

Appendix 4E

Preliminary Final Report
30 June 2018

AVITA MEDICAL LIMITED

ABN 28 058 466 523

Results for announcement to the market

	Movement	June 2018	June 2017
Financial Results		\$	\$
Sale of goods	Up 40%	1,652,161	1,180,632
Other revenue	Up 40%	9,719,400	6,951,714
Total comprehensive loss for the period	Up 34%	15,920,921	11,859,578
Net Loss from ordinary activities after tax attributable to members	Up 43%	16,484,200	11,511,024

Dividends	Amount per Ordinary Security	Franked amount per security
2017 interim dividend	Nil	Nil
2016 interim dividend	Nil	Nil

Record date for determining entitlements to interim dividends	N/A
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Net Tangible Asset Backing	June 2018	June 2017
Net tangible asset backing per ordinary security	\$0.0149	\$0.0080

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHEHSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Continuing operations			
Sale of goods	2	1,652,161	1,180,632
Cost of sales		(704,972)	(505,636)
Gross profit		947,189	674,996
Other revenue	2	9,719,400	6,951,714
Operating costs			
Operating and administrative expenses		(9,119,527)	(7,113,019)
Sales and marketing expenses		(8,936,440)	(5,201,761)
Clinical and research and development expenses		(8,653,448)	(6,271,194)
Share based payment expenses		(1,835,157)	(1,587,243)
Finance costs		(26,586)	(12,754)
Total operating costs		(28,571,158)	(20,185,971)
Loss from continuing operations before income tax benefit		(17,904,569)	(12,559,261)
Income tax benefit		1,420,369	1,048,237
Loss for the period		(16,484,200)	(11,511,024)
Other comprehensive income (loss)			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Foreign currency translation		563,279	(83,293)
Fair value gain on available for sale financial assets		-	(265,261)
Other comprehensive income (loss) for the period, net of tax		563,279	(348,554)
Total other comprehensive loss for the period		(15,920,921)	(11,859,578)
Loss for the period attributable to owners of the parent		(16,484,200)	(11,511,024)
Total comprehensive loss attributable to owners of the parent		(15,920,921)	(11,859,578)
Basic loss per share attributable to ordinary equity holders of the parent		(1.76) cents	(1.72) cents
Diluted loss per share attributable to ordinary equity holders of the parent		(1.76) cents	(1.72) cents

The accompanying notes form part of the consolidated financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents		14,825,532	3,790,491
Trade and other receivables	3	5,472,312	2,070,534
Prepayments and other assets		855,716	382,026
Inventories	4	1,155,826	1,037,490
Total Current Assets		22,309,386	7,280,541
Non-Current Assets			
Plant and equipment		742,583	387,380
Total Non-Current Assets		742,583	387,380
TOTAL ASSETS		23,051,969	7,667,921
LIABILITIES			
Current Liabilities			
Trade and other payables		3,487,582	2,363,734
Provisions		395,535	182,355
Total Current Liabilities		3,883,117	2,546,089
Long-Term Liabilities		134,338	-
TOTAL LIABILITIES		4,017,455	2,546,089
NET ASSETS		19,034,514	5,121,832
EQUITY			
Equity attributable to equity holders of the parent:			
Contributed equity	5	162,801,028	134,806,022
Accumulated losses		(148,557,924)	(132,218,352)
Reserves		4,791,410	2,534,162
TOTAL EQUITY		19,034,514	5,121,832

The accompanying notes form part of the consolidated financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(25,681,347)	(17,676,710)
Receipts from customers	1,582,345	1,207,943
Government grants received	-	13,200
R&D tax refund received	-	972,283
Interest received	65,656	123,709
Interest paid	(26,586)	(12,754)
BARDA income and other income received	7,687,908	6,814,805
Net cash flows used in operating activities	(16,372,024)	(8,557,524)
Cash flows from investing activities		
Payments for plant and equipment	(498,749)	(432,592)
Proceeds from the sale of financial assets	-	627,837
Net cash flows (used in)/provided by investing activities	(498,749)	195,245
Cash flows from financing activities		
Proceeds from issuance of shares and options	29,760,563	9,048,102
Capital raising expenses	(1,825,643)	(506,452)
Purchase of finance leased asset	-	(303,521)
Net cash flows provided by financing activities	27,934,920	8,238,129
Net increase/(decrease) in cash and cash equivalents	11,064,147	(124,150)
Cash and cash equivalents at beginning of period	3,790,491	4,171,879
Impact of foreign exchange	(29,106)	(257,238)
Cash and cash equivalents at end of period	14,825,532	3,790,491

The accompanying notes form part of the consolidated financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

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	-	(16,484,200)	-	-	(16,484,200)
Other comprehensive income					
Foreign currency translation	-	-	-	563,279	563,279
Total comprehensive loss for the year	-	(16,484,200)	-	563,279	(15,920,921)
<i>Transactions with owners in their capacity as owners</i>					
Expired options	-	141,188	(141,188)	-	-
Cancelled options	-	3,440	(31,832)	-	(28,392)
Share based payments	-	-	1,866,989	-	1,866,989
New shares	29,846,859	-	-	-	29,846,859
Cost of share placement	(1,851,853)	-	-	-	(1,851,853)
Balance at 30 June 2018	162,801,028	(148,557,924)	4,505,148	286,262	19,034,514

The accompanying notes form part of the consolidated financial statements.

AVITA MEDICAL LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

Consolidated	Contributed equity	Accumulated losses	Employee equity benefit reserve	Available for sale reserve	Foreign currency translation reserve	Total
	\$	\$	\$	\$	\$	\$
At 1 July 2016	126,264,372	(121,108,408)	1,625,016	265,261	(193,724)	6,852,517
Loss for the period	-	(11,511,024)	-	-	-	(11,511,024)
Other comprehensive income						
Foreign currency translation	-	-	-	-	(83,293)	(83,293)
MVP Shares	-	-	-	(265,261)	-	(265,261)
Total comprehensive loss for the year	-	(11,511,024)	-	(265,261)	(83,293)	(11,859,578)
<i>Transactions with owners in their capacity as owners</i>						
Expired options	-	401,080	(401,080)	-	-	-
Share based payments	-	-	1,587,243	-	-	1,587,243
New shares	9,048,102	-	-	-	-	9,048,102
Cost of share placement	(506,452)	-	-	-	-	(506,452)
Balance at 30 June 2017	134,806,022	(132,218,352)	2,811,179	-	(277,017)	5,121,832

The accompanying notes form part of the consolidated financial statements.

**AVITA MEDICAL LIMITED
NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

Avita Medical Limited (or “the Company”) is incorporated in Australia and is a for-profit entity for purposes of preparing the consolidated financial statements. The financial statements for the consolidated entity which consists of Avita Medical Limited and its subsidiaries (together referred to as the Group) for the year ended 30 June 2018 were authorized for issue by the Board of Directors on 30 August 2018.

The consolidated financial statements are general purpose consolidated financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001* of Australian Accounting Standards;
- include the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation;
- have been prepared on a historical cost basis, except for available-for-sale financial assets which have been measured at fair value;
- are measured and presented in Australian dollars which is ASX’s functional and presentation currency.

The preliminary 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 understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly this report is to be read in conjunction with the accompanying notes, the 2017 Annual Report, the 2017 Annual Financial Statements and any 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 the consolidated financial statements.

Commentary on the results for the period

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 Group’s patented and proprietary collection and application technology provides innovative treatment solutions derived from the regenerative properties of a patient’s own skin. The Group’s medical devices work by preparing a Regenerative Epidermal Suspension (RES™), an autologous suspension comprised of the patient’s own skin cells and wound healing factors that are necessary to regenerate natural healthy skin. This suspension is then applied to the area of the patient to be treated. Medical devices based on the RES technology are sold on a limited basis in certain regions of the world in which the products are approved for sale, and the Group has applied for regulatory approval to sell the RECELL® Device in the United States. A U.S. Premarket Approval (PMA) application for the treatment of burn injuries is currently under review by the U.S. Food and Drug Administration (FDA). AVITA Medical expects completion of the FDA review of the PMA during the third quarter of calendar 2018, followed by U.S. approval and market launch.

Sale of goods totaled \$1,652,161 for the year ended 30 June 2018, an increase of \$471,529 or 40% over the \$1,180,632 recognized during fiscal 2017. The largest increase in sale of goods occurred in Asia Pacific, but the Company also experienced an increase in every other region in which the Company sold its products. Gross margin for the years ended 30 June 2018 and 2017 were consistent at 57%.

Other revenue totaled \$9,719,400 for the year ended 30 June 2018, an increase of \$2,767,686 or 40% over the \$6,951,714 recognized during fiscal 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 \$9,650,783 was recognized during the year ended 30 June 2018 compared to income of \$6,606,980 for fiscal 2017. Funding provided by BARDA during the year ended 30 June 2018 focused primarily on support of the U.S. PMA application for the RECELL Device, the Continued Access and Compassionate Use programs which provide access to the RECELL Device for U.S. patients while the PMA is under review, and development of a health economic model by a major health

care information and technology provider to quantify the economic value of the RECELL Device versus standard of care for the treatment of severe burns.

As the result of investments in commercial, manufacturing, leadership and system capabilities in preparation for the planned U.S. launch of the RECELL Device and related research and development and corporate initiatives, operating expenses increased during the year ended 30 June 2018. Operating and administrative expenses totaled \$9,119,527 for the year ended 30 June 2018, an increase of \$2,006,508 or 28% over the \$7,113,019 recognized during fiscal 2017. Sales and marketing expenses totaled \$8,936,440, an increase of \$3,734,679 or 72% over the \$5,201,761 recognized during fiscal 2017. Clinical and research and development expenses totaled \$8,653,448 an increase of \$2,382,254 or 38% over the \$6,271,194 recognized during fiscal 2017. Total operating costs totaled \$28,571,158, an increase of \$8,385,187 or 42% over the \$20,185,971 recognized during fiscal 2017 and were in line with management expectations.

The net loss after tax benefit for the year ended 30 June 2018 was \$16,484,200, an increase of \$4,973,176 or 43% over \$11,511,024 recognized during fiscal 2017. 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 recognized during the year ended 30 June 2018. As the Company continues its preparations for the planned launch of the RECELL Device in the U.S., operating expenses are expected to rise in future periods and will be offset in part by revenues under the BARDA contract as well as from sale of goods.

During the year ended 30 June 2018, the net cash provided by the issuance of shares was \$27,934,920. Cash and cash equivalents held at 30 June 2018 was \$14,825,532. As described in Note 6, additional net proceeds of \$3.041 million from the issuance of shares were received by the Company subsequent to 30 June, 2018. Future cash requirement will be dependent upon the success of AVITA Medical's efforts to commercialize the RECELL Device, particularly in the U.S., and the timing and magnitude of clinical and other research and development programs the Company elects to undertake to expand its product pipeline. Until such time that the Company generates sufficient cash flow from operations, it expects to fund its future cash requirements through a combination of the issuance of shares and potentially debt financing.

AVITA MEDICAL LIMITED
 NOTES TO THE PRELIMINARY FINAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2018

2. REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

	2018 \$	2017 \$
(a) Revenue		
Sale of goods	1,652,161	1,180,632
(b) Other revenue		
BARDA income	9,650,783	6,606,980
Bank interest income	65,656	123,709
Contracts received	-	13,200
Other income	2,961	207,825
Total other revenue	9,719,400	6,951,714
Total revenue	11,371,561	8,132,346
(c) Employee benefits expense included in income statement		
Salaries and wages	8,057,869	6,143,458
Share-based expenses	1,835,157	1,587,243
Defined contribution superannuation expense	374,435	341,586
	10,267,461	8,072,287

3. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
Trade receivables	263,421	259,012
Allowance for doubtful debts	(23,452)	(88,859)
	239,969	170,153
R & D tax claim	2,469,385	1,048,634
BARDA and other receivables	2,762,958	851,747
Carrying amount of trade and other receivables	5,472,312	2,070,534

AVITA MEDICAL LIMITED
 NOTES TO THE PRELIMINARY FINAL REPORT
 FOR THE YEAR ENDED 30 JUNE 2018

4. CURRENT ASSETS - INVENTORIES

	Consolidated	
	2018	2017
	\$	\$
Raw materials and components (at cost)	778,947	804,052
Finished goods (at cost)	376,879	233,438
Total inventories at cost	1,155,826	1,037,490

5. CONTRIBUTED EQUITY

	2018	2017
	\$	\$
<i>Ordinary shares</i>		
Issued and fully paid	162,801,028	134,806,022
	162,801,028	134,806,022

<i>Movement in ordinary shares on issue</i>	Number of	\$
	shares	
At 1 July 2017	673,219,854	134,806,022
New shares	633,658,471	29,846,859
Cancelled shares	(29,500,000)	-
Capital issue costs	-	(1,851,853)
At 30 June 2018	1,277,378,325	162,801,028

**AVITA MEDICAL LIMITED
NOTES TO THE PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

6. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

During the year ended 30 June 2018 the Company completed an institutional placement of shares to international and Australian institutional and sophisticated investors. The institutional placement included a second tranche totaling \$3.250 million of gross proceeds, contingent upon shareholder approval. Shareholder approval for Tranche 2 was received at an Extraordinary General Meeting held on 23 July 2018, and the net proceeds of \$3.041 million were received by the Group on 26 July 2018.

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and IFRS.
- 2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
- 3 This report does give a true and fair view of the matters disclosed
- 4 This report is based on accounts to which one of the following applies.
(Tick one)
- | | | | |
|-------------------------------------|--|--------------------------|--|
| <input type="checkbox"/> | The accounts have been audited. | <input type="checkbox"/> | The accounts have been subject to review. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> | The accounts have <i>not</i> yet been audited or reviewed. |
- 5 The entity has a formally constituted audit committee.

Sign here:

Date: 30 August 2018

Dale Sander

Chief Financial Officer