
AVITA MEDICAL LIMITED

ACN 058 466 523

NOTICE OF 2018 ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am (Melbourne time)

DATE: 30 November 2018

PLACE: Offices of K & L Gates, Level 25, 525 Collins Street, Melbourne, Victoria

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7:00pm (Melbourne time) on 28 November 2018.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **(non-binding) ordinary resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company’s annual financial report for the financial year ended 30 June 2018.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – LOU PANACCIO

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 56.1 of the Constitution, ASX Listing Rule 14.5 and for all other purposes, Lou Panaccio, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of any person (or their associates) who is expected to participate in, or will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, the Company will not disregard a vote if it is cast by

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or,
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 4 – APPROVAL OF THE ISSUE OF OPTIONS TO DR MICHAEL PERRY

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

“That for the purposes of Section 200B and Chapter 2E of the Corporations Act 2001 (Cth), ASX Listing Rule 10.11 and for all other purposes approval is granted for the issue to Michael Perry of 15,000,000 unlisted options to acquire 15,000,000 ordinary shares in the capital of the Company credited as fully paid, the material terms of which are stated in the Explanatory Statement which accompany this Notice.”

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution 4 by or on behalf of Michael Perry (or his associates).

However, the Company will not disregard a vote if it is cast by

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or,
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Company's Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

6. RESOLUTION 5 – APPROVAL OF THE EMPLOYEE SHARE PLAN

To consider and if thought fit, pass with or without amendment the following resolution as an **ordinary resolution**:

"That the shareholders renew the approval of the Company's existing Employee Share Plan for the purposes of ASX Listing Rules 7.1 and 7.2 Exception 9(b), sections 200B, 200E and 259B(2) of the Corporations Act 2001, and for all other purposes, as laid before the meeting, a copy of which is available for inspection at the registered office of the Company (during normal business hours)."

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution 5 by or on behalf of a director of the Company (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company (or any of their associates).

However, the Company will not disregard a vote if it is cast by

- a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or,
- the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 31 October 2018**By order of the Board**

Mr Mark Licciardo
Company Secretary

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should also be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +613 8689 9997

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.avitamedical.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – LOU PANACCIO

3.1 General

ASX Listing Rule 14.5 provides that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled not to be subject to re-election.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Lou Panaccio, who has served as a director since 1 July 2014 and was elected at the Company's Annual General Meeting on 30 November 2016, retires by rotation and being eligible seeks re-election.

3.2 Qualifications and other material directorships

Mr Panaccio, a successful healthcare businessman with extensive experience progressing companies from concept to commercialisation, was appointed to the role of Non-Executive Chairman of the Board, effective from 1 July 2014. Mr Panaccio possesses more than 30 years' executive leadership experience in healthcare services and life sciences, including more than 20 years' board-level experience.

Mr Panaccio is currently a Non-Executive Director of ASX 50 company and one of the world's largest medical diagnostics companies, Sonic Healthcare Limited, where he has served since 2005. In addition to his Sonic Healthcare Limited role, Mr Panaccio is Non-Executive Director of Unison Housing Limited, Non-Executive Chairman of Genera Biosystems Limited, and a Non-Executive Director of Rhythm Biosciences Limited. Mr Panaccio has also served in executive and board roles with Melbourne Pathology Group, Monash IVF Group, Primelife Corporation Limited, Health Networks Australia Group and other private entities.

3.3 Board recommendation

The Board (Lou Panaccio abstaining) supports the re-election of Lou Panaccio, and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – APPROVAL OF 10% PLACEMENT CAPACITY– SHARES

4.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300,000,000 (based on the number of Shares on issue and the closing price of Shares on the ASX on 15 October 2018).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities. As at the date of this Notice, the Company currently has 1 class of quoted Equity Securities on issue, being the Shares (ASX Code: AVH).

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

4.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 9.2(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue. If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 15 October 2018.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	50% decrease in Issue Price	Issue Price	50% increase in Issue Price
1,342,378,325 Current Variable A)	Shares issued - 10% voting dilution	134,237,833 Shares	134,237,833 Shares	134,237,833 Shares
	Funds raised	\$7,047,486	\$14,094,972	\$21,142,459
2,013,567,488 (50% increase in Variable A)	Shares issued - 10% voting dilution	201,356,749 Shares	201,356,749 Shares	201,356,749 Shares
	Funds raised	\$10,571,229	\$21,142,459	\$31,713,688
2,684,756,650 (100% increase in Variable A)	Shares issued - 10% voting dilution	268,475,665 Shares	268,475,665 Shares	268,475,665 Shares
	Funds raised	\$14,094,972	\$28,189,945	\$42,284,917

**The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro- rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.*

The table above uses the following assumptions:

1. There are currently 1,342,378,325 Shares on issue as at the date of this Notice of Meeting.
2. The issue price set out above is the closing price of the Shares on the ASX on 15 October 2018, namely \$0.105 per Share.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
8. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for working capital, ongoing development of its products and marketing and promotion; or

- (ii) as non-cash consideration for the acquisition of complementary assets or for the provision of services to the Company. In such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy under the 10% Placement Capacity

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) Previous approval under ASX Listing Rule 7.1A

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 30 November 2017 (**Previous Approval**).

During the 12 month period preceding the date of this Meeting, the Company issued a total of 321,172,640 Shares and 4,000,000 Options which represents approximately 38.25% of the total diluted number of Equity Securities on issue in the Company on 30 November 2017, which was 850,172,829 shares.

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of this Meeting are set out in Schedule 1.

4.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

5. **RESOLUTION 4 – APPROVAL OF THE ISSUE OF OPTIONS TO DR MICHAEL PERRY**

The Company proposes that Dr Michael Perry be issued 15,000,000 options to purchase 15,000,000 fully paid ordinary shares at an exercise price equal to the ASX price of the Shares as at the close of trade on the trading day on the date of this annual general meeting.

The Board of Directors through the Remuneration Committee conducted a review of Dr. Perry's long-term incentive based on a comparison to the comparable companies and considering the strong performance of the Company over the past year and the objective of providing appropriate long-term incentive mechanisms for the future.

During the 2017 AGM shareholders approved the issuance of 50 million RSUs to Dr. Perry. The Board concluded that the issuance of 15 million options (in addition to the existing RSUs) provide a benefit to Dr. Perry only after an increase in share price of the Company and further continues to align Dr. Perry's long-term incentive compensation arrangements with the interests of the Company's shareholders.

ASX Listing Rule 10.11 provides that a company must not, subject to specified exceptions, issue or agree to issue any equity securities to a related party, which includes a Director, without shareholder approval. If shareholder approval is received pursuant to this resolution, approval is not required under Listing Rule 7.1.

5.1 Vesting Terms and conditions of the Long Term Incentive Rights

The aggregate of 15,000,000 options to purchase fully paid ordinary shares (**Options**) will be issued subject to vesting conditions based on (i) tenure of Dr Perry, (ii) the Company's Share Price and (iii) milestone performance by the Company as follows:

(a) **Tranche 1: 3,333,333 Options vesting based on tenure**

A tranche of 3,333,333 Options of which 1,666,666 are to vest on 1 June 2019 and 1,666,667 to vest 1 June 2020.

(b) **Tranche 2: 5,000,001 options vesting based on Company Share Price**

A further tranche of 5,000,001 Options to vest in 3 equal tranches of 1,666,667 Shares, upon the VWAP of Company Share price (as at close of trade on the ASX on the relevant date) achieving multiples of -

- (i) 2 times (for the first tranche);
- (ii) 3 times (for the second tranche), and
- (iii) 4 times (for the third tranche),

the Company's Share price as at the close of trade on the day Shareholders approve this Resolution.

(c) Tranche 3: 2,500,000 option vesting based on Milestone Performance

A further tranche of 2,500,000 Options to vest upon the achievement of the milestones initial procurement under the BARDA contract.

(d) Tranche 4: Deemed vested immediately on grant to Milestone Achievement

A final tranche of 4,166,666 Options, fully vested due to prior achievement of milestone related to FDA approval of RECELL for burns and completion of one-year anniversary 1 June 2018.

All unvested Options automatically lapse upon a cessation of employment of Dr Perry with the Company. A summary of all the key terms and conditions of the Options is set out in Schedule 2.

5.2 Corporations Act

(a) Section 200B of the Corporations Act

Section 200B of the Corporations Act requires Shareholder approval by ordinary resolution in accordance with the provisions of section 200E of the Corporations Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or position of employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company.

Where shareholders pass Resolution 4, the terms of the Options allows the Board, in its discretion and subject to the Listing Rules, to vary the vesting conditions (including accelerate vesting of share entitlements on a retirement) - which could constitute a benefit otherwise prohibited under section 200B.

In order to give the Board flexibility to exercise its discretions under the terms of the Options to the extent that varying a vesting condition could be regarded as providing a person a benefit in connection with that person's retirement from an office or position of employment (**Employment Retirement Benefit**), Shareholder approval is sought for the purposes of sections 200B and 200E of the Corporations Act.

For a section 200B benefit to be allowed, section 200E requires that this Notice of Meeting provide Shareholders with either the value of the proposed benefits or, where the value of the proposed benefits cannot currently be ascertained, the manner in which the value of the proposed benefits is calculated, and the matters, events and circumstances that will, or are will likely to, affect the calculation of the value.

The Board has not determined that it will exercise discretion to grant any Employment Retirement Benefit (for example an acceleration of any Option vesting conditions on "retirement" by the executive). In the circumstances of a possible Employment Retirement Benefit, the value of the termination benefits that the Board may give under the Options cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the time the benefit is decided to be awarded (if at all).

Specifically, the value of an Employment Retirement Benefit will depend on a number of factors, including the Company's share price at the time of vesting of the Options and the number of Options that the Board decides to allow vest early (if any).

Shareholders should note the benefit is restricted to an acceleration of or early the vesting of an Option benefit, it does not change the number of shares which are subject to the Options. In those circumstances the value would reflect (i) market price at the time of acceleration; and (ii) the number of Options which have not vested and are the subject of the decision by the Board to exercise its discretion to allow for early vesting. The Board would make any such decisions regarding its discretion in good faith and in the best interests generally of shareholders.

(b) Chapter 2E and Section 219 of the Corporations Act

Under Chapter 2E of the Corporations Act, the provision of any financial benefit (which includes the issue of LTIs) to a related party requires shareholder approval unless one of a number of exceptions applies.

Dr Perry, being a Director of the Company, is a related party of the Company.

The following information is provided in accordance with Section 219 of the Corporations Act for the purposes of seeking shareholder approval of the financial assistance:

- (i) The related party to whom the proposed resolution will permit a financial benefit to be given:

Dr Michael Perry, being a director of the Company.

- (ii) The nature of the financial benefit:

The nature of the financial benefit to be given is the issue of the 15,000,000 Options to Dr Michael Perry at an exercise cost equal to the Company's Share price as at the close of trade on the trading day on the date of this annual general meeting and upon the terms described in section 5.1 above.

- (iii) Recommendations by each of the Directors of the Company:

Each of the Directors of the Company (other than Dr Perry, who will abstain from voting due to his personal interest in the outcome of the resolution) recommends the proposed issue of the Options to Dr Perry on the basis that it is in the best interests of the Company as it provides Dr Perry with an incentive which promotes the alignment of his interests with that of the Company's Shareholders.

- (iv) In relation to each such Director, their interests in Resolution 4:

Apart from Dr Perry, none of the Directors of the Company have any interest in the outcome of Resolution 4.

- (v) Total Remuneration Package and notifiable interests

*As at the date of this Notice of Meeting, the annual remuneration, bonuses, superannuation and non monetary and other benefits (**Total Remuneration**) payable to Dr Perry total approximately AU\$1,027,139 (excluding the financial value of the new proposed 15,000,000 Options).*

On passing of this Resolution 4, Dr Perry's total remuneration package will also include the value of the financial benefit inherent in the grant of the 15,000,000 Options on the terms provided in these notes. Dr Perry already owns 50,000,000 restricted security units (RSUs), being long term incentive rights approved by Shareholders at the Company's 2017 Annual General Meeting, some of which RSUs have already vested (see Table in section 5.2(c) below).

- (vi) Estimated valuation of the financial benefits to be provided

To provide Shareholders with some guidance as to the likely market value of such Options, the Company has calculated that the financial value of the Options in accordance with a Black-Scholes model valuation methodology is an aggregate \$1,129,500. Details of the Black-Scholes model valuation methodology (including assumptions and qualifications) is set out in Schedule 3.

It is important for Shareholders to note:

- there is a possibility that the market price of the Shares (and therefore the inherent value in the proposed Options for Dr Perry) may vary up to the date of the Meeting and also up to vesting date;
- the estimated value of the financial benefit may be higher as a result of further benefits arising if the realisable value of the Shares (reflected in the Options) increases after vesting.

- (vii) Dilution effect of the Options (reflecting one Options equals one Share)

There is no dilution effect upon the issue of the Options on the shareholdings of the existing Shareholders. Any calculation of a future dilution will depend upon what vesting conditions are satisfied and when, and how many Options are exercised. Such calculation cannot be made as at the date of this Notice of Meeting.

- (i) All other information that would be required by members in order to decide whether or not it is in the Company's best interest to pass Resolution 4:

If shareholders approve this Resolution 4 and all of the Options are exercised, the effect will be to dilute the shareholding of existing shareholders by approximately 1.12% on an undiluted basis.

(c) RSUs and Options Vesting

The following is a table setting out the vesting conditions and tranches applicable to the Options (the subject of Resolution 4) and also the existing RSUs (which have previously been approved by shareholders at the 2017 AGM and have already been issued by the Company).

Relevant milestone / vesting condition	Relevant Date / Event	Number of RSUs (\$zero exercise price; with each RSU equivalent to one fully paid ordinary share in the Company)	Number of Options (Exercise price is Market Price as at Shareholder approval date and on exercise each Option converts into one fully paid ordinary share in the Company)
1. Tenure milestone	1 June 2018	5,555,555 - now vested	N/A
	1 June 2019	5,555,555 - on vesting date	1,666,666 - on vesting date
	1 June 2020	5,555,556 - on vesting date	1,666,666 - on vesting date
2. AVH Share Price milestone	2 times multiple of AVH price as at 30/11/17	5,555,555 - not yet vested	N/A
	2 times multiple of AVH price as at 30/11/2018	N/A	1,666,667 - not yet vested
	3 times multiple of AVH price as at 30/11/17	5,555,555 - not yet vested	N/A
	3 times multiple AVH price as at 30/11/2018	N/A	1,666,667 - not yet vested
	4 times multiple of AVH price as at 30/11/17	5,555,556 – not yet vested	N/A
	4 times multiple of AVH price as at 30/11/2018	N/A	1,666,667 not yet vested
	FDA PMA Approval of ReCell for burns	8,333,334 - now vested	
3. Operational Milestones	Initial BARDA procurement under CLIN@ of the BARDA contract	8,333,334 - not yet vested	2,500,000 - not yet vested
	FDA PMA Approval of ReCell for burns and 1 year anniversary of employment		4,166,666 - will be deemed vested on 2018 AGM shareholder approval
TOTAL		50,000,000 RSUs	15,000,000 Options

Further information with respect to the Options is outlined below under Schedule 2 of this Notice of Meeting (together with the voting exclusions appearing below the wording of Resolution 4 in the Notice of Meeting).

5.3 ASX Listing Rules

ASX Listing Rule 10.11 requires Shareholders approval to be obtained where an entity issues, or agrees to issue, securities to a related party or a person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rules applies.

Dr Perry is a director of the Company and therefore a related party of the Company.

Pursuant to Listing Rule 10.13, the following information is provided in relation to the proposed issue of LTIs pursuant to this Resolution 4:

- (i) The name of the person to be issued the Securities:

Dr Michael Perry.

- (ii) The maximum number of securities to be issued

15,000,000 Options, issued subject to vesting conditions described in section 5.1 above. After vesting each Option, on exercise and payment in full of the exercise price; for each Option exercised Dr Perry would be issued one ordinary Share in the Company credited as fully paid.

- (iii) The date by which the Options will be issued:

No later than one (1) month after the date of this Annual General Meeting, or such later date that ASX in its discretion decides.

- (iv) Issue Price of the Options:

\$Nil cash is paid by Dr Perry for the grant of the relevant Options. However on vesting; where exercised Dr Perry would be required to pay in full the applicable exercise price for each Option which is exercised.

- (v) Voting Exclusion Statement:

A voting exclusion statement is provided in the Notice of Meeting (to which this Explanatory Statement is attached); and

- (vi) The intended use of the Funds raised

No cash funds will be raised from the issue of the Options to Dr Perry.

5.4 Board recommendation

The Board (with Dr Perry abstaining, due to his interest in the outcome of the resolution) unanimously recommends that Shareholders vote in favour of Resolution 4 as they all believe the passing of the resolution is in the best interests of the Company. None of the directors, other than Dr Perry, has an interest in the outcome of the resolution.

The Chairman intends to vote available undirected proxies in favour of Resolution 4.

6. RESOLUTION 5 – APPROVAL OF THE EMPLOYEE SHARE PLAN

The Company has previously adopted an employee share plan (**Share Plan** or **Plan**) to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. Selected senior management of the Company and the Directors are eligible to participate in the Plan at the absolute discretion of the Board. The Board also remains committed to incentivising and retaining the Company's directors and other personnel in a manner which promotes alignment of their interests with shareholder interests, whilst at the same time offering eligible participants market-competitive remuneration arrangements.

At the same time, the Company desires to maintain maximum ability to raise capital in accordance with ASX Listing Rule 7.1 without seeking prior shareholder approval. Accordingly, the Board seeks further shareholder approval of the Company's existing Share Plan for the purposes of ASX Listing Rule 7.2 Exception 9.

The aggregate number of Shares which may be issued pursuant to the Plan, (when aggregated with all Shares issued under all other employee incentive plans), shall not at any time exceed 7.5% of the total number of issued Shares.

A summary of the Employee Share Plan is set out in Schedule 4.

The Directors abstain from making a recommendation on Resolution 5 as they are eligible to participate in the Employee Share Plan (subject to shareholder approval) and therefore have a potential personal interest in the matter. Subject to the below voting exclusions, the Chairman intends to vote undirected proxies in favour of this resolution.

6.1 ASX Listing Rules

Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a rolling 12 month period, the amount of equity securities issued (without prior shareholder approval) is more than 15% of the number of ordinary shares on issue at the start of that 12 month period.

Listing Rule 7.2 exception 9 provides that an issue of securities under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 if the issue of securities is made under an employee incentive scheme and that employee incentive scheme was summarised in the notice of meeting under which the Plan was last approved, being no more than three years before the relevant date of issue of the securities. The Employee Share Plan is regarded as an employee incentive scheme for the purposes of Listing Rule 7.2 and this Resolution 5 seeks shareholder approval for the Plan to meet the 3 year approval requirement.

The Company intends that any issue of shares under the Employee Share Plan does not detract from the Company's Listing Rule 7.1 15% entitlement. Accordingly, it is seeking shareholder approval of the Plan in order for the Company to be able to issue shares pursuant to the Employee Share Plan (**Plan Shares**) and have those shares qualify under exception 9 to Listing Rule 7.2.

6.2 Information required for Listing Rule 7.2 Exception 9(b)

Listing Rule 7.2 Exception 9(b) requires the information detailed in sections (a), (b) and (c) below to be provided to members for approval under this resolution:

(a) Shares already issued

The Company has previously issued 29,131,664 Shares pursuant to the Employee Share Plan since the Plan was last approved in November 2016.

(b) Employee Share Plan Summary

From time to time, and in its absolute discretion, the Board may invite employees and other eligible personnel of the Company (including the directors) to subscribe for Plan Shares under the Plan. The key terms of the Plan, are set out in Schedule 4 to this Notice of Meeting.

(c) Voting Exclusion Statement

The applicable voting exclusion statement for the purposes of Listing Rule 7.2 exception 9, under this Resolution 5, appears above in the Notice of Meeting.

6.3 Termination benefits under the Plan

Section 200B of the Corporations Act requires shareholder approval by ordinary resolution, and in accordance with the special provisions of s 200E of the Act, in order to access the exemption from the prohibition on a company giving a person a benefit in connection with that person's retirement from an office or position of employment in that company where that person is, or was in the three years prior to his or her retirement, in a managerial or executive office in that company.

The Plan allows the Board, in its discretion and subject to the Listing Rules, to vary or amend the terms of the Plan, which may include an amendment to allow an acceleration of vesting of share entitlements on a retirement, which could constitute a benefit otherwise prohibited under Section 200B. In order to give the Board flexibility to exercise its discretions under the Plan to the extent that an acceleration of vesting could be regarded as providing a person a benefit in connection with that person's retirement from an office or position of employment (**Employment Retirement Benefit**), shareholder approval for the purposes of sections 200B and 200E of the Corporations Act 2001 is being sought.

For a section 200B benefit to be allowed, section 200E requires that this Notice of Meeting provide shareholders with either the value of the proposed benefits or, where the value of the proposed benefits cannot currently be ascertained, the manner in which the value of the proposed benefits is calculated, and the matters, events and circumstances that will, or are will likely to, affect the calculation of the value.

Value of termination benefits

The Board has not determined that it will exercise discretion to grant any Employment Retirement Benefits. In the circumstances of a possible Employment Retirement Benefit, the value of the benefits that the Board may give under the Plan cannot be determined in advance, as many of the factors that will or are likely to affect that value will not be known until the time the benefit is decided to be awarded (if at all).

Specifically, the value of an Employment Retirement Benefits will depend on a number of factors, including the Company's share price at the time.

Further Voting restrictions

Insofar as Resolution 5 could relate to the provision of a Employment Retirement Benefit, in accordance with section 200E(2A) of the Corporations Act, a vote on Resolution 5 must not be cast (in any capacity) by or on behalf of any person who may be entitled to receive a benefit in connection with that person's retirement from a managerial or executive office in the Company (or any related body corporate), or an associate of that person. However, a person is entitled to cast a vote if:

- (a) it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the resolution; and
- (b) it is not cast on behalf of the retiree or an associate of that person

As at the date of this Notice, the Board has not identified any particular person to receive a benefit in connection with that person's retirement from a managerial or executive office in the Company. As such, no existing Shareholders shall be excluded from voting on Resolution 5.

6.4 Loans for, and Security over, Plan Shares

Section 259B(2) permits a Company to take security over its own shares issued pursuant to an employee share scheme under certain conditions, including where prior shareholder approval of the employee share scheme has been obtained. Accordingly, the Company is seeking shareholder approval under Resolution 5 in respect of the operation of section 259B(2) of the Corporations Act, for circumstances where the Company elects to provide an employee assistance in the acquisition of shares in itself, such as providing a loan for the payment of the purchase price of a Share to be issued under the Plan.

Section 260A of the Corporations Act allows only limited circumstances under which a company may provide financial assistance for the acquisition of shares in itself without obtaining prior shareholder approval, including the giving of the assistance which does not materially prejudice (i) the interests of the company or its shareholders, or (ii) the company's ability to pay its creditors. The Board is of the view that this exemption is applicable, and at the relevant times will be applicable, to any loans that may be granted for the acquisition of Plan Shares under the Plan. Accordingly the Company will not be seeking shareholder approval with respect to under Section 260A of the Corporations Act.

Director Recommendation

As the Directors are excluded from voting upon this resolution pursuant to the ASX Listing Rules, the directors will not make a recommendation to shareholders with respect to vote in relation to this Resolution 5.

GLOSSARY

\$ means Australian dollars.

10% Placement Capacity has the meaning given in Section 4.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Avita Medical Limited ACN 058 466 523.

Constitution means the Company's constitution.

Control Event means any of the following:

- (a) a takeover bid is made to acquire the whole of the issued Shares and the takeover bid is recommended by the Board or becomes unconditional;
- (b) a transaction is announced by the Company which, if implemented, would result in a person owning all the issued Shares;
- (c) a person acquires 50.1% or greater of the issued Shares or the Company (individually or as a result of a series of transactions) disposes (whether by sale, licence or otherwise) all or substantially all of its assets; or

- (d) a person after the date of issue of the LTIs acquires or enters into a position to own or control sufficient Shares which in the reasonable opinion of the Board would enable that person to influence the composition of the Board;
- (e) any other similar event has occurred or is likely to occur (including, but not limited to, a merger of the Company with another company), which the Board in its reasonable opinion determines to be a Control Event,

but for clarity a "Control Event" excludes any solvent reconstruction or re-organisation of the Company or its entities (including without limitation the interposition of a new holding entity to the group).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Entity means an entity that, at the date of the relevant general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

LTI means long term incentive right.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Proxy Form means the proxy form accompanying the Notice.

Related Parties has the meaning as provided in the Corporations Act.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

Reorganisation means any merger, consolidation, reconstruction or other reorganisation in respect of the Company, including any compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

RSU means a restricted security unit, which is an unfunded and unsecured contractual entitlement to be issued or transferred a Share on a future date.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means “A” as set out in the calculation in Section 9.

VWAP means the volume weighted average price of the Shares traded for the 30 trading days immediately prior to, but not including, the relevant date.

SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 2017 ANNUAL GENERAL MEETING

Date	Quantity and Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration	Extent of use of the funds and intentions for any funds remaining
28 December 2017	696,975 Ordinary shares	Directors who participated in the director equity plan	Issued at 10 day vwap price of \$0.0615 per Share, having a total value of \$42,864 The Market Price of the Shares on 28 December 2017 was \$0.060 per Share	Shares issued in lieu of directors fees	Not applicable
28 December 2017	50,000,000 restricted security units (RSUs)	Dr Michael Perry	\$Nil issue price The current value of the 50,000,000 RSUs based on a Market Price as at 22 October 2018 of \$0.105 per Share is \$5,250,000 but subject to vesting conditions as outlined in the 2017 AGM notice and in section 5.2(c) of this Notice	Not applicable	Not applicable
10 January 2018	29,969,997 unlisted options to purchase Ordinary shares	Employees under the Company's long term incentive plan.	Not applicable The current value of the 29,969,997 unlisted options based on a Market Price as at 22 October 2018 of \$0.105 per Share is \$802,052	Not applicable	Not applicable
6 June 2018 and 23 July 2018	A total of 320,475,665 Ordinary shares	Share placement to institutional and sophisticated investors	\$0.050 per share being a 3.8% discount to the last closing price on 1 June 2018	Cash	Total gross proceeds were \$16,023,783. Funds to be used for commercialization of RECELL System in U.S. and general corporate purposes. \$14,825,532 remain available for use at 30 June 2018

Notes:

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. Fully paid ordinary shares in the capital of the Company, ASX Code: AVH (terms are set out in the Constitution).
3. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

Terms and conditions of Options

Each Option entitles the holder (**Option Holder**) to subscribe for and be issued one fully paid ordinary share (**Share**) in **Avita Medical Ltd ACN 058 466 523 (Company)** on the following terms:

1. Subject to clauses 2 and 3 and any restrictions imposed by the Australian Securities Exchange (**ASX**), each Option is exercisable at any time after the date on which the Option is issued (**Issue Date**) and the Option has vested (**Vesting Date**), until and including their expiry date, namely 10 years from the Issue Date (**Expiry Date**). Any Options not exercised by the Expiry Date will automatically lapse on the Expiry Date. All unvested Options automatically lapse upon a cessation of employment of Dr Perry with the Company.
2. The aggregate of 15,000,000 Options is subject to vesting conditions based on (i) tenure of Dr Perry, (ii) the Company's Share Price and (iii) milestone performance by the Company as follows:
 - (a) *Tenure* - A tranche of 3,333,333 Options, with 1,666,666 to vest on 1 June 2019 and 1,666,667 to vest 1 June 2020;
 - (b) *Company Share Price* - A further tranche of 5,000,001 Options to vest in 3 equal tranches of 1,666,667 Shares, upon the VWAP of Company Share price (as at close of trade on the ASX on the relevant date) achieving multiples of -
 - (i) 2 times (for the first tranche);
 - (ii) 3 times (for the second tranche); and
 - (iii) 4 times (for the third tranche);the Company's Share price as at the close of trade on the day Shareholders approve the granting of these Options;
 - (c) *Milestone Performance* - A further tranche of 2,500,000 Options to vest upon the achievement of the milestones initial procurement under the BARDA contract;
 - (d) *Vested Due to Milestone Achievement* - A final tranche of 4,166,666 Options, fully vested due to prior achievement of milestone related to FDA approval of RECELL for burns and completion of one-year anniversary 1 June 2018.
3. The Options may be exercised for part or all of the Options issued by the Option Holder giving written notice in the form set out below (**Notice of Exercise**) to the Company at its registered office prior to the Expiry Date.
4. The exercise price for each Option (which is payable immediately on exercise) will be determined by the Company's Share price as at the close of trade on the day Shareholders approve the resolution for the issue of these Options (**Exercise Price**).
5. On receipt by the Company of the Notice of Exercise and payment of the Exercise Price, the Company must, within 2 Business Days and if the Shares are listed on the ASX within the time period prescribed by the Listing Rules of the ASX (**ASX Listing Rules**):
 - (a) allot to the Option Holder one Share in the Company for each Option exercised by the Option Holder;

- (b) cause to be despatched to the Option Holder the relevant acknowledgement of issue, a holding statement or share certificate (as applicable) as soon as is reasonably practicable detailing the issue of the relevant Share/s; and
 - (c) issue (if applicable) a new holding statement (or option certificate) for the balance of the Options that remain unexercised.
- 6. Shares allotted on the exercise of Options will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company (except in respect to any dividends which shall have been declared but not yet distributed before the actual exercise of an Option) and will be subject to the provisions of the Constitution of the Company.
- 7. The Options are transferable by an Option Holder on written notice to the Company, and where the Shares are quoted, in accordance with the ASX Listing Rules, provided that the Options cannot be transferred or assigned within 12 months after the Issue Date except in accordance with the Corporations Act.
- 8. In the event of a pro rata issue of Shares by the Company, the Exercise Price for each Option will be adjusted in accordance with Listing Rule 6.22.2 of the ASX Listing Rules (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
- 9. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any Options, the number of Options to which each Option Holder is entitled or the Exercise Price of his or her Options or both must be reorganised in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganisation (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
- 10. An Option does not confer the right to participate in new issues of capital offered to holders of Shares (**Rights Entitlement**) during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining Rights Entitlements to any such issue, the Option Holder is to receive at least written notice from the Company of the pending closing or record date and sufficient time for the Option Holder to exercise the Options prior to that closing or record date in order to qualify for the participation in the Rights Entitlement.
- 11. If the Shares are listed for quotation on the ASX, the Company will apply to the ASX for, and will use its best endeavours to obtain, quotation or listing of all Shares allotted on the exercise of any Options within 10 Business Days (as defined in the Listing Rules of the ASX) of allotment.
- 12. In the event of the liquidation of the Company, all unexercised Options will lapse upon the occurrence of that liquidation.
- 13. The Options do not provide any entitlement to dividends paid to ordinary shareholders.
- 14. The Options do not entitle the Option Holder to vote at any meeting of shareholders.
- 15. To the extent (if any) that any of these Option Terms And Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and these Option Terms And Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to these terms; and
- 16. These Terms and Conditions are governed by the laws of the State of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria.

SCHEDULE 3 – RESOLUTION 4 - DETAILS OF THE BINOMIAL VALUATION METHODOLOGY

The Options that are the subject of Resolution 4 are not currently quoted on the ASX and as such have no market value. Each Option grants the holder a right to subscribe for one Share upon exercise of each Option and payment of the exercise price described above. Accordingly, the Options may have a present value at the date of their grant.

The Options may acquire future value dependent upon the extent to which the market value of Shares exceeds the exercise price of the Options during the term of the Options.

As a general proposition, options to subscribe for ordinary fully paid shares in a company have value.

Various factors impact upon the value of options including things such as:

- The period outstanding before the expiry date of the options;
- The exercise price of the options relative to the underlying price or value of the securities into which they may be converted;
- The proportion of the issued capital as expanded consequent upon exercise represented by the shares issued upon exercise (i.e. whether or not the shares that might be acquired upon exercise of the options represent a controlling or other significant interest);
- The value of the shares into which the options may be converted; and
- Whether or not the options are listed (i.e. readily capable of being liquidated) and so on.

There are various formulae which can be applied to determining the theoretical value of options (including the formula known as the Black and Scholes option valuation methodology “**Black-Scholes Model**”). The Company performed a valuation of the Options using the Black-Scholes Model, which is the most widely used and recognized model for pricing options. The value of an option calculated by the Black-Scholes Model is a function of the relationship between a number of variables, being the price of the underlying Share at the time of issue, the exercise price, the time to expiry, the risk-free interest rate, the volatility of the Company’s underlying Share price and expected dividends.

The data relied upon in the valuation applying the Black-Scholes Model was:

- Exercise price of the Options as per the SIS Report being \$0.105, the closing price of the Shares on the ASX on 15 October 2018, as a proxy for the market price at the future date of issue, being the date of the General Meeting to approve the issue valuation as a proxy for the market price at the future date of issue, being the date of the General Meeting to approve the issue Options vesting on the date of issue;
- Expiry Date of 10 years from grant date;
- Volatility measure of 90%;
- Risk-free interest rate of 1.50%;
- No discount has been applied for their unlisted status; and
- Dividend yield of 0.00%.

Based on the assessed fair value of the Options based on the Black and Scholes option valuation methodology, the Company has adopted an indicative value of \$0.0753 per option, being a total value of \$ \$1,129,500 for the Options proposed to be granted (being 15 million options in total).

SCHEDULE 4 – EMPLOYEE SHARE PLAN SUMMARY

The key terms of the Employee Share Plan (**Plan**) are as follows:

- (a) **Eligibility:** Participants in the Scheme may be Directors, full-time and part-time employees of the Company or any of its subsidiaries (**Participants**).
- (b) **Administration of Plan:** The Board is responsible for the operation of the Plan and has a broad discretion to determine which Participants will be offered Shares under the Plan.
- (c) **Offer:** The Board may issue an offer to a Participant to participate in the Plan. The offer:
 - (i) will invite application for the number of Shares specified in the offer;
 - (ii) will specify the issue price for the Shares or the manner in which the Issue Price is to be calculated;
 - (iii) may invite applications for a loan up to the amount payable in respect of the Shares accepted by the Participant in accordance with the offer;
 - (iv) will specify any restriction or vesting conditions (**Restriction Conditions**) applying to the Shares;
 - (v) will specify an acceptance period; and
 - (vi) specify any other terms and conditions attaching to the Shares.
- (d) **Issue price:** the issue price of each Share will be not less the volume weighted average price at which Shares were traded on the ASX over the 10 trading days up to and including the actual date of acceptance of the Shares offered under the Offer.
- (e) **Restriction Conditions:** Shares may be subject to Restriction Conditions (such as a period of employment) which must be satisfied before the Shares can be sold, transferred, or encumbered. Shares cannot be sold, transferred or encumbered until any loan in relation to the Shares has been repaid or otherwise discharged under the Plan.
- (f) **Loan:** A Participant who is invited to subscribe for Shares may also be invited to apply for a loan up to the amount payable in respect of the Shares accepted by the Participant (**Loan**), on the following terms:
 - (i) the Loan will be interest free;
 - (ii) the Loan made available to a Participant shall be applied by the Company directly toward payment of the issue price of the Shares;
 - (iii) the Loan repayment date and the manner for making such payments shall be determined by the Board and set out in the offer;
 - (iv) a Participant must repay the Loan in full by the loan repayment date but may elect to repay the Loan amount in respect of any or all of the Shares at any time prior to the loan repayment date;
 - (v) the Company shall have a lien over the Shares in respect of which a Loan is outstanding and the Company shall be entitled to sell those Shares in accordance with the terms of the Plan;

- (vi) a Loan will be non-recourse except against the Shares held by the Participant to which the Loan relates; and
 - (vii) the Board may, in its absolute discretion, agree to grant a loan subject to different loan conditions or to forgive a Loan made to a Participant.
- (g) **Unfulfilled Restriction Condition:** Where a Restriction Condition in relation to Shares is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board, the Company must, unless the Restriction Condition is waived by the Board, either:
- (i) buy back and cancel the relevant Shares within 12 months of the date the Restriction Condition was not satisfied (or became incapable of satisfaction) under Part 2J.1 of the Corporations Act at a price equal to the cash consideration paid by the Participant for the Plan Shares (with any Loan not being treated as cash consideration but any Loan Amount repayments by the Participant being treated as cash consideration); or
 - (ii) arrange to sell the Shares as soon as reasonably practicable either on the ASX or to an investor who falls within an exemption under section 708 of the Corporations Act provided that the sale must be at a price that is no less than 80% of the volume weighted average price at which Shares were traded on the ASX on the 10 trading days before the sale date and apply the sale proceeds (**Sale Proceeds**) in the following priority:
 - (A) first, to pay the Company any outstanding Loan Amount (if any) in relation to the Shares and the Company's reasonable costs in selling the Shares;
 - (B) second, to the extent the Sale Proceeds are sufficient, to repay the Participant any cash consideration paid by the Participant or Loan Amount repayments (including any cash dividends applied to the Loan Amount) made by or on behalf of the Participant; and
 - (C) lastly, any remainder to the Company to cover its costs of managing the Plan.
- (h) **Sale of Shares to repay Loan:**
- (i) A Loan shall become repayable in full where:
 - (A) the Participant (or, where the Participant is an Associate of an Eligible Employee, the Eligible Employee) ceases to be an Eligible Employee for any reason (including death);
 - (B) the Participant suffers an event of insolvency;
 - (C) the Participant breaches any condition of the Loan or the Plan; or
 - (D) a Restriction Condition in relation to Shares subject to the Loan is not satisfied by the due date, or becomes incapable of satisfaction in the opinion of the Board (and is not waived).
 - (ii) Where a Loan becomes repayable and at that time a Restriction Condition in relation to Shares subject to the Loan is not satisfied, or is incapable of being satisfied in the opinion of the Board (and is not waived), the Shares must be sold and the Sale Proceeds applied to repay the Loan in accordance the Plan.

- (iii) Where a Loan in relation to Shares becomes repayable and at that time Restriction Conditions in relation to the Shares have either been satisfied or are waived, the Company must give the Participant a 30 day period to repay the Loan, failing which the Company must sell the Shares and apply the Sale Proceeds in accordance with the Plan.
- (i) **Power of Attorney:** The Participant irrevocably appoints each of the Company and each director of the Company severally as his or her attorney to do all things necessary to give effect to the sale of the Participant's Shares in accordance with the Plan.
- (j) **Plan limit:** The Company must take reasonable steps to ensure that the number of Shares offered by the Company under the Plan when aggregated with:
 - (i) the number of Shares issued during the previous 5 years under the Plan (or any other employee share plan extended only to Eligible Employees); and
 - (ii) the number of Shares that would be issued if each outstanding offer for Shares (including options to acquire unissued Shares) under any employee incentive scheme of the Company were to be exercised or accepted,
 does not exceed 7.5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with relevant ASIC Class Orders).
- (k) **Restriction on transfer:** Participants may not sell or otherwise deal with a Plan Share until the Loan Amount in respect of that Plan Share has been repaid and any Restriction Conditions in relation to the Shares have been satisfied or waived. The Company is authorised to impose a holding lock on the Shares to implement this restriction.
- (l) **Quotation on ASX:** The Company will apply for each Plan Share to be admitted to trading on ASX upon issue of the Plan Share. Quotation will be subject to the ASX Listing Rules and any holding lock applying to the Shares.
- (m) **Rights attaching to Shares:** Each Plan Share shall be issued on the same terms and conditions as the Company's issued Shares (other than in respect of transfer restrictions imposed by the Plan) and it will rank equally with all other issued Shares from the issue date except for entitlements which have a record date before the issue date.

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form

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Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 181738

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10:00am (Melbourne time) Wednesday, 28 November 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**



☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Avita Medical Limited hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Avita Medical Limited to be held at the Offices of K & L Gates, Level 25, 525 Collins Street, Melbourne, Victoria on Friday, 30 November 2018 at 10:00am (Melbourne time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 4 and 5 (except where I/we have indicated a different voting intention below) even though Resolutions 1, 4 and 5 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 4 and 5 by marking the appropriate box in step 2 below.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Lou Panaccio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of the Issue of Options to Dr Michael Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of the Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /