporting

There was no change in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the third quarter of fiscal year 2022 covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II - Other Information

Item 1. LEGAL PROCEEDINGS

None.

Item 1A. RISK FACTORS

In addition to the risk factors set forth below and the other information set forth in this report, you should carefully consider the factors discussed under Part I, Item 1A, “Risk Factors” in the Company’s Transition Report on Form 10-KT for the transition period ended December 31, 2021. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. There have been no material changes to the risk factors described in Part I, Item 1A, “*Risk Factors*,” included in our 2021 Transition Report.

Refer also to “COVID-19 Business Update and Risks Associated with COVID-19” in Part 1 above.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) The following exhibits are filed as part of the Quarterly Report on Form 10-Q:

Exhibit No.	Description
2.1	Scheme Implementation Agreement (incorporated by reference to Exhibit 99.2 of the registrant's Form 6-K filed on April 20, 2020)
3.1	Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the registrant's Form 8-K12B filed on June 30, 2020)
3.2	Certificate of Amendment of Certificate of Incorporation (incorporated by reference to Exhibit 3.2 of the registrant's Form 10-KT filed on February 28, 2022)
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 of the registrant's Form 10-KT filed on February 28, 2022)
2.1	Scheme Implementation Agreement (incorporated by reference to Exhibit 99.2 of the registrant's Form 6-K filed on April 20, 2020)
10.1	Executive Employment Agreement between the registrant and James Corbett dated September 26, 2022 †*
10.2	Amendment of Solicitation/Modification of Contract dated September 29, 2015 between the registrant and the U.S Department of Health and Human Services Biomedical Advanced Research and Development Authority (BARDA)*
10.3	Amendment of Solicitation/Modification of Contract dated September 29, 2015 between the registrant and the U.S Department of Health and Human Services Biomedical Advanced Research and Development Authority (BARDA)*
31.1	Rule 13a-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a) Certification of Chief Financial Officer
32**	18 U.S.C. Section 1350 Certifications
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

† Management contract or compensation plan or arrangement

* Filed herewith

** Furnished herewith

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 10, 2022

AVITA MEDICAL, INC.

By: /s/ James Corbett

James Corbett
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Michael Holder

Michael Holder
Chief Financial Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made and entered into as of September 26, 2022, by and between James Corbett ("Executive") and Avita Medical, Inc., a Delaware corporation (the "Company").

WHEREAS, the Company desires to employ Executive and to enter into this Agreement embodying the terms of such employment, and Executive desires to enter into this Agreement and to accept such employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are mutually acknowledged, the Company and Executive hereby agree as follows:

1. Definitions. Capitalized terms not otherwise defined in this Agreement shall have the meaning set forth on Appendix A, attached hereto.

2. Term. Executive's employment with the Company pursuant to the terms of this Agreement shall be effective as of September 28, 2022 (the "Effective Date"), and shall continue until the third anniversary of the Effective Date, unless Executive's employment is terminated earlier pursuant to Section 5 of this Agreement. If Executive's employment is not terminated, or no notice of termination has been provided, pursuant to Section 5 of this Agreement prior to the [third] anniversary of the Effective Date or each annual anniversary thereafter, this Agreement shall be deemed to be automatically extended, upon the same terms and conditions, for successive periods of one year.

3. Position, Duties and Responsibilities; Performance.

3.1. Position, Duties and Responsibilities. During the Employment Term, Executive shall be employed and serve as President and Chief Executive Officer of the Company (together with such other position or positions consistent with Executive's title as the Board shall specify from time to time) and shall have such duties, authority and responsibilities commensurate with such title. Executive also agrees to serve as an officer and/or director of any other member of the Company Group, in each case without additional compensation. In addition, Executive shall continue to serve on the Board as of the Effective Date, and thereafter as necessary, and Executive shall serve as a member thereof during the Employment Term.

3.2. Performance. Executive shall devote substantially all of Executive's business time, attention, skill, and efforts to the performance of Executive's duties under this Agreement and, except as provided below, shall not engage in any other business or occupation, including any outside employment or consulting services, during the Employment Term, including, without limitation, any activity that (x) conflicts with the interests of the Company or any other member of the Company Group, (y) materially interferes with the performance of Executive's duties for the Company, or (z) interferes with Executive's exercise of Executive's judgment in the Company's best interests. Notwithstanding the foregoing, nothing herein shall preclude Executive from (i) serving, with the prior written consent of the Board, as a member of the boards of directors or advisory boards (or their equivalents in the case of a non-corporate entity) of one or more for-profit public or private companies and one or more charitable organizations, which with regard to charitable organizations such consent will not be unreasonably withheld or delayed, (ii) engaging in charitable activities and community affairs, (iii) delivering lectures and fulfilling speaking engagements, and (iv) managing Executive's personal investments and affairs (collectively, the "Permitted Activities"); provided, however, that the activities set out in clauses (i), (ii), (iii), and (iv) shall be limited

by Executive so as not to materially interfere, individually or in the aggregate, with the performance of Executive's duties and responsibilities hereunder and do not conflict with any applicable Company policy on conduct. Notwithstanding the foregoing, and for the avoidance of doubt, the parties acknowledge that Permitted Activities currently include the following: Executive's service as a board member of privately-held Invoy LLC; Executive's service as a board member of privately-held Alucent Biomedical; Executive's service as a strategy advisor to the CEO of Envveno Medical; and Executive's service as a board member of privately-held Mozarc.

3.3. Principal Place of Performance. The principal place of Executive's employment shall be the Company's office in Valencia, California; provided that, Executive shall be required to regularly meet with shareholders and potential investors in Australia and may be required to otherwise travel for business reasons during the Employment Term.

4. Compensation.

During the Employment Term, Executive shall be entitled to the following compensation:

4.1. Base Salary. Executive shall be paid an annualized base salary of \$600,000 in periodic installments in accordance with the Company's customary payroll practices, subject to annual review, with adjustments, if any, as may be approved in writing by the [Compensation Committee of the Board].

4.2. Annual Bonus. For each completed fiscal year of the Employment Term, Executive shall be eligible to receive an annual bonus (the "Annual Bonus"). As of the Effective Date, Executive's annual target bonus opportunity shall be equal to 60% of Base Salary, based on the achievement of individual and Company performance goals established by the Board; provided, that, depending on the results, Executive's actual bonus may be lower or higher than the target amount, with a minimum bonus opportunity of 0% of Base Salary and a maximum bonus opportunity of 200% of Base Salary, as determined by the Board. The Annual Bonus shall otherwise be subject to the terms and conditions of the annual bonus plan adopted by the Board or the Compensation Committee of the Board, if any, under which bonuses are generally payable to senior executives of the Company, as in effect from time to time. For the period beginning on the Effective Date and ending on the last day of the applicable fiscal year, Executive shall be eligible to receive a prorated Annual Bonus (calculated as the Annual Bonus that would have been paid for the entire fiscal year multiplied by a fraction, the numerator of which is equal to the number of days Executive was employed in the applicable fiscal year, and the denominator of which is equal to the total number of days in such fiscal year). The Annual Bonus, if any, shall be paid no later than the end of the calendar year in which the fiscal year to which it relates ends promptly after completion of the Company's audited year-end financial statements for such fiscal year (but in any event by the end of the calendar year in which the fiscal year ends) and at the same time as annual bonuses are paid to the other senior executive officers of the Company. In order to be eligible to earn an Annual Bonus, Executive must be employed by the Company on the last day of the applicable fiscal year.

4.3. Equity Incentive. Subject to the approval of the Company's shareholders, Executive shall receive an initial grant of options to acquire shares of the Company's common stock equal in value to \$1 million, to be calculated utilizing the Black-Scholes methodology, as is currently used by the Company with respect to option grants, with a grant date of Executive's first day of employment. Such shares will vest based on Executive's continued employment with the Company over four (4) years in equal installments, with the first option installment vesting upon the completion of Executive's first year of service. Such option grants shall be subject to the terms of a grant agreement pursuant to the Company's 2020 Omnibus Incentive Plan. For the avoidance of doubt, the grant agreement shall provide for "double-trigger" vesting of options in the event of a Change in Control. In addition, Executive shall be eligible for annual equity grants under the 2020 Omnibus Incentive Plan or similar plan in effect from time to time.

4.4. Employee Benefits. During the Employment Term, Executive shall be entitled to participate in health, insurance, retirement, and other benefits provided generally to similarly situated employees of the Company. Executive shall be entitled to four weeks of paid vacation per year. Executive can accrue up to six (6) weeks of vacation time, at which point no additional vacation may accrue beyond the six (6) weeks until a portion thereof is used. Any accrued vacation will roll over into the following calendar year and will not be forfeited. Executive agrees to schedule planned vacation to be taken at a time mutually convenient to Executive and the Board. Executive shall also be entitled to holidays and sick days, as well as any other benefits, in each case as are generally allowed to similarly situated employees of the Company in accordance with the Company policy as in effect from time to time. Nothing contained herein shall be construed to limit the Company's ability to amend, suspend, or terminate any employee benefit plan or policy at any time without providing Executive notice, and the right to do so is expressly reserved.

4.5. Business Expenses. Executive shall be entitled to reimbursement for all reasonable and necessary out-of-pocket business, entertainment and travel expenses incurred by Executive in connection with the performance of Executive's duties hereunder in accordance with the Company's expense reimbursement policies and procedures and the terms and conditions of this Agreement. Subject to the foregoing, the Company will provide accommodations in Valencia, California for the 15-20 days per month it is anticipated Executive will be in Valencia, for so long as Executive is engaged in long-distance commuting to Valencia, and Executive's commuting costs to and from Valencia from his home in Orange County will be reimbursed in accordance with the Company policy on fuel reimbursement.

5. Termination of Employment.

5.1. General. The Employment Term, and Executive's employment hereunder, shall terminate upon the earliest to occur of (i) Executive's death, (ii) a termination by reason of a Disability, (iii) a termination by the Company with or without Cause, and (iv) a termination by Executive with or without Good Reason. Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein or in any plan or grant, all of Executive's rights to Base Salary, Annual Bonus, employee benefits and other compensatory amounts hereunder (if any) shall cease upon the termination of Executive's employment hereunder (the "Termination Date").

5.2. Deemed Resignation. Upon any termination of Executive's employment for any reason, except as may otherwise be requested by the Company in writing and agreed upon in writing by Executive, Executive shall be deemed to have resigned from any and all directorships, committee memberships, and any other positions Executive holds with the Company or any other member of the Company Group.

5.3. Termination Due to Death or Disability. Executive's employment shall terminate automatically upon Executive's death. The Company may terminate Executive's employment immediately upon the occurrence of a Disability upon the giving of written notice to Executive while the Disability exists, such termination to be effective upon Executive's receipt of such written notice of such termination. Upon Executive's death or in the event that Executive's employment is terminated due to Executive's Disability, Executive or Executive's estate or Executive's beneficiaries, as the case may be, shall be entitled to the Accrued Obligations. Following Executive's death or a termination of Executive's employment by reason of a Disability, except as set forth in this Section 5.3, Executive shall have no further rights to any compensation or any other benefits under this Agreement.

5.4. Termination by the Company for Cause.

(a) The Company may terminate Executive's employment at any time for Cause, effective upon delivery to Executive of written notice of such termination; provided, however,

Executive's termination will be subject to any applicable cure period set forth in the definition of Cause and if applicable, will only be effective if Executive fails to cure the event or circumstance constituting "Cause" within such cure period, and

(b) In the event that the Company terminates Executive's employment for Cause, Executive shall be entitled only to the Accrued Obligations. Following such termination of Executive's employment for Cause, except as set forth in this Section 5.4(b), Executive shall have no further rights to any compensation or any other benefits under this Agreement.

5.5. Termination by the Company without Cause. The Company may terminate Executive's employment at any time without Cause, effective upon delivery to Executive of written notice of such termination. In the event that Executive's employment is terminated by the Company without Cause (other than due to death or Disability), Executive shall be entitled to:

(a) The Accrued Obligations;

(b) Any unpaid Annual Bonus in respect of any completed fiscal year that has ended prior to the date of such termination, which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company, but in no event later than the date that is two and one-half months following the last day of the fiscal year in which such termination occurred;

(c) Continued payment of Executive's Base Salary at the time of the Termination Date on the Company's usual payroll dates for the one year period commencing on the Termination Date (the "Severance Period"), except that the first such payment shall not be made until the next administratively practicable payroll date after Executive has satisfied the requirement to provide a Release of Claims (as described in Section 5.9) and such Release of Claims has become effective and irrevocable (the "Payment Date"), and such first payment shall be inclusive of all such payments that would have been made prior to the Payment Date but for the requirement to provide an effective and irrevocable Release of Claims; and

(d) If Executive timely and properly elects continuation coverage under the Consolidated Omnibus Reconciliation Act of 1985 ("COBRA"), the Company shall reimburse Executive for the monthly COBRA premium paid by Executive for himself and his dependents for a period of twelve months (the "Benefits Reimbursement Period"). Any such reimbursement for the period prior to the Payment Date shall be paid to Executive in a lump sum on the Payment Date and any reimbursement for any month (or portion thereof) on and after the Payment Date shall be paid to Executive on the tenth day of the month immediately following the month in which Executive timely remits the premium payment. Notwithstanding the foregoing, if the Company's making payments under this Section 5.5(d) would violate the nondiscrimination rules applicable to non-grandfathered group health plans, or result in the imposition of penalties under the Patient Protection and Affordable Care Act of 2010 and the related regulations and guidance promulgated thereunder ("PPACA"), the parties agree to reform this Section 5.5(d) in a manner as is necessary to comply with PPACA.

Notwithstanding the foregoing, the payments and benefits described in clauses (b), (c), and (d) above shall immediately terminate, and the Company shall have no further obligations to Executive with respect thereto, in the event that Executive breaches Section 9 of this Agreement. Following such termination of Executive's employment by the Company without Cause, except as set forth in this Section 5.5, Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment by the Company without Cause shall be receipt of the Severance Benefits (as defined in Section 5.9, below).

5.6. Termination by Executive with Good Reason. Executive may terminate Executive's employment with Good Reason in accordance with the time periods and cure periods set forth in the definition of Good Reason. Executive shall be entitled to the same payments and benefits as provided in Section 5.5 hereof for a termination by the Company without Cause, subject to the same conditions on payment and benefits as described in Section 5.5 hereof. Following such termination of Executive's employment by Executive with Good Reason, except as set forth in this Section 5.6, Executive shall have no further rights to any compensation or any other benefits under this Agreement. For the avoidance of doubt, Executive's sole and exclusive remedy upon a termination of employment with Good Reason shall be receipt of the Severance Benefits (as defined in Section 5.9, below).

5.7. Termination by Executive without Good Reason. Executive may terminate Executive's employment without Good Reason by providing the Company ninety (90) days' prior written notice of such termination. In the event of a termination of employment by Executive under this Section 5.7, Executive shall be entitled only to the Accrued Obligations. In the event of termination of Executive's employment under this Section 5.7, the Company may, in its sole and absolute discretion, by written notice accelerate such date of termination without changing the characterization of such termination as a termination by Executive without Good Reason. Following such termination of Executive's employment by Executive without Good Reason, except as set forth in this Section 5.7, Executive shall have no further rights to any compensation or any other benefits under this Agreement.

5.8. Termination of Employment in Connecting With a Change in Control. Notwithstanding the terms set forth in Section 5.5 and 5.6, if Executive's employment with the Company is terminated pursuant to Section 5.5 or Section 5.6 hereof (i) within 90 days prior to the effective time of a Change in Control or (ii) from the effective time of a Change in Control until the date that is one year after the occurrence of a Change in Control, subject to the same conditions on payment and benefits set forth in Section 5.5, Executive shall be entitled to the payments and benefits provided in Sections 5.5(a), (b), (c) and (d) hereof, except that the Severance Period shall be eighteen (18) months and the Benefits Reimbursement Period shall be eighteen (18) months.

5.9. Release. Notwithstanding any provision herein to the contrary, the payment of any amount or provision of any benefit pursuant to Section 5.5, Section 5.6 or 5.8 (other than the Accrued Obligations) (collectively, the "Severance Benefits") shall be conditioned upon Executive's execution, delivery to the Company, and non-revocation of the Release of Claims (and the expiration of any revocation period contained in such Release of Claims) within sixty (60) days following the date of Executive's termination of employment hereunder. If Executive fails to execute the Release of Claims in such a timely manner so as to permit any revocation period to expire prior to the end of such sixty (60) day period, or timely revokes Executive's acceptance of such release following its execution, Executive shall not be entitled to any of the Severance Benefits. Further, to the extent that any of the Severance Benefits constitutes "nonqualified deferred compensation" for purposes of Section 409A of the Code, any payment of any amount or provision of any benefit otherwise scheduled to occur prior to the sixtieth (60th) day following the date of Executive's termination of employment hereunder, but for the condition on executing the Release of Claims as set forth herein, shall not be made until the first regularly scheduled payroll date following such sixtieth (60th) day, and any remaining Severance Benefits thereafter due shall be provided to Executive according to the applicable schedule set forth herein.

6. Section 280G. Notwithstanding anything to the contrary in this Agreement, this Section 6 shall apply in the event of (i) a "change in the ownership or effective control" of the Company or (ii) a "change in the ownership of a substantial portion of the assets" of the Company, each within the meaning of Section 280G of the Code (collectively, an "Excise Tax Event"). If an Excise Tax Event is consummated, and as a result any payments and benefits provided for in this Agreement, together with any other payments and benefits which Executive has the right to receive from the Company or any of its affiliates, would

constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the payments and benefits provided for in this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Executive from the Company and its affiliates will be one dollar (\$1.00) less than three times Executive's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Executive shall be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are hereinafter collectively referred to as the "Excise Tax"), or (b) paid in full, whichever produces the better net after-tax position to Executive (taking into account any applicable Excise Tax and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made in the following order: (1) by reducing the amounts of any payments or benefits that would not constitute deferred compensation under Section 409A, to the extent necessary to decrease the payments subject to the Excise Tax, as agreed by the Company and Executive; (2) next, by reducing, payments or benefits to be paid in cash hereunder and that constitute deferred compensation under Section 409A in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time); and (3) finally, by reducing any non-cash or in-kind benefit to be provided hereunder and that constitute deferred compensation under Section 409A in a similar order to that described in clause (2). The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment or benefit is made or provided and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Executive's base amount, then Executive shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 6 shall require the Company to be responsible for, or have any liability or obligation with respect to, Executive's Excise Tax liabilities.

7. Cooperation. The parties agree that certain matters in which Executive will be involved during the Employment Term may necessitate Executive's cooperation in the future. Accordingly, following the termination of Executive's employment for any reason, to the extent reasonably requested by the Board, Executive shall cooperate with the Company in connection with matters arising out of Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of Executive's other activities. The Company shall reimburse Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that Executive is required to spend substantial time on such matters, the Company shall compensate Executive at an hourly rate based on Executive's Base Salary on the Termination Date, unless such time is as a witness in a legal proceeding, in which case the Company will only pay costs and expenses as permitted by law.

8. Confidential Information. Executive recognizes that the nature of Executive's services are such that Executive will have access to information that constitutes trade secrets, is of a confidential nature, is of great value to the Company Group or is the foundation on which the business of the Company is predicated ("*Confidential Information*"). Executive agrees, during his employment and thereafter, not to disclose to any person other than the Company Group's employees or the Company Group's legal counsel or other parties authorized by the Company Group to receive confidential information nor use for any purpose, other than the performance of this Agreement, any Confidential Information. Confidential Information includes data or material (regardless of form) which is: (a) a trade secret; (b) provided, disclosed or delivered to Executive by the Company, any officer, director, employee, agent, attorney, accountant, consultant or other person or entity employee by the Company in any capacity, any customer, borrower or business associate of the Company Group or any public authority having jurisdiction over the Company Group of any business activity conducted by the Company Group; or (c) produced, developed, obtained or prepared by or on behalf of Executive or the Company Group (whether or not such information was developed in the performance of this Agreement) with respect to the Company Group or any assets,

business activities, officers, directors, employees, borrowers or customers of the foregoing. However, Confidential Information will not include any information, data or material which at the time of disclosure or use was generally available to the public other than by a breach of this Agreement, was available to the party to whom disclosed on a non-confidential basis by disclosure or access provided by the Company Group or a third party, or was otherwise developed or obtained independently by the person to whom disclosed without a breach of this Agreement. The foregoing notwithstanding, nothing in this Agreement prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. On request by the Company, the Company will be entitled to a copy of any Confidential Information in the possession of Executive. The provisions of this Section 8 will survive the termination, expiration or cancellation of Executive's employment. Executive will deliver to the Company all originals and copies of the documents or materials containing Confidential Information. Executive further agrees that if Executive executes additional Company policies or agreements to protect the Confidential Information, this Agreement shall be read in conjunction with any such policies or Agreements to provide the broadest and greatest protection to the Confidential Information.

9. Protective Covenants.

9.1. Acknowledgment. Executive understands that the nature of Executive's position gives him access to and knowledge of Confidential Information and places him in a position of trust and confidence with the Company Group. Executive understands and acknowledges that the intellectual services he provides to the Company Group are unique, special, and extraordinary. Executive further understands and acknowledges that the Company Group's ability to reserve these for the exclusive knowledge and use of the Company Group is of great competitive importance and commercial value to the Company Group, and that improper use or disclosure by Executive is likely to result in unfair or unlawful competitive activity.

9.2. Non-Competition. Executive covenants and agrees that, during his employment with the Company, Executive will not directly or indirectly, engage in any business (as an owner, joint venturer, partner, stockholder, director, officer, consultant, agent or otherwise, other than as the owner of less than 1% of the outstanding class of a publicly traded security) which competes with the business in which the Company is presently engaged or may be engaged at any time during the Employment Term. Nothing in this Section 9.2 shall be construed as limiting Executive's duty of loyalty to the Company while he is employed by the Company, or any other duty he may otherwise have to the Company while he is employed by the Company.

9.3. Non-Solicitation of Employees. Executive covenants and agrees that during his employment with the Company and for a period of one (1) years after the Termination Date, irrespective of the reason for the termination (the "*Restricted Period*") Restricted Period, Executive shall not, individually or jointly with others, directly or indirectly, recruit, hire, encourage, or attempt to recruit or hire, or by assisting others, any employees, contractors, or other service provider of the Company Group with whom Executive worked, had business contact, or about whom Executive gained non-public or Confidential Information (hereinafter, "*Company Group's employees or former employees*"), nor shall Executive contact or communicate with same, other than on behalf of the Company Group, for the purpose of inducing, assisting, encouraging and/or facilitating the Company Group's employees to terminate their employment with the Company Group or find employment or work with another person or entity.

Additionally, Executive shall not provide or pass along to any person or entity the name, contact and/or background information about any of the Company Group's employees or provide references or any other information about them. Additionally, Executive shall not provide or pass along to the

Company Group's employees any information regarding potential jobs or entities or persons to work for, including but not limited to, job openings, job postings, or the names or contact information of individuals or companies hiring people or accepting job applications. Further, Executive shall not offer employment to or work to any employees of the Company Group's employees or former employees. For purposes of this covenant "Company Group's employees or former employees" shall refer to employees of the Company Group Executive supervised, was supervised by, or otherwise worked with in any capacity during the twelve (12) month period prior to the Termination Date.

9.4. Reasonableness. The Company and Executive have attempted to specify a reasonable period of time and reasonable restrictions to which the provisions of this Section 9 shall apply. The Company and Executive agree, however, that if a court or agency of competent jurisdiction determines that any of the terms of this Section 9 are not enforceable because they are overbroad or for any other reason, the provisions of this Section 9 shall be reformed and modified to reflect restrictions that are determined to be reasonable by such court or agency of competent jurisdiction.

10. Non-Disparagement. Executive agrees and covenants that he will not at any time make, publish or communicate to any person or entity or in any public forum any defamatory or disparaging remarks, comments or statements concerning the Company Group or its businesses, or any of its employees, officers, and existing and prospective customers, suppliers, investors and other associated third parties. This Section 10 does not, in any way, restrict or impede Executive from exercising protected rights to the extent that such rights cannot be waived by agreement or from complying with any applicable law or regulation or a valid order of a court of competent jurisdiction or an authorized government agency, provided that such compliance does not exceed that required by the law, regulation or order. Executive shall promptly provide written notice of any such order to the Company's General Counsel.

11. Acknowledgement. Executive acknowledges and agrees that the services to be rendered by him to the Company are of a special and unique character; that Executive will obtain knowledge and skill relevant to the Company's industry, methods of doing business and marketing strategies by virtue of Executive's employment; and that the protective covenants and other terms and conditions of this Agreement are reasonable and reasonably necessary to protect the legitimate business interest of the Company Group.

12. Remedies. In the event of a breach or threatened breach by Executive of Sections 7 - 10 of this Agreement, Executive hereby consents and agrees that the Company shall be entitled to seek, in addition to other available remedies, a temporary or permanent injunction or other equitable relief against such breach or threatened breach from any court of competent jurisdiction, without the necessity of showing any actual damages or that money damages would not afford an adequate remedy, and without the necessity of posting any bond or other security. The aforementioned equitable relief shall be in addition to, not in lieu of, legal remedies, monetary damages or other available forms of relief.

13. Arbitration. In consideration of the Company employing Executive, and the salary and benefits provided under this Agreement, Executive and the Company agree that all claims arising out of or relating to his employment, including its termination, shall be resolved by binding arbitration. This Agreement expressly does not prohibit either party from seeking an application for a provisional remedy pursuant to Cal. Code Civ. Proc. Section 1281.8. The dispute will be arbitrated in accordance with the rules of the American Arbitration Association ("AAA") under its existing Employment Arbitration Rules. These rules may be found at <https://www.adr.org/sites/default/files/Employment-Rules-Web.pdf>. The Company shall pay for the arbitration administrative costs and arbitrator's fees pursuant to applicable law and the AAA rules. Each party in the arbitration shall bear his/its own attorneys' fees and legal costs. The parties agree to file any demand for arbitration within the time limit established by the applicable statute of limitations for the asserted claims. Failure to demand arbitration within the prescribed time period shall

result in waiver of said claims. The parties agree that the arbitration will be venued at or near Los Angeles, California.

This pre-dispute resolution agreement will cover all matters directly or indirectly arising out of or related to Executive's employment, recruitment, relocation and/or termination of employment, including, but not limited to, claims involving laws against any form of discrimination or wrongful termination, and whether brought under federal or state law, and/or claims involving other employees. Excluded from this arbitration provision are workers' compensation claims, unemployment insurance claims or any other claim which is not subject to arbitration by law. THE PARTIES UNDERSTAND AND AGREE THAT THEY ARE WAIVING THEIR RIGHTS TO BRING SUCH CLAIMS TO COURT, INCLUDING THE RIGHT TO A JURY TRIAL.

14. Proprietary Rights.

14.1. Work Product. Executive acknowledges and agrees that all writings, works of authorship, technology, inventions, discoveries, ideas and other work product of any nature whatsoever, that are created, prepared, produced, authored, edited, amended, conceived or reduced to practice by Executive individually or jointly with others during the period of his employment by the Company and relating in any way to the business or contemplated business, research or development of the Company (regardless of when or where the Work Product is prepared or whose equipment or other resources is used in preparing the same) and all printed, physical and electronic copies, all improvements, rights and claims related to the foregoing, and other tangible embodiments thereof (collectively, "*Work Product*"), as well as any and all rights in and to copyrights, trade secrets, trademarks (and related goodwill), patents and other intellectual property rights therein arising in any jurisdiction throughout the world and all related rights of priority under international conventions with respect thereto, including all pending and future applications and registrations therefor, and continuations, divisions, continuations-in-part, reissues, extensions and renewals thereof (collectively, "*Intellectual Property Rights*"), shall be the sole and exclusive property of the Company.

14.2. Work Made for Hire; Assignment. Subject to Section 14.3, below, Executive acknowledges that, by reason of being employed by the Company at the relevant times, to the extent permitted by law, all of the Work Product consisting of copyrightable subject matter is "work made for hire" as defined in 17 U.S.C. § 101 and such copyrights are therefore owned by the Company. To the extent that the foregoing does not apply, Executive hereby irrevocably assigns to the Company, for no additional consideration, Executive's entire right, title and interest in and to all Work Product and Intellectual Property Rights therein, including the right to sue, counterclaim and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title or interest in any Work Product or Intellectual Property Rights so as to be less in any respect than that the Company would have had in the absence of this Agreement.

14.3. California Labor Code Section 2870. Executive acknowledges and agrees that Executive's agreement to assign and assignment of rights to the Company as set forth in Section 14.2 above shall not apply to any invention that qualifies fully under the provisions of California Labor Code Section 2870, where Executive developed such invention entirely on Executive's own time without using the Company's equipment, supplies, facilities or Confidential Information and such invention does not either relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or result from any work performed by Executive for the Company. Executive will promptly identify in writing to the Company all inventions made by Executive that Executive believes meet the criteria of California Labor Code Section 2870 to permit a determination as to whether or not the invention constitutes Work Product subject to the assignment provisions set forth in Section 14.2 hereof. If any invention is determined, pursuant to

California Labor Code Section 2870, not to be the property of the Company, Executive agrees, prior to commercially exploiting such invention or disclosing such invention to any third party, to submit to the Company an offer of commercially reasonable license terms with respect to such invention, and the Company will notify Executive within ten (10) business days after Company's receipt of such offer if the Company accepts such offer or desires to commence negotiations of the terms set forth in Executive's offer. If no definitive agreement is reached within sixty (60) days after the Company's acceptance of Executive's offer or commencement of negotiations, Executive may commence negotiations with any third party with respect to the licensing and exploitation of such invention.

14.4. Further Assurances; Power of Attorney. During and after his employment, Executive agrees to reasonably cooperate with the Company to (a) apply for, obtain, perfect and transfer to the Company the Work Product as well as an Intellectual Property Right in the Work Product in any jurisdiction in the world; and (b) maintain, protect and enforce the same, including, without limitation, executing and delivering to the Company any and all applications, oaths, declarations, affidavits, waivers, assignments and other documents and instruments as shall be requested by the Company. Executive hereby irrevocably grants the Company power of attorney to execute and deliver any such documents on Executive's behalf in his name and to do all other lawfully permitted acts to transfer the Work Product to the Company and further the transfer, issuance, prosecution and maintenance of all Intellectual Property Rights therein, to the full extent permitted by law, if Executive does not promptly cooperate with the Company's request (without limiting the rights the Company shall have in such circumstances by operation of law). The power of attorney is coupled with an interest and shall not be effected by Executive's subsequent incapacity.

14.5. No License. Executive understands that this Agreement does not, and shall not be construed to, grant Executive any license or right of any nature with respect to any Work Product or Intellectual Property Rights or any Confidential Information, materials, software or other tools made available to him by the Company.

15. Exit Obligations. Upon voluntary or involuntary termination of Executive's employment, Executive shall (i) provide or return to the Company any and all Company Group property and all Company Group documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in the possession or control of Executive, whether they were provided to Executive by the Company Group or any of its business associates or created by Executive in connection with his employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in Executive's possession or control, including those stored on any non-Company Group devices, networks, storage locations and media in Executive's possession or control.

16. Publicity. Executive hereby irrevocably consents to any and all uses and displays, by the Company Group and its agents, representatives and licensees, of Executive's name, voice, likeness, image, appearance and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes and all other printed and electronic forms and media throughout the world, at any time during or after the period of his employment by the Company, for all legitimate commercial and business purposes of the Company Group ("*Permitted Uses*") without further consent from or royalty, payment or other compensation to Executive. Executive hereby forever waives and releases the Company Group and its directors, officers, employees and agents from any and all claims, actions, damages, losses, costs, expenses and liability of any kind, arising under any legal or equitable theory whatsoever at any time during or after the period of his employment by the Company, arising directly or indirectly from the Company Group's and its agents', representatives' and licensees' exercise of their rights in connection with any Permitted Uses.

17. Taxes. The Company may withhold from any payments made under this Agreement all applicable taxes, including but not limited to income, employment, and social insurance taxes, as shall be required by law. Executive acknowledges and represents that the Company has not provided any tax advice to Executive in connection with this Agreement and that Executive has been advised by the Company to seek tax advice from Executive's own tax advisors regarding this Agreement and payments that may be made to Executive pursuant to this Agreement, including specifically, the application of the provisions of Section 409A of the Code to such payments.

18. Set Off Mitigation. The Company's obligation to pay Executive the amounts provided and to make the arrangements provided hereunder shall be subject to set-off, or recoupment of agreed amounts owed by Executive to the Company or its affiliates; provided, however, that to the extent any amount so subject to set-off, counterclaim, or recoupment is payable in installments hereunder, such set-off, counterclaim, or recoupment shall not modify the applicable payment date of any installment, and to the extent an obligation cannot be satisfied by reduction of a single installment payment, any portion not satisfied shall remain an outstanding obligation of Executive and shall be applied to the next installment only at such time the installment is otherwise payable pursuant to the specified payment schedule, no right shall exist with regard to setoff or recoupment to the extent it would violate Section 409A of the Code and there shall be no right to setoff or recoupment with regard to any not agreed upon amounts. Executive shall not be required to mitigate the amount of any payment provided pursuant to this Agreement by seeking other employment or otherwise, and except as provided in Section 5.5(d), the amount of any payment provided for pursuant to this Agreement shall not be reduced by any compensation earned as a result of Executive's other employment or otherwise.

19. Governing Law. This Agreement, for all purposes, shall be construed in accordance with the laws of the State of California without regard to conflicts of law principles; provided, however, that any provisions relating to equity compensation shall also be subject to any federal or state securities laws that may be applicable and the rules of any stock exchange on which the relevant equity is listed for trading.

20. Entire Agreement. Unless specifically provided or stated herein, this Agreement contains all of the understandings and representations between Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. Without limiting the generality of the foregoing, the parties specifically acknowledge that this Agreement supersedes any agreements Executive had with the Company and any of its affiliates or predecessors relating to the subject matter hereof. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

21. Modification and Waiver. No provision of this Agreement may be amended or modified unless such amendment or modification is agreed to in writing and signed by Executive and by an executive officer of the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

22. Severability. Should any provision of this Agreement be held by a court or arbitrator of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement. The parties further agree that any such court or arbitrator is expressly authorized to modify any such unenforceable provision

of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law. The parties expressly agree that this Agreement as so modified by the court or arbitrator shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had not been set forth herein.

23. Captions. Captions and headings of the sections and paragraphs of this Agreement are intended solely for convenience and no provision of this Agreement is to be construed by reference to the caption or heading of any Section or paragraph.

24. Counterparts. This Agreement may be executed in separate counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

25. Additional Section 409A Provisions.

Notwithstanding any provision in this Agreement to the contrary:

25.1. Any payment otherwise required to be made hereunder to Executive at any date as a result of the termination of Executive's employment shall be delayed for such period of time as may be necessary to meet the requirements of Section 409A(a)(2)(B)(i) of the Code (the "Delay Period"). On the first business day following the expiration of the Delay Period, Executive shall be paid, in a single cash lump sum, an amount equal to the aggregate amount of all payments delayed pursuant to the preceding sentence, and any remaining payments not so delayed shall continue to be paid pursuant to the payment schedule set forth herein.

25.2. Each payment in a series of payments hereunder shall be deemed to be a separate payment for purposes of Section 409A of the Code.

25.3. Notwithstanding anything herein to the contrary, the payment (or commencement of a series of payments) hereunder of any nonqualified deferred compensation (within the meaning of Section 409A of the Code) upon a termination of employment shall be delayed until such time as Executive has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such nonqualified deferred compensation (calculated as of the date of Executive's termination of employment hereunder) shall be paid (or commence to be paid) to Executive on the schedule set forth in Section 5 as if Executive had undergone such termination of employment (under the same circumstances) on the date of Executive's ultimate "separation from service."

25.4. To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A of the Code), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange

for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

25.5. While the payments and benefits provided hereunder are intended to be structured in a manner to avoid the implication of any penalty taxes under Section 409A of the Code, in no event whatsoever shall any member of the Company Group be liable for any additional tax, interest, or penalties that may be imposed on Executive as a result of Section 409A of the Code for failing to comply with Section 409A of the Code (other than for withholding obligations or other obligations applicable to employers, if any, under Section 409A of the Code) provided that the Company Group act in reasonable good faith in connection with complying with Section 409A of the Code.

26. Successors and Assigns; No Third-Party Beneficiaries.

26.1. This Agreement shall inure to the benefit of the Company and its respective permitted successors and assigns. Neither this Agreement nor any of the rights, obligations, or interests arising hereunder may be assigned by the Company to any person other than to an acquiror of all or substantially all of the assets of the Company who assumes the agreement in writing.

26.2. Executive's rights and obligations under this Agreement shall not be transferable by Executive by assignment or otherwise, without the prior written consent of the Company; *provided, however*, that if Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee, or other designee, or if there be no such designee, to Executive's estate.

26.3. Except as otherwise set forth in Section 5.3 or Section 26.2 hereof, nothing expressed or referred to in this Agreement will be construed to give any person other than the Company, the other members of the Company Group, and Executive any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

27. Notification to Subsequent Employer. When Executive's employment with the Company terminates, Executive agrees to notify any subsequent employer of the protective covenants sections contained in this Agreement. Executive will also deliver a copy of such notice to the Company before Executive commences employment with any subsequent employer. In addition, Executive authorizes the Company to provide a copy of the protective covenants sections of this Agreement to third parties, including but not limited to, Executive's subsequent, anticipated or possible future employer.

28. Indemnification. Executive shall be entitled to indemnification to the maximum extent permitted by law with regard to actions or inactions taken in good faith performance of Executive's duties to the Company and directors and officers liability insurance coverage in accordance with the Company's policies that cover officers and directors generally.

29. Notice.

29.1. Place of Delivery. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom or which it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided; provided, that unless and until some other address be so designated, all notices and communications by Executive to the Company shall be mailed or delivered to the Company at its principal

executive office, and all notices and communications by the Company to Executive may be given to Executive personally or may be mailed to Executive at Executive's last known address, as reflected in the Company's records.

29.2. Date of Delivery. Any notice so addressed shall be deemed to be given (i) if delivered by hand, on the date of such delivery, (ii) if mailed by courier or by overnight mail, on the first business day following the date of such mailing, and (iii) if mailed by registered or certified mail, on the third business day after the date of such mailing.

30. Representations of Executive. Executive represents and warrants to the Company that:

30.1. Executive is entering into this Agreement voluntarily and that Executive's employment hereunder and compliance with the terms and conditions hereof will not conflict with or result in the breach by Executive of any agreement to which Executive is a party or by which Executive may be bound;

30.2. Executive has not violated, and in connection with Executive's employment with the Company will not violate, any non-solicitation, non-competition, or other similar covenant or agreement with any person by which Executive is or may be bound; and

30.3. In connection with Executive's employment with the Company, Executive will not use any confidential or proprietary information Executive may have obtained in connection with employment or service with any prior service recipient.

31. Survival. Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

32. Acknowledgment of Full Understanding. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. EXECUTIVE ACKNOWLEDGES AND AGREES THAT HE HAS HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF HIS CHOICE BEFORE SIGNING THIS AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

AVITA MEDICAL, INC.

By: /s/ Lou Panaccio
Name: Lou Panaccio

EXECUTIVE

By: /s/ James Corbett
Name: James Corbett
Date: September 26, 2022

Appendix A

Definitions

"Accrued Obligations" shall mean (i) all accrued but unpaid Base Salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with Section 4.6 hereof, (iii) any benefits provided under the Company's employee benefit plans upon a termination of employment, including rights with respect to Company equity, in accordance with the terms contained therein, or in any grant, and (iv) all rights to indemnification and directors and officers liability insurance coverage.

"Base Salary" shall mean the salary provided in Section 4.1, as in effect from time to time.

"Board" shall mean the Board of Directors of the Company.

"Cause" shall mean the occurrence of any of the following events: (i) Executive's unauthorized misuse of the Company's trade secrets or proprietary information, (ii) Executive's conviction or plea of *nolo contendere* to a felony or a crime involving moral turpitude, (iii) Executive's committing an act of fraud against the Company, or (iv) Executive's gross negligence or willful misconduct in the performance of his duties that has had or is likely to have a material adverse effect on the Company. Except for a failure, breach or refusal which, by its nature, cannot reasonably be expected to be cured, Executive shall have ten (10) business days from the delivery date of the Company's written notice of termination within which to cure any acts constituting Cause.

"Change in Control" shall have the meaning set forth in the Company's 2020 Omnibus Incentive Plan.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Company Group" shall mean the Company together with any of its direct or indirect subsidiaries.

"Disability" shall have the meaning set forth in the Company's 2020 Omnibus Incentive Plan.

"Employment Term" shall mean the period during which Executive is employed by the Company, as specified in Section 2 hereof.

"Good Reason" shall mean the occurrence of any of the following, in each case during the Employment Term without Executive's written consent: (i) a material reduction in Executive's Base Salary unless a proportionate reduction is made to the Base Salary of all members of the Company's senior management, (ii) a permanent relocation of Executive's principal place of employment by more than 50 miles from the location in effect immediately prior to such relocation, (iii) any material breach by the Company of any material provision of this Agreement, or (iv) a material diminution in the nature or scope of Executive's authority or responsibilities from those applicable to Executive as of the Effective Date; provided that in no event shall Executive's resignation be for "Good Reason" unless (x) an event or circumstance set forth in clauses (i), (ii), (iii), (iv), (v) or (vi) shall have occurred and Executive provides the Company with written notice thereof within a reasonable period of time, not to exceed ninety (90) days, after the initial occurrence or existence of such event or circumstance, which notice specifically identifies the event or circumstance that Executive believes constitutes Good Reason, (y) the Company fails to correct the circumstance or event so identified within thirty (30) days after the receipt of such notice, and (z) Executive resigns within one hundred and twenty (120) days after the date of delivery of the notice referred to in clause (x) above. Executive acknowledges and agrees that Executive's exclusive remedy in the event of any breach of this Agreement shall be to assert Good Reason pursuant to the terms and conditions of Section 5.6.

"Release of Claims" shall mean the Release of Claims in the form provided to Executive by the Company on or following the Termination Date.

Certain identified information has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed. Double asterisks denote omission.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE		PAGE OF PAGES	
				1 4	
2. AMENDMENT/MODIFICATION NO.		3. EFFECTIVE DATE		4. REQUISITION/PURCHASE REQ. NO.	
P00011		See Block 16C			
5. ISSUED BY		6. PROJECT NO. (If applicable)			
CODE		ASPR-BARDA		CODE	
ASPR-BARDA 200 Independence Ave., S.W. Room 640-G Washington DC 20201		ASPR-BARDA 200 Independence Ave., S.W. Room 638-G Washington DC 20201		ASPR-BARDA	
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code)		9A. AMENDMENT OF SOLICITATION NO.			
AVITA MEDICAL AMERICAS, LLC 1476585 AVITA MEDICAL AMERICAS, LLC 92 28159 Avenue Stanford Suite 220 Valencia CA 91355		(X)			
		9B. DATED (SEE ITEM 11)			
		9C. DATED (SEE ITEM 13)			
CODE 1476585		FACILITY CODE		09/29/2015	
11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS					
☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or electronic communication which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by letter or electronic communication, provided each letter or electronic communication makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.					
12. ACCOUNTING AND APPROPRIATION DATA (If required)					
See Schedule					
13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.					
CHECK ONE					
A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.					
B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).					
C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF: FAR Part 43.103 (a) - Bilateral Modifications					
D. OTHER (Specify type of modification and authority)					
E. IMPORTANT: Contractor ☐ is not ☒ is required to sign this document and return 1 copies to the issuing office.					
14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)					
Tax ID Number: [**]					
DUNS Number: [**]					
The purpose of this no cost modification is modify ARTICLE B.5 ADVANCE UNDERSTANDINGS, ARTICLE F.3. DELIVERIES, ARTICLE G.1. CONTRACTING OFFICER, ARTICLE G.4. INVOICE SUBMISSION, and I.3. ADDITIONAL CONTRACT CLAUSES.					
All other terms and conditions remain unchanged.					
Period of Performance: 09/29/2015 to 12/31/2023					
Except as provided herein, all terms and conditions of the document referenced in Item 9 A or 10A, as heretofore changed, remains unchanged and in full force and effect.					
15A. NAME AND TITLE OF SIGNER (Type or print)		15A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)			
Kathy McGee, COO		YIFAN YANG			
15B. CONTRACTOR/OFFEROR		15C. DATE SIGNED		16C. DATE SIGNED	
[Signature]		18Aug22		9/2/2022	
(Signature of person authorized to sign)		/s/ Yifan Yang			
Previous edition unusable		STANDARD FORM 30 (REV. 11/2016) Prescribed by GSA FAR (48 CFR) 53.243			

Beginning with the effective date of this modification, the Government and the Contractor mutually agree as follows:

ARTICLE B.5. ADVANCE UNDERSTANDINGS is modified to update paragraph I.8:

I. Additional Understandings

- 8. The overall VMI quantity of all device components is reduced to ensure a new overall total of [**] RECELL devices.**
 - a. BARDA approves the reduction of the total VMI units to no less than [**] RECELL Units by Dec 2023. This reduction is intended to occur in collaboration with Avita and other partners like ABA.**
 - b. The VMI units removed from the inventory as part of this reduction are intended to support 'RECELL care practice integration/adoption activities'. These units may support product training for new users, students, residents, extended users like PAs for training workshops & demonstrations and such activities that can "build preparedness" at the end user care provider level.**
 - c. As Avita/BARDA identifies opportunities to reduce the total VMI, the total number of devices to be removed and use-case must be pre-approved by the COR/CO via email.**
 - d. When the contract ends in Dec 2023, the remaining [**] RECELL units must be used within the following 6 months for the same purposes identified in b. above, either by Avita or be transferred to USG custody (site / TBD) or be disposed of as determined closer to the end of the contract.**

ARTICLE F.3. DELIVERIES is hereby modified as follows:

Email Addresses: CO – [**] COR – [**]

ARTICLE G.1. CONTRACTING OFFICER is hereby modified as follows:

The following Contracting Officer (CO) will represent the Government for the purpose of this contract:

[**]

ARTICLE G.4. INVOICE SUBMISSION is hereby modified as follows:

Electronic Invoicing and Payment Requirements - Invoice Processing Platform (IPP)

- All Invoice submissions for goods and or services delivered to facilitate payments must be made electronically through the U.S. Department of Treasury's Invoice Processing Platform System (IPP).
- Invoice Submission for Payment means any request for contract financing payment or invoice payment by the Contractor. To constitute a proper invoice, the payment request must comply with the requirements identified in the applicable Prompt Payment clause included in the contract, or the clause 52.212-4 Contract Terms and Conditions – Commercial Items included in commercial items contracts. The IPP website address is: <https://www.ipp.gov>.
- The Agency will enroll the Contractors new to IPP. The Contractor must follow the IPP registration email instructions for enrollment to register the Collector Account for submitting invoice requests for payment. The Contractor Government Business Point of Contact (as listed in SAM) will receive

- Registration email from the Federal Reserve Bank of St. Louis (FRBSTL) within 3 – 5 business days of the contract award for new contracts or date of modification for existing contracts. o Registration emails are sent via email from [**] Contractor assistance with enrollment can be obtained by contacting the IPP Production Helpdesk via email to [**]or phone [**]
- The Contractor POC will receive two emails from **IPP Customer Support**, the first email contains the initial administrative IPP User ID. The second email, sent within 24 hours of receipt of the first email, contains a temporary password. You must log in with the temporary password within 30 days.
- If your company is already registered to use IPP, you will not be required to re-register.
- If the Contractor is unable to comply with the requirement to use IPP for submitting invoices for payment as authorized by HHSAR 332.7002, a written request must be submitted to the Contracting Officer to explain the circumstances that require the authorization of alternate payment procedures.

Additional Office of the Assistant Secretary for Preparedness and Response (ASPR) requirements:

- (i) The contractor shall submit monthly invoices under this contract unless otherwise agreed upon by all parties. For indefinite delivery and blanket purchase agreement vehicles, separate invoices must be submitted for each order.
- (ii) Invoices must break-out price/cost by contract line item number (CLIN) as specified in the pricing section of the contract.
- (iii) Invoices must include the Dun & Bradstreet Number (DUNS) of the Contractor.
- (iv) Invoices that include time and materials or labor hours CLINS must include supporting documentation to (1) substantiate the number of labor hours invoiced for each labor category, and (2) substantiate material costs incurred (when applicable).
- (v) Invoices that include cost-reimbursement CLINs must be submitted in a format showing expenditures for that month, as well as contract cumulative amounts.

At a minimum the following cost information shall be included, in addition to supporting documentation to substantiate costs incurred.

- Direct Labor - include all persons, listing the person's name, title, number of hours worked, hourly rate, the total cost per person and a total amount for this category;
- Indirect Costs (i.e., Fringe Benefits, Overhead, General and Administrative, Other Indirects)- show rate, base and total amount;
- Consultants (if applicable) - include the name, number of days or hours worked, daily or hourly rate, and a total amount per consultant;
- Travel - include for each airplane or train trip taken the name of the traveler, date of travel, destination, the transportation costs including ground transportation shown separately and the per diem costs. Other travel costs shall also be listed;
- Subcontractors (if applicable) - include, for each subcontractor, the same data as required for the prime Contractor;
- Other Direct Costs - include a listing of all other direct charges to the contract, i.e., office supplies, telephone, duplication, postage; and
- Fee – amount as allowable in accordance with the Schedule and FAR 52.216-8 if applicable.

I.3. ADDITIONAL CONTRACT CLAUSES is modified to include the following clause:

HHSAR 352.232-71 Electronic Submission of Payment Requests (FEB 2022)

(a) *Definitions.* As used in this clause—

Payment request means a bill, voucher, invoice, or request for contract financing payment with associated supporting documentation. The payment request must comply with the requirements identified in FAR 32.905(b), “Content of Invoices” and the applicable Payment clause included in this contract.

- (b) Except as provided in paragraph (c) of this clause, the Contractor shall submit payment requests electronically using the Department of Treasury Invoice Processing Platform (IPP) or successor system. Information regarding IPP, including IPP Customer Support contact information, is available at www.ipp.gov or any successor site.
- (c) The Contractor may submit payment requests using other than IPP only when the Contracting Officer authorizes alternate procedures in writing in accordance with HHS procedures.
- (d) If alternate payment procedures are authorized, the Contractor shall include a copy of the Contracting Officer's written authorization with each payment request.

(End of clause)

All other terms and conditions of this contract remain unchanged.

End of Modification #11

Certain identified information has been excluded from the exhibit because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed. Double asterisks denote omission.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE		PAGE OF PAGES 1 1	
2. AMENDMENT/MODIFICATION NO. P00012		3. EFFECTIVE DATE See Block 16C		4. REQUISITION/PURCHASE REQ. NO.	
5. PROJECT NO. (If applicable)		6. ISSUED BY CODE ASPR-BARDA		7. ADMINISTERED BY (If other than Item 6) CODE ASPR-BARDA	
ASPR-BARDA 200 Independence Ave., S.W. Room 640-G Washington DC 20201		ASPR-BARDA 200 Independence Ave., S.W. Room 638-G Washington DC 20201			
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) AVITA MEDICAL AMERICAS, LLC 1476585 AVITA MEDICAL AMERICAS, LLC 92 28159 Avenue Stanford Suite 220 Valencia CA 91355		(x)		9A. AMENDMENT OF SOLICITATION NO.	
				9B. DATED (SEE ITEM 11)	
		x		10A. MODIFICATION OF CONTRACT/ORDER NO. HHS0100201500028C	
				10B. DATED (SEE ITEM 13) 09/29/2015	
CODE 1476585		FACILITY CODE			

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

☐ is extended, ☐ is not extended.

☐ The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers

Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or electronic communication which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by letter or electronic communication, provided each letter or electronic communication makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

See Schedule

13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

<u>CHECK ONE</u>	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
X	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation data, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF:
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor ☒ is not ☐ is required to sign this document and return _____ copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Tax ID Number: [**]

DUNS Number: [**]

UEI: JY1HRCEKX2L4

The purpose of this modification is an administrative action to incorporate IPP.

All other terms and conditions remain unchanged.

Period of Performance: 09/29/2015 to 12/31/2023

Except as provided herein, all terms and conditions of the document referenced in Item 9 A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print)	
		YIFAN YANG	
15B. CONTRACTOR/OFFEROR	15C. DATE SIGNED	16B. United States of America	16C. DATE SIGNED
/s/ Kathy McGee, COO (Signature of person authorized to sign)		/s/ Yifan Yang (Signature of Contracting Officer)	9/2/22

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James Corbett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AVITA Medical, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ James Corbett

Name: James Corbett

Title: President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Holder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AVITA Medical, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2022

/s/ Michael Holder

Name: Michael Holder

Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of AVITA Medical, Inc. (the “Company”), does hereby certify, to such officer’s knowledge, that:

The Quarterly Report on Form 10-Q for the period ended September 30, 2022 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 10, 2022

/s/ James Corbett

Name: James Corbett

Title: President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 10, 2022

/s/ Michael Holder

Name: Michael Holder

Title: Chief Financial Officer

These certifications are furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certifications will not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates them by reference.