

Appendix 4D

Half-year Report
31 December 2016

AVITA MEDICAL LIMITED

ABN 28 058 466 523

Results for announcement to the market

Financial Results				December 2016 \$	December 2015 \$
Sale of goods	Down	9%	to	521,742	572,542
Other revenue	Up	350%	to	3,117,521	692,991
Total comprehensive loss for the period	Down	4%	to	4,775,664	4,964,428
Net loss for the period attributable to owners of the parent	Down	7%	to	4,563,445	4,929,299

Dividends	Amount per Ordinary Security	Franked amount per security
2015 interim dividend	Nil	Nil
2016 interim dividend	Nil	Nil

Record date for determining entitlements to the 2016 interim dividends	N/A
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Net Tangible Asset Backing	December 2016	December 2015
Net tangible asset backing per ordinary security	\$0.016	\$0.016

Other explanatory notes

The information required by listing rule 4.2A is contained in both this Appendix 4D and the attached half-year report. This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the company.

AVITA MEDICAL LIMITED

A.B.N. 28 058 466 523

HALF-YEAR FINANCIAL REPORT

31 December 2016

Corporate Information

ABN 28 058 466 523

This half-year report covers the consolidated entity comprising Avita Medical Limited (the Parent Company) and its controlled subsidiaries (the Group). The Parent Company's functional and presentation currency is AUD (\$).

A description of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' Report on page 4. The Directors' Report does not form part of the financial report.

Directors

Mr Lou Panaccio (Non-Executive Chairman)
Mr Jeremy Curnock-Cook (Non-Executive Director)
Mr Michael Perry (Non-Executive Director)
Mr Louis Drapeau (Non-Executive Director)
Mr Damien McDonald (Non-Executive Director)
Ms Suzanne Crowe (Non-Executive Director)

Company Secretary

Mr Gabriel Chiappini

Registered Office

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

Principal Place of Business

1st Floor, 87 Ridgway
Wimbledon, London SW19 4ST
United Kingdom

Share Registry

Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth, Western Australia, 6000

Solicitors

Steinpreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth, Western Australia, 6000

Auditor

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
Perth, Western Australia, 6005

Principal Bankers

National Australia Bank Limited
1238 Hay Street
Perth, Western Australia, 6000

Stock Exchange

Avita Medical Limited
Listed on the Australian Securities Exchange (ASX: AVH)
Listed on the OTCQX in the US (OTCQX: AVMX)

**DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016**

Your Directors submit their report for the half-year ended 31 December 2016.

DIRECTORS

The names of the Company's Directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Lou Panaccio (Non-Executive Chairman)
Mr Jeremy Curnock-Cook (Non-Executive Director)
Mr Michael Perry (Non-Executive Director)
Mr Louis Drapeau (Non-Executive Director)
Mr Damien McDonald (Non-Executive Director)
Ms Suzanne Crowe (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

In the 6-month period to 31 December 2016 the sale of goods was \$521,742 (2015: \$572,542 excluding the discontinued respiratory operation) representing a decrease of 9% over the same 6 month period ending 31 December 2015. Other revenue in the 6-month period was \$3,117,521 (2015: \$692,991) resulting in a 350% increase compared to the same period last year and was primarily attributable to the initiation of research contracts under the US government backed BARDA contract (Biomedical Advanced Research and Development Authority).

Although operating costs grew during the period to \$7,974,535 (2015: \$6,241,930 excluding the discontinued operation) representing an increase of 28% on the previous corresponding half year, these increases were in-line with management's expectations due to the operational buildup in the US to manage the FDA PMA submission and prepare for the US commercial launch.

Net loss after tax decreased to \$4,563,445 (2015: \$4,929,299) representing an improvement of 7% on the previous corresponding half year. The increase (32%) in administrative expenses is due to a number of new costs including salary, production and regulatory costs, office and travel costs of the new hires in the US further compounded by the continued strengthening of the US dollar against the Australian dollar. Clinical and R&D expenses also rose (28%) due to on-going BARDA contract roll-out costs including new staff.

EVENTS SUBSEQUENT TO BALANCE DATE

No other matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on the following page.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be 'Lou Panaccio', with a long, sweeping horizontal stroke extending to the right.

Lou Panaccio
Non-Executive Chairman
Dated: 27 February 2017
Perth, Western Australia



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Auditor's Independence Declaration To The Directors of Avita Medical Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Avita Medical Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Petricevic
Partner - Audit & Assurance

Perth, 27 February 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated 31 Dec 2016 \$	31 Dec 2015 \$
Continuing Operations			
Sale of goods	2	521,742	572,542
Cost of sales		(228,173)	(208,596)
Gross Profit		293,569	363,946
Other revenue	2	3,117,521	692,991
Operating Costs			
Administrative expenses		(4,184,640)	(3,178,846)
Share based payment expenses		(274,423)	(1,449)
Clinical and research & development expenses		(1,981,474)	(1,548,809)
Sales and marketing expenses		(1,533,957)	(1,512,808)
Finance costs		(41)	(18)
Loss from Continuing Operations Before Income Tax		(4,563,445)	(5,184,993)
Profit for the period from discontinued operations		-	255,694
Income tax expense		-	-
Loss for the Period		(4,563,445)	(4,929,299)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Reclassification to profit or loss		(265,261)	-
Foreign currency translation		53,042	(35,129)
Other Comprehensive (Loss) / Income for the Period, Net of Tax		(212,219)	(35,129)
Total comprehensive loss for the period		(4,775,664)	(4,964,428)
Loss for the period attributable to owners of the parent		(4,563,445)	(4,929,299)
Total Comprehensive Loss Attributable to Owners of the Parent		(4,775,664)	(4,964,428)
Basic and diluted loss per share from continuing operations		(0.79) cents	(0.90) cents
Basic and diluted earnings per share from discontinued operations		-	0.04 cents
Total		(0.79) cents	(0.86) cents

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Consolidated 31 Dec 2016 \$	30 Jun 2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents		8,390,037	4,171,879
Trade and other receivables		1,896,928	2,021,494
Prepayments		326,532	225,270
Inventories		1,084,891	1,370,622
Investments		-	719,153
Total Current Assets		11,698,388	8,508,418
Non-Current Assets			
Plant & equipment		145,416	94,491
Total Non-Current Assets		145,416	94,491
TOTAL ASSETS		11,843,804	8,602,909
LIABILITIES			
Current Liabilities			
Trade and other payables		851,104	1,542,139
Provisions		133,042	208,253
Total Current Liabilities		984,146	1,750,392
TOTAL LIABILITIES		984,146	1,750,392
NET ASSETS		10,859,658	6,852,517
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	6	134,772,754	126,264,372
Accumulated losses		(125,496,913)	(121,108,408)
Reserves		1,583,817	1,696,553
TOTAL EQUITY		10,859,658	6,852,517

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cash flows from operating activities		
Receipts from customers	646,308	706,995
Payments to suppliers and employees	(8,653,608)	(7,123,390)
R&D refund received	-	654,060
Interest received	79,779	49,316
Interest paid	(41)	(18)
BARDA income and other income received	3,037,741	643,675
Net cash used in discontinued operations	-	442,071
Net cash flows provided by / (used in) operating activities	(4,889,821)	(4,627,291)
Cash flows from investing activities		
Proceeds from the sale of financial assets	627,624	-
Payments for plant & equipment	(81,070)	(3,049)
Net cash flows provided by / (used in) investing activities	546,554	(3,049)
Cash flows from financing activities		
Proceeds from issue of shares	9,014,835	10,025,584
Capital raising expenses	(506,452)	(611,026)
Net cash flows provided by / (used in) financing activities	8,508,383	9,414,558
Net increase / (decrease) in cash and cash equivalents	4,165,116	4,784,218
Cash and cash equivalents at beginning of period	4,171,879	2,966,555
Impact of foreign exchange	53,042	(35,129)
Cash and cash equivalents at end of period	8,390,037	7,715,644

For the purpose of the half-year Statement of Cash Flows, cash and cash equivalents are comprised of the following:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Cash at bank and in hand	742,779	899,223
Short-term deposits	7,647,258	6,816,421
	8,390,037	7,715,644

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Consolidated	Contributed equity	Accumulated losses	Share based payment reserve	Available for sale reserve	Foreign currency translation Reserve	Total
	\$	\$	\$		\$	\$
At 1 July 2016	126,264,372	(121,108,408)	1,625,016	265,261	(193,724)	6,852,517
Loss for the period	-	(4,563,445)	-	-	-	(4,563,445)
Other comprehensive income	-	-	-	(265,261)	53,042	(212,219)
Total comprehensive loss for the period	-	(4,563,445)	-	(265,261)	53,042	(4,775,664)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	274,423	-	-	274,423
New shares	9,014,834	-	-	-	-	9,014,834
Cost of share placement	(506,452)	-	-	-	-	(506,452)
Transfer of expired options	-	174,940	(174,940)	-	-	-
Balance at 31 December 2016	134,772,754	(125,496,913)	1,724,499	-	(140,682)	10,859,658

Consolidated	Contributed equity	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2015	117,044,332	(113,457,640)	654,816	(24,624)	4,216,884
Loss for the period	-	(4,929,299)	-	-	(4,929,299)
Other comprehensive income	-	-	-	(35,129)	(35,129)
Total comprehensive loss for the period	-	(4,929,299)	-	(35,129)	(4,964,428)
Transactions with owners in their capacity as owners:					
Share based payments	-	-	1,449	-	1,449
New shares	10,025,584	-	-	-	10,025,584
Cost of share placement	(611,027)	-	-	-	(611,027)
Transfer of expired options	-	116,646	(116,646)	-	-
Balance at 31 December 2015	126,458,889	(118,270,293)	539,619	(59,753)	8,668,462

The accompanying notes form part of the financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

This general purpose condensed financial report for the half year ended 31 December 2016 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. The Parent Company's functional and presentation currency is AUD (\$).

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by Avita Medical Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

This financial report has been prepared on the going concern basis.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

Going Concern

The interim financial report for the six months ended 31 December 2016 has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

For the period ended 31 December 2016 the Group recorded a loss after tax of \$4,563,445 and operating cash outflows of \$4,889,821.

The Group benefits from monthly cash inflows from the BARDA (Biomedical Advanced Research and Development Authority) contract that was awarded to the Company on 29 September 2015 (FY16 BARDA cash received was \$2,424,357 beginning in Q3). These monthly payments from BARDA offset the costs from various activities towards the FDA regulatory approval process in the US.

Another anticipated source of capital for the Company is the potential triggering of the BARDA contract line item covering the initial purchase, storage, and delivery of ReCell devices in the amount of US\$7,594,620 (~A\$10m).

The Group is a development stage biotechnology company and as such expects to be utilising cash reserves until its research activities are globally commercialised. The Group has historically funded its activities through raising capital by issuing securities in the Company, it is expected that similar funding will be obtained to provide working capital as and when required.

If the Group is unable to raise capital in the future, the Group may need to curtail expenditure by scaling back various programs. As a result of the above, the Directors are satisfied that there is sufficient working capital to support the committed research and commercialisation activities over the coming 12 months and the Group has the ability to realize its assets and pay its liabilities and commitments in the normal course of business.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

2. REVENUE

	CONSOLIDATED	
	31 Dec 2016	31 Dec 2015
	\$	\$
Revenue		
Sale of goods	521,742	572,542
Other revenue	3,117,521	692,991
	<u>3,639,263</u>	<u>1,265,533</u>
Other Revenue		
Bank interest receivable	79,780	49,316
BARDA income	2,863,119	643,466
Other income	174,622	209
	<u>3,117,521</u>	<u>692,991</u>

3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No amounts have been paid, declared or recommended by Avita Medical Limited by way of dividend since the commencement of the half-year, and up to the date of this report.

4. OPERATING SEGMENTS

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

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

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

Unallocated

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

- Corporate revenue
- Corporate charges

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4. OPERATING SEGMENTS (CONTINUED)

The segment information provided to the Chief Executive Officer for the reportable segments for the half year ended 31 December 2016 is as follows:

	<i>Continuing Operations</i>			
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	<i>Total</i>
	\$	\$	\$	\$
Half-year ended 31 December 2016				
Revenue				
Sales to external customers	256,966	132,460	132,316	521,742
Other revenue from external customers	174,282	340	2,863,119	3,037,741
Interest received	72,852	1,218	5,710	79,780
Total revenue per statement of comprehensive income	501,100	134,018	3,001,145	3,639,263
Segment net loss before tax	(680,185)	(1,806,498)	(1,015,781)	(3,502,464)
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(1,060,981)
Loss before income tax				(4,563,445)
Segment assets				
Segment operating assets	318,812	1,162,641	2,640,565	4,122,018
Unallocated assets				7,721,786
Total assets per the statement of financial position				11,843,804
Segment liabilities				
Segment operating liabilities	107,606	291,123	461,275	860,004
Unallocated liabilities				124,142
Total liabilities per the statement of financial position				984,146

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4. OPERATING SEGMENTS (CONTINUED)

	<i>Continuing Operations</i>			
	<i>Asia Pacific</i>	<i>Europe</i>	<i>Americas</i>	<i>Total</i>
	\$	\$	\$	\$
Half-year ended 31 December 2015				
Revenue				
Sales to external customers	266,249	306,293	-	572,542
Other revenue from external customers	-	209	643,466	643,675
Revenues from discontinued operation	772,675	-	-	772,675
Interest received	48,847	460	9	49,316
Total revenue per statement of comprehensive income	1,087,771	306,962	643,475	2,038,208
Segment net loss before tax	(757,181)	(1,735,577)	(1,805,167)	(4,297,925)
Reconciliation of segment net result before tax to loss before income tax				
Operating profit from discontinued operations	255,694	-	-	255,694
Corporate charges				(887,068)
Loss before income tax				(4,929,299)
Segment assets				
Assets classified as held for sale	468,261	-	-	468,261
Segment operating assets	333,948	757,562	1,815,706	2,907,216
Unallocated assets				7,145,283
Total assets per the statement of financial position				10,520,760
Segment liabilities				
Liabilities classified as held for sale	104,943	-	-	104,943
Segment operating liabilities	146,141	332,729	1,013,047	1,491,917
Unallocated liabilities				255,368
Total liabilities per the statement of financial position				1,852,228

There was no material difference between the basis of segmentation and the measurement of segment result compared to the 30 June 2016 annual report.

5. COMMITMENTS AND CONTINGENCIES

There are no significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2016	30 Jun 2016
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	134,772,754	126,264,372

<i>Movement in ordinary shares on issue:</i>	Number	\$
At 1 July 2016	532,751,995	126,264,372
Issue of shares	100,164,831	9,014,834
Capital raising costs	-	(506,452)
Shares awarded to CEO	40,000,000	-
At 31 December 2016	672,916,826	134,772,754

7. RELATED PARTY DISCLOSURES

The total amount of transactions entered into with Key Management Personnel for the half-year ended 31 December 2016 were \$20,810 Consultancy fees (2015: \$nil) paid under normal terms and conditions to Bioscience Managers Pty Ltd of which J Curnock-Cook is a Director.

Details of all related party transactions have been disclosed in the annual report for the year ended 30 June 2016. There have been no new significant related party transactions during the interim period.

8. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Avita Medical Limited, I state that:

In the opinion of the Directors:

- a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the financial position at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Lou Panaccio
Chairman

Dated: 27 February 2017
Perth, Western Australia

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AVITA MEDICAL LIMITED

We have reviewed the accompanying half-year financial report of Avita Medical Limited (the Company), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Avita Medical Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Avita Medical Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Avita Medical Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

GRANT THORNTON

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

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M A Petricevic
Partner - Audit & Assurance

Perth, 27 February 2017