

AVITA MEDICAL DECEMBER 2009 QUARTERLY CASHFLOW

Summary of Quarter ending 31 December 2009:

- Cash receipts from customers for the Quarter were \$768,520, up 45% over the corresponding previous Quarter receipts of \$529,488. Sales of ReCell have increased by 36% over the previous period with sales of respiratory products (Breath-A-Tech and Funhaler) up 20%. The Company holds an additional \$397,705 in trade and other receivables;
- Cash receipts from customers for the 6 months Year-to-Date were \$1,548,483, up 18% over receipts of \$1,313,766 for the same period of previous year.
- Losses due to Operating cash flows for the Quarter decreased by \$547,352 or 38% over the previous Quarter loss of \$1,422,764; ongoing efforts at cost containment continue to positively impact cashflow;
- Gross margin improved by 12% over previous Quarter with continued recognition of gains in manufacturing efficiencies. Overall gross margins were approximately 74% for the current Half Year up from 49% in the corresponding Half Year to 31 December 2008 and 61% in the previous Half Year through 30 June 2009.
- Received approval from the United States Food and Drug Administration (FDA) to begin its US clinical trial for ReCell[®] Spray-On Skin
- Received ISO Re-Certification, free to CE Mark all regenerative and respiratory products for sale in the European Union;
- Post quarter end receipt of additional US\$450k grant from US Department of Defense AFFIRM Program;
- Cash-at-bank at end of Quarter \$4.8 million; the Company remains debt free.

The Company's financials are significantly in line with budgeted receipts and expenses.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity Avita Medical Limited	
ABN 28 058 466 523	Quarter ended ("current quarter") 31 December 2009

Consolidated statement of cash flows

	Current quarter \$A	Year to date (1 Year) \$A
Cash flows related to operating activities		
1.1 Receipts from customers	768,520	1,548,483
1.2 Payments for		
(a) administration	(935,329)	(1,669,417)
(b) marketing & sales	(354,639)	(673,194)
(c) research and development	(82,632)	(92,155)
(d) clinical expenses	(142,048)	(243,329)
(e) cost of sales	(240,050)	(446,975)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	44,164	71,974
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes (paid)/received	89,212	176,302
1.7 Royalties and other income received	(22,610)	564,411
Net operating cash flows	(875,412)	(763,900)

+ See chapter 19 for defined terms.

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	Current quarter \$A	Year to date (1 Year) \$A
1.8 Net operating cash flows (carried forward)	(875,412)	(763,900)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) Net cash acquired on acquisition(item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	(267,253)	(321,420)
(d) physical non-current assets	(53,145)	(57,232)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(320,398)	(378,652)
1.14 Total operating and investing cash flows	(1,195,810)	(1,142,552)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	834,436	1,897,989
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Share issue expenses	-	(50,000)
Net financing cash flows	834,436	1,847,989
Net increase (decrease) in cash held	(361,374)	705,437
1.21 Cash at beginning of quarter/year to date	5,143,915	4,077,104
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	4,782,541	4,782,541

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	595,352
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

- | |
|---|
| <ul style="list-style-type: none"> Some directors fees have been reclassified as research & development expenses |
|---|

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A	Previous quarter \$A
4.1	Cash on hand and at bank	467,935	449,765
4.2	Deposits at call	3,714,606	4,094,150
4.3	Bank overdraft	-	-
4.4	Deposits securing guarantees	600,000	600,000
Total: cash at end of quarter (item 1.22)		4,782,541	5,143,915

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	Nil	Nil
5.2	Place of incorporation or registration		
5.3	Consideration for acquisition or disposal		
5.4	Total net assets		
5.5	Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:

Company Secretary

Date: 29 January 2010

Print name: Gabriel Chiappini

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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