ASX/News Release

Avita Medical Half-Year Financial Report for Fiscal 2019

Valencia, Calif., USA, and Melbourne, Australia, 28 February 2019 — AVITA Medical (ASX: AVH, OTCQX: AVMXY), a global regenerative medicine company, announced that it filed today with the ASX its Appendix 4D – Half-Year Report for the six months ended 31 December 2018.

Revenues for First Six Months and Update on U.S. National Market Launch

AVITA Medical received U.S. Food and Drug Administration (FDA) approval of the RECELL® Autologous Cell Harvesting Device (RECELL® System) for the treatment of acute thermal burns in September 2018. As a result of the FDA approval, the Company's primary focus during the six months ended 31 December 2018 was preparing for the January 2019 U.S. national market launch of the RECELL System.

Prior to the January 2019 U.S. market launch and in advance of any direct promotional effort, the clinical and economic benefits of the RECELL System generated strong interest from burn centers and the Company recorded its first U.S. product sales. Product sales and other revenues for the six months ended 31 December 2018 were as follows:

(In thousands of AUD)	Six Months Ended 31 December	
	2018	2017
U.S. product sales	$1,102	$ -
International product sales	711	608
Total product sales	1,813	608
BARDA revenue	5,009	3,857
Total revenue	$6,822	$4,465

The Company also provided an update on the early results from the U.S. national market launch of the RECELL System that commenced last month.

"As expected, most burn centers are following a fairly standard process for adopting a novel device which includes an initial evaluation of the product as well as advancement through their hospital's Value Analysis Committee (VAC) in order to receive formal approval to purchase for regular use. This process can often take six months or more to complete," said Erin Liberto, Chief Commercial Officer. "The emphasis of our field sales force right now is to further increase awareness and interest among burn surgeons and to train surgeons and their staff in the use of the RECELL System. Our team is also assisting burn centers with product evaluation and providing the health economic and other data required to successfully complete their VAC review. We are pleased that through today, 41 of the 134 burn centers in the U.S. have been trained and certified in the use of the RECELL System, and 19 of these centers have already purchased the product. This is amazing progress for this early stage of a product launch and is helped by the prior experience a number of centers gained due to their participation in clinical trials and the Compassionate

Use program, and the broader market awareness resulting from the large body of scientific meeting presentations and publications through the past year."

Progress During First Six Months of Fiscal 2019 Set the Stage for Near-Term Milestones

A total of ten abstracts have now been accepted at the largest burn conference, the American Burn Association (ABA) 51st Annual Meeting to be held in Las Vegas April 2-5, 2019. The presentations of the RECELL System at the ABA conference with include a Top-Five Abstract presentation in plenary session covering the treatment of pediatric patients. Other presentations will include the clinical outcomes that burn surgeons have observed in a broad range of patients and burn types, including the use of the RECELL System in the treatment of donor sites, burns of the hand, and patients with large burn injuries.

The work undertaken by the Company's clinical and regulatory teams will also lead to two additional milestones during this quarter, the filing of approval to market the RECELL System in Japan, and the commencement of the second clinical trial in pediatric burn patients in the U.S. This second U.S. randomized, controlled pediatric trial will test the RECELL System in the treatment of partial thickness burns, a population and type of burn that is currently outside of the approved U.S. labeling for the product.

Funding and technical support for the development of the RECELL System is provided by the Biomedical Advanced Research and Development Authority (BARDA), under the Assistant Secretary for Preparedness and Response, within the U.S. Department of Health and Human Services, under ongoing USG Contract No. HHSO100201500028C. Programs funded under the BARDA contract include two randomized, controlled pivotal clinical trials, the Compassionate Use and Continued Access programs, development of the health economic model demonstrating the cost savings associated with the RECELL System, and two randomized, controlled clinical trials in pediatric burn patients.

Half-Year Fiscal 2019 Financial Results (Unaudited, in AUD)

A copy of the Appendix 4D – Half-Year Report for the six months ended 2019 is attached. A summary of the financial results for the half year are as follows:

(In thousands of AUD)	Six Months Ended 31 December	
	2018	2017
Sale of goods	$ 1,813	$ 608
Cost of sales	(570)	(265)
Gross profit	1,243	343
BARDA revenue	5,009	3,857
Other income	104	37
Operating costs	(21,935)	(11,488)
Loss for the period	(15,579)	(7,251)
Foreign currency translation	1,374	(55)
Total other comprehensive loss	($14,205)	($7,306)

The majority of the current-year increase in sales of goods occurred in the U.S. as a result of the September 2018 FDA approval. Gross margin for the half-year ended 31 December 2018 was 69% compared to 56% for the same period in 2017, and the Company expects gross margins to further increase as sales ramp up within the U.S. As in prior periods, the majority of other revenue consisted of funding from BARDA. As the result of investments in commercial, manufacturing, and system capabilities for the U.S. market launch of the RECELL System and related initiatives, operating costs and net loss for the half-year ended 31 December 2018 increased compared to the same period in the prior year and were in line with management expectations.

During the six months ended 31 December 2018, net proceeds provided by institutional placements of shares to U.S., Australian and international institutional and sophisticated investors was approximately $25.4 million. The pro forma cash and cash equivalents balance at 31 December 2018, Including the net proceeds of approximately $13.8 million and $1.8 million received in January 2019 from Tranche 2 of an institutional placement and from a share purchase plan, respectively, was approximately $45.9 million.

“We appreciate the support provided by our shareholders, including those investors that participated in our placements of shares,” said Dale Sander, Chief Financial Officer. “The cash on hand at 31 December 2018 is expected to allow full funding of the U.S. launch and commercial sales ramp up, as well as the product development programs currently underway or planned.”

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ABOUT AVITA MEDICAL LIMITED

AVITA Medical is a regenerative medicine company with a technology platform positioned to address unmet medical needs in burns, chronic wounds, and aesthetics indications. AVITA Medical’s patented and proprietary collection and application technology provides innovative treatment solutions derived from the regenerative properties of a patient’s own skin. The medical devices work by preparing a REGENERATIVE EPIDERMAL SUSPENSION™ (RES™), an autologous suspension comprised of the patient’s skin cells necessary to regenerate natural healthy epidermis. This autologous suspension is then sprayed onto the areas of the patient requiring treatment.

AVITA Medical’s first U.S. product, the RECELL® System, was approved by the U.S. Food and Drug Administration (FDA) in September 2018. The RECELL System is indicated for use in the treatment of acute thermal burns in patients 18 years and older. The RECELL System is used to prepare Spray-On Skin™ Cells using a small amount of a patient’s own skin, providing a new way to treat severe burns, while significantly reducing the amount of donor skin required. The RECELL System is designed to be used at the point of care alone or in combination with autografts depending on the depth of the burn injury. Compelling data from randomized, controlled clinical trials conducted at major U.S. burn centers and real-world use in more than 7,000 patients globally, reinforce that the RECELL System is a significant advancement over the current standard of care for burn patients and offers benefits in clinical outcomes and cost savings. Healthcare professionals should read the INSTRUCTIONS FOR USE - RECELL® Autologous Cell Harvesting Device (https://recellsystem.com/) for a full description of indications for use and important safety information including contraindications, warnings and precautions.

In international markets outside of Europe, our products are marketed under the RECELL System brand to promote skin healing in a wide range of applications including burns, chronic wounds and aesthetics. The RECELL System is TGA-registered in Australia, CFDA-cleared in China, and received CE-mark approval in Europe.

To learn more, visit www.avitamedical.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

FOR FURTHER INFORMATION:

U.S. Media **Sam Brown Communications** Christy Curran Phone +1-615.414.8668 chrristycurran@sambrown.com **/OUS Media** **Monsoon Communications** Sarah Kemter Phone +61 (0)3 9620 3333 Mobile +61 (0)407 162 530 sarahk@monsoon.com.au	**Investors:** **Westwicke Partners** Caroline Corner Phone +1-415-202-5678 caroline.corner@westwicke.com **AVITA Medical Ltd** Dale A. Sander Chief Financial Officer Phone +1-661-367-9178 dsander@avitamedical.com

Appendix 4D

Half-Year Report

31 December 2018

AVITA MEDICAL LIMITED

ABN 28 058 466 523

Results for announcement to the market

Financial Results				December 2018 $	December 2017 $
Sale of goods	Up	198%	to	1,813,195	607,761
Other revenue	Up	31%	to	5,112,763	3,894,311
Total comprehensive loss for the period	Up	94%	to	14,205,247	7,305,987

Dividends	Amount per Ordinary Security	Franked amount per security
2017 interim dividend	Nil	Nil
2018 interim dividend	Nil	Nil

Record date for determining entitlements to the 2018 interim dividends	N/A

Net Tangible Asset Backing	December 2018	December 2017
Net tangible asset backing per ordinary security	$0.0189	$0.0138

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 2018

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 or the Company). The Parent Company's functional and presentation currency is AUD ($). A description of the Group's operations and principal activities are included in the review of operations and activities in the Directors' Report on page 5. The Directors' Report does not form part of the financial report.

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

Company Secretary
Mr Mark Licciardo and Ms Kate Goland
of Mertons Corporate Services Pty Ltd

Registered Office
c/o Mertons Corporate Services Pty Ltd
Level 7, 330 Collins Street
Melbourne VIC 3000, Australia

Principal Place of Business
28159 Avenue Stanford, Suite 220
Valencia, CA 91355
USA

Share Register
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, WA 6000 Australia

Solicitors
K&L Gates
Level 25 South Tower, 525 Collins Street
Melbourne VIC 3000, Australia

Auditor
Grant Thornton Audit Pty Ltd
Level 43 Central Park, 152-158 St Georges Terrace
Perth, WA 6000 Australia

Principal Bankers
National Australia Bank Limited
1238 Hay Street
West Perth, Western Australia, 6005

Stock Exchange
Avita Medical Limited
Listed on the Australian Securities Exchange
(ASX Code: AVH)
Listed on the OTCQX International Marketplace in the US (OTCQX Code: AVMXY)

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Your Directors submit their report for the half-year ended 31 December 2018.

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)
Dr Michael Perry (Executive Director)
Mr Jeremy Curnock-Cook (Non-Executive Director)
Mr Louis Drapeau (Non-Executive Director)
Mr Damien McDonald (Non-Executive Director)
Professor Suzanne Crowe (Non-Executive Director)

REVIEW AND RESULTS OF OPERATIONS

Avita Medical Limited and the Group is a regenerative medicine company with a technology platform designed to address unmet medical needs in patients with burns, chronic wounds, and aesthetics indications. The Company's patented and proprietary collection and application technology provides innovative treatment solutions derived from the regenerative properties of a patient's own skin. The Company's medical devices work by preparing a Regenerative Epidermal Suspension (RES™), an autologous suspension comprised of the patient's own skin cells that are necessary to regenerate natural healthy epidermis. This autologous suspension is then sprayed onto the areas of the patient requiring treatment. The first medical device based on the RES technology, the RECELL® System, was approved for sale in the U.S. for the treatment of acute thermal burns by the Food and Drug Administration (FDA) in September 2018. The Company initiated its U.S. national market launch of the RECELL System in January 2019, although it did commence commercial shipments in the U.S. during the half-year ended 31 December 2018 in response to pre-launch demand from burn centers. The RECELL System is also sold on a limited basis in certain regions of the world in which the products are approved for sale, including Australia, China and Europe.

Sale of goods totalled $1,813,195 for the half-year ended 31 December 2018, an increase of $1,205,434 or 198% over the $607,761 recognized during the same period in 2017. The majority of the current-year increase in sales occurred in the U.S. as a result of the September 2018 FDA approval. U.S. sales during the six months ended 31 December 2018 totalled $1,101,991 compared to zero in the prior year. Gross margin for the half-year ended 31 December 2018 was 69% compared to 56% for the same period in 2017, and management expects gross margins to further increase as sales ramp up within the U.S.

Other revenue totalled $5,112,763 for the half-year ended 31 December 2018, an increase of $1,218,452 or 31% over the $3,894,311 recognized during same period in 2017. As in prior periods, the majority of other revenue consisted of funding from the Biomedical Advanced Research and Development Authority (BARDA), under the Assistant Secretary for Preparedness and Response, within the U.S. Department of Health and Human Services, under ongoing USG Contract No. HHSO100201500028C. Under the BARDA contract, income of $5,009,137 was recognized during the half-year ended 31 December 2018 compared to income of $3,856,716 during the same period in 2017. Funding provided by BARDA during the half-year ended 31 December 2018 focused primarily on support of the regulatory activities to support the U.S. approval of the RECELL System, the Continued Access and Compassionate Use programs which provide access to the RECELL System for U.S. patients prior to FDA approval, and two U.S. clinical trials in pediatric burn patients.

Operations for the six months ended 31 December 2018 were focused primarily on preparation for the January 2019 U.S. market launch of the RECELL System, including the recruitment, hiring and training of 20 sales field force personnel. Additional activities included the commencement of product shipments in the U.S. after the September 2018 FDA approval of the RECELL System for the treatment of acute thermal burns, and the preparation for, or the conduct of, further development of RECELL. As the result of investments in commercial, manufacturing, and system capabilities for the U.S. market launch of the RECELL System and related initiatives, operating costs for the half-year ended 31 December 2018 totalled $21,935,034, a $10,447,198 or 91% increase over the $11,487,836 incurred during the same period in the prior year

and were in line with management expectations.

Net comprehensive loss after tax for the half-year ended 31 December 2018 was $14,205,247, a $6,899,260 or 94% increase compared to $7,305,987 incurred in the same period in the prior half-year. The increase in net loss was driven by the higher operating costs described above, partially offset by the higher sale of goods and other revenue achieved during the six months. As a result of the national launch of the RECELL System in the U.S. in January 2019, and the expansion of research and development, operating expenses will increase in future periods. These expenses are expected to be partially offset by increased sales of goods and revenues under the BARDA contract.

During the half year ended 31 December 2018, net cash provided by the issuance of shares under institutional placements of shares to U.S., Australian and international institutional and sophisticated investors was $25,364,339. Cash and cash equivalents held at 31 December 2018 was $30,342,360. The institutional placement included a second tranche contingent upon shareholder approval. Shareholder approval for Tranche 2 was received at an Extraordinary General Meeting held in January 2019, and the net proceeds of $13,828,577 were received by the Group in January 2019. Also, in January 2019 the Group received $1,764,900 in net proceeds from a share purchase plan (SPP). Pro forma cash and cash equivalents at 31 December 2018, including the proceeds received in January 2019 from Tranche 2 of the institutional placement and the SPP, was $45,935,837.

SUBSEQUENT EVENTS

During the six months ended 31 December 2018 the Group completed an institutional placement of shares to institutional placements of shares to U.S., Australian and international institutional and sophisticated investors. The institutional placement included a second tranche contingent upon shareholder approval. Shareholder approval for Tranche 2 was received at an Extraordinary General Meeting held in January 2019, and the net proceeds of $13,828,577 were received by the Group in January 2019. Also, in January 2019 the Group received $1,764,900 in net proceeds from a share purchase plan.

DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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.

Dr Michael Perry
Executive Director
Dated: 28 February 2019
Valencia, California, United States

Level 43, Central Park,
152-158 St Georges Terrace,
Perth WA 6000

Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

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 year ended 31 December 2018, 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

C A Becker
Partner – Audit & Assurance

Perth, 28 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	Consolidated	
		31 Dec 2018	31 Dec 2017
Continuing operations		**$**	**$**
Sale of goods	2	1,813,195	607,761
Cost of sales		(570,315)	(264,833)
Gross profit		**1,242,880**	**342,928**
BARDA income	2	5,009,137	3,856,716
Other income	2	103,626	37,595
Operating costs			
Sales and marketing expenses		(6,931,241)	(2,815,698)
Product development expenses		(7,080,042)	(5,058,518)
Corporate and administrative expenses		(6,865,250)	(2,873,511)
Share based payment expense		(1,043,694)	(726,856)
Finance costs		(14,807)	(13,253)
Total operating costs		(21,935,034)	(11,487,836)
Loss from continuing operations before income tax expense		**(15,579,391)**	**(7,250,597)**
Income tax expense		-	-
Loss for the period		**(15,579,391)**	**(7,250,597)**
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		1,374,144	(55,390)
Other comprehensive loss for the period, net of tax		**1,374,144**	**(55,390)**
Total other comprehensive loss for the period		(14,205,247)	(7,305,987)
Loss for the period attributable to owners of the parent		(15,579,391)	(7,250,597)
Total comprehensive loss attributable to owners of the parent		**(14,205,247)**	**(7,305,987)**
Earnings Per Share			
Basic and diluted loss per share from continuing operations		**(1.59) cents**	**(0.91) cents**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Consolidated	
		31 Dec 2018	30 Jun 2018
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		30,342,360	14,825,532
Trade and other receivables		2,536,923	5,437,357
Prepayments and other assets		931,431	855,716
Inventories		1,143,062	1,155,826
Total current assets		**34,953,776**	**22,274,431**
Non-current assets			
Plant and equipment		1,299,831	742,583
Intangible assets		93,775	-
Total non-current assets		**1,393,606**	**742,583**
TOTAL ASSETS		**36,347,382**	**23,017,014**
LIABILITIES			
Current liabilities			
Trade and other payables		4,483,406	3,487,582
Provisions		533,660	395,535
Total current liabilities		**5,017,066**	**3,883,117**
Finance lease		83,032	134,338
Total non-current liabilities		**83,032**	**134,338**
TOTAL LIABILITIES		**5,100,098**	**4,017,455**
NET ASSETS		**31,247,284**	**18,999,559**
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	6	188,210,306	162,801,028
Accumulated losses		(164,172,270)	(148,592,879)
Reserves		7,209,248	4,791,410
TOTAL EQUITY		**31,247,284**	**18,999,559**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Cash flows from operating activities		
Receipts from customers	1,204,802	367,933
BARDA receipts and other income received	6,104,306	3,676,182
Payments to suppliers and employees	(20,305,643)	(11,943,480)
Interest received	97,253	37,593
R&D tax refunds received	2,440,803	-
Interest paid	-	(13,253)
Net cash flows used in operating activities	**(10,458,479)**	**(7,875,025)**
Cash flows from investing activities		
Payments for plant & equipment	(722,472)	(63,672)
Net cash flows used in investing activities	**(722,472)**	**(63,672)**
Cash flows from financing activities		
Proceeds from issuance of shares	28,053,762	17,028,964
Capital raising expenses	(2,689,423)	(1,048,359)
Net cash flows provided by financing activities	**25,364,339**	**15,980,605**
Net increase in cash and cash equivalents	**14,183,388**	**8,041,908**
Cash and cash equivalents at beginning of period	14,825,532	3,790,491
Impact of foreign exchange	1,333,440	(55,390)
Cash and cash equivalents at end of period	**30,342,360**	**11,777,009**

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

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Cash at bank and in hand	29,084,452	1,403,330
Short-term deposits	1,257,908	10,373,679
Total Cash and Cash Equivalents	**30,342,360**	**11,777,009**

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

Consolidated	Note	Contributed equity	Accumulated losses	Share based payment reserve	Foreign currency translation Reserve	Total
		$	$	$	$	$
At 1 July 2018		**162,801,028**	**(148,592,879)**	**4,505,148**	**286,262**	**18,999,559**
Loss for the period		-	(15,579,391)	-	-	(15,579,391)
Other comprehensive income		-	-	-	1,374,144	1,374,144
Total comprehensive loss for the period		**-**	**(15,579,391)**	**-**	**1,374,144**	**(14,205,247)**
Transactions with owners in their capacity as owners						
Share based payments		-	-	1,043,694	-	1,043,694
New shares	6	28,098,701	-	-	-	28,098,701
Cost of share placement	6	(2,689,423)	-	-	-	(2,689,423)
Balance at 31 December 2018		**188,210,306**	**(164,172,270)**	**5,548,842**	**1,660,406**	**31,247,284**

Consolidated	Contributed equity	Accumulated losses	Share based payment reserve	Foreign currency translation Reserve	Total
	$	$	$	$	$
At 1 July 2017	**134,806,022**	**(132,218,352)**	**2,811,179**	**(277,017)**	**5,121,832**
Loss for the period	-	(7,250,597)	-	-	(7,250,597)
Other comprehensive income	-	-	-	(55,390)	(55,390)
Total comprehensive loss for the period	**-**	**(7,250,597)**	**-**	**(55,390)**	**(7,305,987)**
Transactions with owners in their capacity as owners					
Share based payments	-	-	726,855	-	726,855
New shares	17,028,964	-	-	-	17,028,964
Cost of share placement	(1,048,359)	-	-	-	(1,048,359)
Transfer of expired options	-	141,188	(141,188)	-	-
Balance at 31 December 2017	**150,786,627**	**(139,327,761)**	**3,396,846**	**(332,407)**	**14,523,305**

The accompanying notes form part of the financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of Preparation

This general purpose condensed financial report for the half-year ended 31 December 2018 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 2018 and considered together with any subsequent public announcements made by Avita Medical Limited in accordance with the continuous disclosure obligations of the *ASX listing rules*.

This financial report has been prepared on the going concern basis. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements. Certain items on the Consolidated Financial Statements and notes for the prior periods have been reclassified to conform to the current period presentation.

b) Changes in Accounting Policy

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 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

AASB 9 Financial Instruments
AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The adoption of this standard has no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

b) Changes in Accounting Policy (continued)

Revenue
Revenue is comprised mainly from funding from BARDA and from the sale of goods. To determine whether to recognise revenue, the Group follows a five-step process:
1. Identifying the contract with a customer,
2. Identifying the performance obligations,
3. Determining the transaction price,
4. Allocating the transaction price to the performance obligation,
5. Recognising revenue when performance obligation is satisfied.

Revenue from the sales of goods is recognised at a point in time, when the Group satisfies performance obligations by transferring the promised goods to its customers. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Accounting Standards issued but not yet effective and not been adopted early by the Group

AASB 16 Leases

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations,
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases,
- provides new guidance on the application of the definition of lease and on sale and lease back accounting,
- largely retains the existing lessor accounting requirements in AASB 117,
- requires new and different disclosures about leases.

A number of new and revised standards became effective for the first time to annual periods beginning on or after 1 January 2017. Information on the more significant standard is presented below.

Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular:
- lease assets and financial liabilities on the balance sheet will increase by $1,108,610 and $1,195,801 respectively (based on the facts at the date of the assessment),
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off-balance sheet leases will be presented as part of finance costs rather than being included in operating expenses,
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

c) Going Concern

These financial statements have been prepared on the basis of going concern, which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business. During the half-year ended 31 December 2018, the Group has generated a loss for the period of $15,579,391 (2017: $7,250,597) and the Group has used cash in operations of $10,458,479 (2017: $7,875,025).

The Group benefits from cash inflows from the series of BARDA contracts, the first of which was awarded to the Company in September 2015. These payments from BARDA offset costs from various activities undertaken to support the FDA regulatory approval process for RECELL in the U.S., preparation for the planned commercial launch of RECELL in the U.S., and RECELL clinical programs in the U.S. With the U.S. FDA approval of RECELL for the treatment of burns in September 2019, and the U.S. market launch of the product in January 2019, sales of goods are expected to be an increasing source of revenue in the future. Another anticipated source of revenue for the Company is the BARDA contract line item covering the initial purchase, delivery and storage of RECELL devices in the amount of US$7,594,620 (~A$10m).

The Group expects to be utilizing cash reserves until U.S. and international sales of its products reach the level to fund ongoing operations. The Group has historically funded its research and development activities, and more recently its substantial investment in sales and marketing activities, through raising capital by issuing securities in the Company, and it is expected that similar funding will be obtained to provide working capital if and when required. If the Group is unable to raise capital in the future, the Group may need to curtail expenditures by scaling back certain research and development or other programs.

As a result of the above, the directors are satisfied that there is sufficient working capital to support the committed research and development programs and other activities over the next 12 months and the Group has the ability to realize its assets and pay its liabilities and commitments in the normal course of business. Accordingly, the directors have prepared the financial report on a going concern basis.

2. REVENUE

	CONSOLIDATED	
	31 Dec 2018	31 Dec 2017
	$	$
Revenue		
Sale of goods	1,813,195	607,761
	1,813,195	**607,761**
Other Income		
BARDA income	5,009,137	3,856,716
Bank interest income	103,626	37,595
	5,112,763	**3,894,311**

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.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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, Europe and Americas including Canada. 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

The segment information provided to the Chief Executive Officer for the reportable segments for the half-year ended 31 December 2018 is as follows:

	Continuing Operations			
	Asia Pacific	***Europe***	***Americas***	***Total***
	$	***$***	***$***	***$***
Half-year ended 31 December 2018				
Revenue				
Sales to external customers	457,571	253,633	1,101,991	1,813,195
Total revenue per statement of profit of loss and other comprehensive income	**457,571**	**253,633**	**1,101,991**	**1,813,195**
Other Income	9,552	269	5,102,941	5,112,762
Segment net loss before tax	(626,901)	(593,225)	(11,948,943)	(13,169,069)
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(2,410,322)
Loss before income tax				**(15,579,391)**
Segment assets				
Segment operating assets	568,571	401,546	31,802,314	32,772,431
Unallocated assets				3,574,951
Total assets per the statement of financial position				**36,347,382**
Segment liabilities				
Segment operating liabilities	169,516	151,248	4,591,266	4,912,030
Unallocated liabilities				188,068
Total liabilities per the statement of financial position				**5,100,098**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

4. OPERATING SEGMENTS (CONTINUED)

	Continuing Operations			
	Asia Pacific ***$***	***Europe*** ***$***	***Americas*** ***$***	***Total*** ***$***
Half-year ended 31 December 2017				
Revenue				
Sales to external customers	344,367	263,394	-	607,761
Total revenue per statement of comprehensive income	**344,367**	**263,394**	**-**	**607,761**
Other Income	34,151	3,224	3,856,936	3,894,311
Segment net loss before tax	(688,840)	(1,325,927)	(3,098,175)	(5,112,942)
Reconciliation of segment net result before tax to loss before income tax				
Corporate charges				(2,137,655)
Loss before income tax				**(7,250,597)**
Segment assets				
Segment operating assets	327,350	692,388	4,077,021	5,096,759
Unallocated assets				11,419,478
Total assets per the statement of financial position				**16,516,237**
Segment liabilities				
Segment operating liabilities	119,882	192,630	1,526,727	1,839,239
Unallocated liabilities				153,693
Total liabilities per the statement of financial position				**1,992,932**

There was no material difference between the basis of segmentation and the measurement of segment result compared to the 30 June 2018 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 2018

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2018	30 Jun 2018
	$	$
Ordinary shares		
Issued and fully paid	188,210,306	162,801,028

Movement in ordinary shares on issue:	Number	$
At 1 July 2018	1,277,378,325	$162,801,028
Issue of shares	375,047,015	28,098,701
Capital raising costs	-	(2,689,423)
At 31 December 2018	**1,652,425,340**	**$188,210,306**

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the half-year is shown in the table below:

	2018	2017
	$	$
Expenses arising from equity-settled share-based payment transactions	1,043,694	726,855
Total expense arising from share-based payment transactions	**1,043,694**	**726,855**

(b) Option pricing model: ESOP and Investor

Equity-settled transactions

The fair value of the equity-settled share options granted under the ESOP is estimated at the date of grant using a Binomial Model taking into account the terms and conditions upon which the options were granted.

The options issued in the period have vesting criteria based on the following performance conditions:

- Tenure with the Group
- Revenue target
- FDA PMA approval of RECELL for burns
- Initial BARDA procurement under CLIN2 of the BARDA Contract
- US Quotation

i) On 1 November 2018, 2,000,000 options were granted to employee at an exercise price of $0.056 expiring on 1 November 2028.

The following table lists the inputs to the models used for the options granted to employee each year:

Grant date	1/11/2018
Share price at date of grant	$0.093
Dividend yield (%)	0%
Expected volatility (%)	90%
Risk-free interest rate (%)	2.65%
Expected life of option (days)	3,650
Option exercise price ($)	$0.056

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

6. CONTRIBUTED EQUITY (CONTINUED)

(b) Option pricing model: ESOP and Investor (continued)

This represents tranches 2, 12-15, the fair value at date of grant for each tranche is as follows:

Tranche 2	$0.0834
Tranche 12	$0.0607
Tranche 13	$0.0673
Tranche 14	$0.0715
Tranche 15	$0.0748

ii) On 1 November 2018, 12,700,000 options were granted to employees at an exercise price of $0.057 expiring on 1 November 2028.

The following table lists the inputs to the models used for the options granted to employees:

Grant date	1/11/2018
Share price at date of grant	$0.093
Dividend yield (%)	0%
Expected volatility (%)	90%
Risk-free interest rate (%)	2.65%
Expected life of option (days)	3,650
Option exercise price ($)	$0.057

This represents tranches 1, 4-11, 16-19, the fair value at date of grant for each tranche is as follows:

Tranche 1	$0.0834	Tranche 10	$0.0709
Tranche 4	$0.0593	Tranche 11	$0.0742
Tranche 5	$0.0662	Tranche 16	$0.0607
Tranche 6	$0.0709	Tranche 17	$0.0671
Tranche 7	$0.0742	Tranche 18	$0.0714
Tranche 8	$0.0593	Tranche 19	$0.0747
Tranche 9	$0.0662		

iii) On 1 November 2018, 3,000,000 options were granted to employees at an exercise price of $0.059 expiring on 1 November 2028.

The following table lists the inputs to the models used for the options granted to employees:

Grant date	1/11/2018
Share price at date of grant	$0.093
Dividend yield (%)	0%
Expected volatility (%)	90%
Risk-free interest rate (%)	2.65%
Expected life of option (days)	3,650
Option exercise price ($)	$0.059

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

6. CONTRIBUTED EQUITY (CONTINUED)

(b) Option pricing model: ESOP and Investor (continued)

This represents tranches 3, 20-23, the fair value at date of grant for each tranche is as follows:

Tranche 3	$0.0831
Tranche 20	$0.0604
Tranche 21	$0.0669
Tranche 22	$0.0712
Tranche 23	$0.0744

iv) On 1 November 2018, 17,200,000 options were granted to employees at an exercise price of $0.089 expiring on 1 November 2028.

The following table lists the inputs to the models used for the options granted to employees each year:

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	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	1/11/2018	1/11/2018	1/11/2018	1/11/2018
Share price at date of grant	$0.093	$0.093	$0.093	$0.093
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	90%	90%	90%	90%
Risk-free interest rate (%)	2.65%	2.65%	2.65%	2.65%
Expected life of option (days)	3,650	3,650	3,650	3,650
Fair value at date of grant	$0.0587	$0.0641	$0683	$0.0716
Option exercise price ($)	$0.089	$0.089	$0.089	$0.089

v) On 30 November 2018, 24,851,250 options were granted to employees at an exercise price of $0.082 expiring on 30 November 2028.

The following table lists the inputs to the models used for the options granted to employees each year:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	1/11/2018	1/11/2018	1/11/2018	1/11/2018
Share price at date of grant	$0.082	$0.082	$0.082	$0.082
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	90%	90%	90%	90%
Risk-free interest rate (%)	2.65%	2.65%	2.65%	2.65%
Expected life of option (days)	3,650	3,650	3,650	3,650
Fair value at date of grant	$0.0514	$0.0561	$0.0599	$0.0628
Option exercise price ($)	$0.082	$0.082	$0.082	$0.082

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. CONTRIBUTED EQUITY (CONTINUED)

(b) Option pricing model: ESOP and Investor (continued)

vi) On the 30 November 2018, 15,000,000 options were granted to Dr Michael Perry at an exercise price of $0.082 expiring on 20 November 2028 based on the following milestones:

1. Tenure – total of 7,499,999 options issued for immediate vesting and over the two-year period commencing 1 July 2017;
2. Company Share Price – total of 5,000,001 options issued but to vest in three equal tranches subject to the Volume Weighted Average Price (VWAP) of Company share price (as at close of trade on the ASX on relevant date) achieving multiples of 2x, 3x and 4x the Company's share price as at shareholder approval; and
3. Milestone performance – total of 2,500,000 options issued, but to vest upon the achievement of initial BARDA procurement under CLIN2 of the BARDA Contract.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	30/11/2018	30/11/2018	30/11/2018	30/11/2018
Share price at date of grant	$0.082	$0.082	$0.082	$0.082
Dividend yield (%)	0%	0%	0%	0%
Expected volatility (%)	90%	90%	90%	90%
Risk-free interest rate (%)	2.59%	2.59%	2.59%	2.59%
Expected life of option (days)	3,650	3,650	3,650	3,650
Fair value at date of grant	$0.049	$0.054	$0.048	$0.052
Option exercise price ($)	$0.082	$0.082	$0.082	$0.082

	Tranche 5	Tranche 6	Tranche 7
Grant date	30/11/2018	30/11/2018	30/11/2018
Share price at date of grant	$0.082	$0.082	$0.082
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	90%	90%	90%
Risk-free interest rate (%)	2.59%	2.59%	2.59%
Expected life of option (days)	3,650	3,650	3,650
Fair value at date of grant	$0.058	$0.071	$0.048
Option exercise price ($)	$0.082	$0.082	$0.082

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

7. RELATED PARTY DISCLOSURES

The total amount of transactions entered into with Key Management Personnel for the half-year ended 31 December 2018 were $51,802 Consultancy fees (2017: $124,156) 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 2018. There have been no new significant related party transactions during the interim period.

8. SUBSEQUENT EVENTS

During the six months ended 31 December 2018 the Group completed an institutional placement of shares to institutional placements of shares to U.S., Australian and international institutional and sophisticated investors. The institutional placement included a second tranche contingent upon shareholder approval. Shareholder approval for Tranche 2 was received at an Extraordinary General Meeting held in January 2019, and the net proceeds of $13,828,577 were received by the Group in January 2019. Also, in January 2019 the Group received $1,764,900 in net proceeds from a share purchase plan.

DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

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 2018 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

Dr Michael Perry
Executive Director
Dated: 28 February 2019
Valencia, California, United States

Level 43, Central Park,
152-158 St Georges Terrace,
Perth WA 6000

Correspondence to:
PO Box 7757
Cloisters Square
Perth WA 6850

T +61 8 9480 2000
F +61 8 9322 7787
E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Avita Medical Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Avita Medical Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Avita Medical Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company 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 internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with 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 Group's financial position as at 31 December 2018 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.

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 have complied with the independence requirements of the *Corporations Act 2001.*

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner – Audit & Assurance

Perth, 28 February 2019